City of Richmond Hill, Georgia

Financial Statements
And
Independent Auditors' Report

For the year ended December 31, 2011

CITY OF RICHMOND HILL, GEORGIA

TABLE OF CONTENTS

December 31, 2011

	PAGE
FINANCIAL SECTION	
Independent Auditors' Report	A - 1
Management's Discussion and Analysis	B - 1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	C - 1
Statement of Activities	C - 2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	C - 3
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	C - 4
Statement of Revenues, Expenditures, and Changes in Fund Balances	C - 5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C - 6
Proprietary Funds:	
Statement of Net Assets - Water and Sewer Enterprise Fund	C - 7
Statement of Revenues, Expenses and Changes in Fund Net Assets - Water and Sewer Enterprise Fund	C - 8
Statement of Cash Flows - Water and Sewer Enterprise Fund	C - 9
Notes to the Basic Financial Statements	C - 10
Required Supplementary Information Other Than MD&A	
Budgetary Comparison Schedule - General Fund	D - 1
Notes to Required Supplementary Information	D - 2
Combining Fund Financial Statements and Schedules and Other Supplementary Information:	
Non-major Governmental Funds:	
Combining Balance Sheet	E - 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E - 2
Budgetary Comparison Schedules - Non-major Governmental Funds:	
Confiscated Assets	E - 3
Hotel/Motel Tax	E - 4
City Center	E - 5
Discretely Presented Component Unit - Convention and Visitors' Bureau Authority	
Balance Sheet	E - 6
Statement of Revenues, Expenditures, and Changes in Fund Balances	E - 7
Budgetary Comparison Schedule	E - 8
State Mandated Information:	
Schedule of Projects Constructed with Special One Percent Sales Tax Proceeds	F - 1
Schedule of Required Expenditures Generated by the Hotel / Motel Tax	F - 2
Supplemental Reports:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	F - 3
Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	F - 5
Schedule of Expenditures of Federal Awards	F - 7
Schedule of Findings and Questioned Costs	F - 8

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

6600 ABERCORN STREET • SUITE 200 SAVANNAH, GEORGIA 31405

P.O. BOX 16149 SAVANNAH, GEORGIA 31416

912-232-0475 TEL 912-232-0478 FAX www.krtcpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 11, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Required Supplementary Information

The Management's Discussion and Analysis and the required supplementary information other than Management's Discussion and Analysis beginning on page B-1 and D-1, respectively, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Supplementary Data - Combining Fund Financial Statements and Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the City's basic financial statements. The supplementary data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kaup, Renning & Tindel, P.C.

June 11, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the financial performance of the City of Richmond Hill provides an overview of the City's financial activities for the calendar year ended December 31, 2011. 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 Assets 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

1 The City's assets exceeded its liabilities at December 31, 2011 by $38,871,430 (net assets). Of this amount, $8,279,805 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. The CVB component unit has a balance of $67,883 in net assets, which are restricted for tourism-related expenses.

2 The City's total net assets increased $1,474,576 from the previous year with a $623,963 increase resulting from governmental activities, and a $850,613 increase from business–type activities.

3 Key factors resulting in the increase in net assets include:

1) The net assets of governmental activities increased primarily the inclusion of the capital costs associated with the acceptance of infrastructure (subdivision drainage systems and streets) of $196,363. In addition, SPLOST distributions from the County in excess of SPLOST related expenses helped increase the level of net assets. Capital assets net of related debt were $14,433,938 at year end compared to $14,142,724 in 2010, an increase of $291,214.

2) The net assets of business-type activities increased primarily from the acceptance by the City of the water/sewer infrastructure donated by developers, construction grants and impact fees by a total of $1.7 million. Capital assets net of related debt grew by $374,038 in business-type activities. The City did have an impairment of an asset and recognized an expense of $525,138 for engineering services related to the design of a waste water treatment plant which was rejected by the State of Georgia's Environmental Protection Division.

- At December 31, 2011, the City's governmental funds balance sheet reports combined ending fund balances of $6,133,412, an increase of $385,973 over the previous calendar year. Of this amount, $4,116,320 remains in the general fund as unassigned. The City Center Fund ended the year with a fund balance of $106,294, an increase of $12,661 from 2010, attributed primarily to the excess of transfers-in in excess of operating expenditures and debt service. Transfers from SPLOST were used to cover debt service on the City Center. Transfers from hotel/motel tax fund and general fund were used to fund the operating costs during the second year of operation. $178,322 was transferred out of the general fund to assist in funding $621,970 in total expenditures for the center.

- The SPLOST capital projects fund had a fund balance of $1,893,635, an increase of $279,449 from a year ago. Revenues of $1,604,433 exceeded expenditures for various capital projects and debt service related to the capital leases. The Special Revenue Funds ended the year with a fund balance of $119,137. These remaining Non-Major Governmental Funds included a $12,843 fund balance in the Confiscated Assets Fund, and $106,294 in the City Center Fund. These fund balances are reported as restricted due to federal and state law imposed on the revenue sources.

- The General Fund reported an unassigned fund balance of $4,116,320 an increase over 2010 of $89,936. This occurred due to slightly increased revenue from property taxes and franchise fees. This increase occurred despite the transfers to the City Center fund of $178,322 cited above. In addition, the city incurred no new lease obligations in 2011 which is a first in many years. Repair and maintenance expenditures in public works for the city's vehicles and equipment caused a significant negative variance with budget. Other concerns are the ongoing gasoline expense hitting many departments and certain professional services. Most of the city departments had minimal negative variances with budget. The 2011 operating statement indicates a $70,049 excess of revenues over expenditures before debt service and transfers from the hotel/motel tax fund. The total fund balance increased by $94,256 in 2011. The nomenclature for the classifications changed in 2011, therefore $4,320 of the total amount is identified as nonspendable and $89,936 is added to the now titled unassigned fund balance for a total of $4,116,320 at December 31, 2011. The increase to the unassigned fund balance indicates solid financial performance in 2011 and diversified revenues for the City of Richmond Hill in an economy still slowly recovering from depressed levels the last few years. Building permits and construction improved in the residential sector which offset the commercial and industrial weakness. Real estate activity and the corresponding increase in overall revenue will hopefully continue to show progress in 2012 with the incentive program offered to commercial construction projects initiated between April 15, 2012 and April 15, 2013.

- Total long-term liabilities of the City were $10,931,706 at year-end, an increase of $273,125 from the previous calendar year. This was caused by the net increase of the GEFA construction loan advances over the principal reductions on city-wide debt. There was a decrease in government funds debt levels as leases were paid out, and no additional leases were obtained. The Water/Sewer Enterprise Fund had $658,266 in net higher debt in 2011 compared to 2010 due to the GEFA loan construction advances which were greater than principal reductions on existing debt as mentioned above.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The Statement of Net Assets 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 the City's net assets changed during the most recent calendar year. All changes in net assets 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 only 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, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Housing and Development, and interest on Long-Term Debt. Business-type activities in the City include water and sewer services (Water and Sewer Enterprise Fund).

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

Fund Financial Statements

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

Governmental funds- Governmental funds, presented on pages C-3 to C-6, essentially account for the same functions as those reported under the government-wide statement of net assets and statement of activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the calendar year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating the City's near-term financing requirements and available resources.

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

The City's fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City's governmental funds use the following accounting approach. 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 modified accrual, which measures cash and all other financial assets that can be readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's operations and the services it provides.

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

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

Notes to the Financial Statements - The notes provide additional information that are essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented on pages C-10 to C-34 of the report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements presented are for the calendar year ended December 31, 2011. The new '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 Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled $38.9 million at December 31, 2011.

The following table presents a summary of the City's Net Assets at December 31, 2011:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets	$ 6,739,589	$ 6,630,253	$ 6,804,244	$ 6,311,502	$ 13,543,833	$ 12,941,755
Capital assets, net	19,301,630	19,327,474	18,065,417	16,929,677	37,367,047	36,257,151
Total assets	26,041,219	25,957,727	24,869,661	23,241,179	50,910,880	49,198,906
Current liabilities	350,744	956,477	757,000	1,146,130	1,107,744	2,102,607
Noncurrent liabilities	4,988,359	4,923,097	5,943,347	4,776,348	10,931,706	9,699,445
Total liabilities	5,339,103	5,879,574	6,700,347	5,922,478	12,039,450	11,802,052
Net assets:						
Invested in capital assets, net of related debt	14,433,938	14,142,724	12,026,077	11,652,039	26,460,015	25,794,763
Restricted for:						
Capital projects	1,904,689	1,614,186	2,107,784	2,051,729	4,012,473	3,665,915
Other purposes	119,137	106,869	-	-	119,137	106,869
Unrestricted	4,244,352	4,214,374	4,035,453	3,614,933	8,279,805	7,829,307
Total net assets	$ 20,702,116	$20,078,153	$ 18,169,314	$ 17,318,701	$ 38,871,430	$ 37,396,854

The largest portion of the City's net assets (68%) 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 the 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 assets (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 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 assets.

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

Changes in net assets

The following table presents a summary of the changes in net assets for the calendar year ended December 31, 2011:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 1,491,350	$ 1,522,967	$ 2,514,585	$ 2,078,805	$ 4,005,935	$ 3,601,772
Operating grants and contributions	16,010	-	-	-	16,010	-
Capital grants and contributions	1,769,540	7,951,896	1,680,714	7,804,994	3,450,254	15,756,890
General revenues:						
Property taxes	2,108,604	2,204,131	-	-	2,108,604	2,204,131
Sales taxes	1,741,193	1,700,390	-	-	1,741,193	1,700,390
Other taxes	2,163,343	2,048,972	-	-	2,163,343	2,048,972
Grants and contributions not restricted to specific programs	24,907	-	-	-	24,907	-
Unrestricted investment earnings	14,628	20,036	146,454	106,792	161,082	126,828
Miscellaneous	76,090	39,313	-	1,496	76,090	40,809
Total revenues	9,405,665	15,487,705	4,341,753	9,992,087	13,747,418	25,479,792
Expenses:						-
General government	1,006,000	939,268	-	-	1,006,000	939,268
Judiciary	38,129	39,124	-	-	38,129	39,124
Public safety	3,492,366	3,459,853	-	-	3,492,366	3,459,853
Public works	2,478,168	2,211,075	-	-	2,478,168	2,211,075
Culture and recreation	414,145	427,445	-	-	414,145	427,445
Housing and development	1,121,063	1,891,435	-	-	1,121,063	1,891,435
Interest on long-term debt	231,831	246,132	-	-	231,831	246,132
Water and sewer	-	-	3,491,140	3,323,367	3,491,140	3,323,367
Total expenses	8,781,702	9,214,332	3,491,140	3,323,367	12,272,842	12,537,699
Change in net assets	623,963	6,273,373	850,613	6,668,720	1,474,576	12,942,093
Net assets-beginning	20,078,153	13,804,780	17,318,701	10,649,981	37,396,854	24,454,761
Net assets-ending	$ 20,702,116	$ 20,078,153	$ 18,169,314	$17,318,701	$38,871,430	$37,396,854

Approximately 22.4% of the City's governmental activities revenue came from property taxes, while 15.9% of governmental activity revenue was generated from charges for various goods and services. Sales taxes provided 18.5% of governmental activity revenues, an increase from roughly 11% of revenues in 2010, although the dollar collected remained steady at about $1.74 million.

The City had $6 million in lower infrastructure contributions in 2011 from developers than in 2010 which should be taken into account as well. The City is blessed to have a strong, diversified revenue base, without significant concentration in one area, in a challenging revenue environment. The City's expenses cover a range of services. The largest expenses were for public safety, public works, housing and development, 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 revenue, and capital projects. The General Fund and SPLOST are the City's major funds. As of December 31, 2011, the City's governmental funds reported combined fund balances of $6,133,412 an increase of $385,973 over the prior years' balance. The restricted fund balance totals $2,012,772 and represents funds set aside for capital projects and specific revenue related projects.

General Fund:

The general fund is the chief operating fund of the city. At December 31, 2011, the total fund balance in the general fund was $4,120,640, an increase of $94,256 from 2010. There is $4,320 designated as unspendable fund balance in the general fund, leaving the general fund unassigned fund balance at $4,116,320.

Proprietary Funds:

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

At December 31, 2011, total net assets amounted to $18,169,314 for the enterprise fund as compared to $17,318,701 at December 31, 2010. The change in net assets (an increase of $850,613) resulted primarily from the donation of water/sewer infrastructure and connection fees. The fund continues to show a loss from operations however, and management has addressed the need to raise water/sewer base rates, and high user volume charges.

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

CAPITAL ASSETS

The Statement of Capital Assets present 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, 2011, the City's capital assets for both governmental activities and business-type activities totaled $37,367,047. Capital assets, includes assets purchased and donated, land, buildings, system improvements and machinery and equipment. Capital Assets increased $1,109,896 or 3.1% between calendar year 2011 and 2010. This was primarily related to the acceptance of drainage systems, streets infrastructure and water/sewer systems for subdivisions donated by developers during the year, as well as the GEFA construction advances for the preliminary portion of the wastewater treatment plant expansion.

Additional information on the City's capital assets can be found in Note 2. Section C. on page C-21.

DEBT ADMINISTRATION

The long-term liabilities at December 31, 2011 totaled $10,931,706. Of this amount, $5,943,347 relates to the business-type activities and $4,988,359 relates to the government-type activities.

Debt of the business type activities increased $658,266 from December 31, 2011 levels. The net increase resulted from the difference of the additional construction loan advances that exceeded the principal balance reductions on GEFA loans and from principal reductions on the Revenue Bond debt. Additional information on the City's debt can be found in Note 2. Section G. on pages C-24 to C-27.

BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund is provided as required supplementary information other than MD&A and can be found on pages D-1 and D-2. Additional budgetary comparison schedules of the special revenue funds can be found within other supplementary information found on pages E-3 to E-5. Budget columns are provided for both the original budget adopted for calendar year 2011 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. Budget amendments are approved throughout the year to more accurately reflect the ongoing changes and to abide by state laws. The original budget was adopted on January 3, 2012. The total revenues actually recorded for this calendar year was $7,454,217 which is $23,717 greater than the final budgeted revenues, and $94,256 over actual expenditures. Property taxes and franchise taxes exceeded budget by $286,830 due to increased collections of past due taxes and the increase in the electric franchise taxes.

Individual major category variances in resources and explanations are as follows:

1) Investment income was $11,154 below budget due to the low rates paid on our deposits, and lower cash levels.

2) Fines and forfeitures were $96,975 below than budget due to reduced collections in this area.

3) Transfers in were $17,471 lower due to reduced Hotel/Motel taxes received than budgeted.

The total charges to appropriations actually recorded for the calendar year were $7,359,961. This amount is $70,539 less than the final budgeted figure of $7,430,500. The only significant department overages concerned charges to professional services, and repairs and maintenance pertaining to the Streets Department along with General Fund transfers to the City Center Fund previously mentioned.

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

The City adopted a conservative general fund budget of $7.2 million for calendar year 2011. The City will continually look for new ways in the future to reduce the reliance on one-time revenue sources. It is expected that in 2012 general fund revenues should increase marginally with slight growth in property taxes and sales taxes. Real estate development is needed in the commercial and industrial sectors to complement the residential increases of late. The tax digest is estimated to be roughly the same in 2012, with a chance for a small increase if the existing home values stabilize. The overall revenue picture is enhanced by Richmond Hill's diversified revenue base mentioned earlier in the MD&A. The City of Richmond Hill has many positives in place for economic development, despite the weak economic recovery.

The water and sewer enterprise fund could also be adversely affected again in 2011 if commercial activity is slow to occur, and the economic conditions deteriorate. The incentive program relating to the commercial connection charge waiver will hopefully stimulate new construction activity in the latter half of 2012 and early 2013. Management believes that the potential challenges to the fiscal health of Richmond Hill can be met by controlling spending on a city-wide basis. In addition, revenue will be raised in the Water/Sewer Enterprise Fund by increased base charges and by reviewing usage charges to higher volume customers. The costs associated with maintaining our existing treatment plant continue to increase, and plans are under way to address the wastewater issues in the Enterprise Fund, and achieve an operating profit.

Richmond Hill has been able to maintain the same millage rate the past several years by carefully monitoring spending and having a diversified revenue base. The tax digest anticipated for 2012 will likely show only a very modest rise if any, thus expenditures will be examined closely. In summary, the strong financial reserves built by the City in the past will help us to absorb the current challenging revenue environment combined with prudent financial management.

REQUESTS FOR INFORMATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total	Convention and Visitors' Bureau - Component Unit
ASSETS				
Cash and investments	$ 4,186,419	$ 3,210,907	$ 7,397,326	$ 39,155
Receivables	2,347,422	647,936	2,995,358	20,155
Prepaid	4,320	-	4,320	9,885
Deferred charges	65,993	-	65,993	
Restricted assets				
Cash and investments	135,435	2,357,735	2,493,170	-
Long-term note receivables	-	587,666	587,666	-
Capital assets				
Land, improvements, and construction in progress	1,191,981	2,844,274	4,036,255	-
Other capital assets, net of depreciation	18,109,649	15,221,143	33,330,792	-
Total assets	26,041,219	24,869,661	50,910,880	69,195
LIABILITIES				
Accounts payable	290,748	726,898	1,017,646	-
Accrued liabilities	55,445	30,102	85,547	-
Unearned revenue	4,551	-	4,551	-
Long-term liabilities				
Due within one year	397,408	458,367	855,775	695
Due in more than one year	4,590,951	5,484,980	10,075,931	617
Total liabilities	5,339,103	6,700,347	12,039,450	1,312
NET ASSETS				
Invested in capital assets, net of related debt	14,433,938	12,026,077	26,460,015	-
Restricted for:				
Capital projects	1,904,689	2,107,784	4,012,473	-
Other purposes	119,137	-	119,137	67,883
Unrestricted	4,244,352	4,035,453	8,279,805	-
Total net assets	$ 20,702,116	$ 18,169,314	$ 38,871,430	$ 67,883

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

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Discretely Presented Component Unit
Primary government								
Governmental Activities								
General Government	$ 1,006,000	$ 600	$ -	$ -	$ (1,005,400)		$ (1,005,400)	
Juduciary	38,129	-	-	-	(38,129)		(38,129)	
Public Safety	3,492,366	599,752	-	-	(2,892,614)		(2,892,614)	
Public Works	2,478,168	605,401	-	1,769,540	(103,227)		(103,227)	
Culture and Recreation	414,145	47,715	16,010	-	(350,420)		(350,420)	
Housing and Development	1,121,063	237,882	-	-	(883,181)		(883,181)	
Interest on Long-term debt	231,831	-	-	-	(231,831)		(231,831)	
Total governmental activities	8,781,702	1,491,350	16,010	1,769,540	(5,504,802)		(5,504,802)	
Business-type activities:								
Water & Sewer	3,491,140	2,514,585	-	1,680,714	-	$ 704,159	704,159	
Total business-type activities	3,491,140	2,514,585	-	1,680,714	-	704,159	704,159	
Total	$ 12,272,842	$ 4,005,935	$ 16,010	$ 3,450,254	(5,504,802)	704,159	(4,800,643)	
Component Unit								
Richmond Hill Convention and Visitors' Bureau	$ 144,122	$ -	$ 136,786	$ -				$ (7,336)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					2,108,604	-	2,108,604	
Sales taxes for general purposes					1,741,193	-	1,741,193	
Selective taxes					733,405	-	733,405	
Other taxes					1,429,938	-	1,429,938	
Grants and contributions not restricted to specific programs					24,907	-	24,907	
Unrestricted investment earnings					14,628	146,454	161,082	1,510
Miscellaneous					76,090	-	76,090	266
Total general revenues					6,128,765	146,454	6,275,219	1,776
Change in net assets					623,963	850,613	1,474,576	(5,560)
Net assets - beginning					20,078,153	17,318,701	37,396,854	73,443
Net assets - ending					$ 20,702,116	$ 18,169,314	$ 38,871,430	$ 67,883

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

FUND FINANCIAL STATEMENTS

CITY OF RICHMOND HILL, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,254,145	$ 1,805,406	$ 126,868	$ 4,186,419
Receivables	2,199,994	118,429	28,999	2,347,422
Due from other funds	12,426	-	20,161	32,587
Prepaid expenses	4,320	-	-	4,320
Restricted cash	135,435	-	-	135,435
Total assets	$ 4,606,320	$ 1,923,835	$ 176,028	$ 6,706,183
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 240,795	$ 29,798	$ 20,155	$ 290,748
Due to other funds	-	-	32,587	32,587
Deferred revenue	244,885	402	4,149	249,436
Total liabilities	485,680	30,200	56,891	572,771
Fund balances:				
Nonspendable	4,320	-	-	4,320
Restricted	-	1,893,635	119,137	2,012,772
Unassigned	4,116,320	-	-	4,116,320
Total fund balances	4,120,640	1,893,635	119,137	6,133,412
Total liabilities and fund balances	$ 4,606,320	$ 1,923,835	$ 176,028	$ 6,706,183

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

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2011

Total fund balance, governmental funds	$	6,133,412
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		19,301,630
Bond issuance costs are reported as expenditures in the governmental funds but deferred in the governmental activities of the Statement of Net Assets.		65,993
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		244,885
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		(4,988,359)
Accrued interest not reflected on Governmental funds		(55,445)
Net Assets of Governmental Activities in the Statement of Net Assets	$	20,702,116

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 5,726,830	$ -	$ 472,646	$ 6,199,476
Licenses and permits	237,882	-	-	237,882
Intergovernmental	14,710	1,567,104	-	1,581,814
Charges for services	653,716	-	-	653,716
Fines and forfeitures	596,025	-	3,727	599,752
Investment	12,846	30,996	1,766	45,608
Miscellaneous	9,679	6,333	19	16,031
Total revenues	7,251,688	1,604,433	478,158	9,334,279
EXPENDITURES				
Current:				
General government	971,592	-	-	971,592
Judicial	38,129	-	-	38,129
Public Safety	3,229,227	-	4,150	3,233,377
Public Works	1,887,272	-	-	1,887,272
Culture and recreation	334,790	-	-	334,790
Housing and Development	523,184	-	437,518	960,702
Capital outlay		899,019	-	899,019
Debt Service:				
Principal	149,296	101,096	137,532	387,924
Interest and other charges	48,149	5,397	181,955	235,501
Total expenditures	7,181,639	1,005,512	761,155	8,948,306
Excess (deficiency) of revenues over expenditures	70,049	598,921	(282,997)	385,973
OTHER FINANCING SOURCES (USES)				
Transfers in	202,529	-	632,876	835,405
Transfers out	(178,322)	(319,472)	(337,611)	(835,405)
Total other financing sources and uses	24,207	(319,472)	295,265	-
Net change in fund balances	94,256	279,449	12,268	385,973
Fund balances - beginning	4,026,384	1,614,186	106,869	5,747,439
Fund balances - ending	$ 4,120,640	$ 1,893,635	$ 119,137	$ 6,133,412

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

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds:	$	385,973
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays $805,649 exceeded depreciation $831,493 in the current period.		(25,844)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		(124,977)
Bond issuance costs are reported as expenditures in the governmental funds but deferred and amortized in the governmental activities Statement of Activities.		(3,666)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.		387,924
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Accrued interest not reflected on Governmental funds		7,336
Compensated absences		(2,783)
Change in net assets of governmental activities	$	623,963

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF NET ASSETS
WATER AND SEWER ENTERPRISE FUND

DECEMBER 31, 2011

ASSETS		
Current assets:		
Cash and investments	$	3,210,907
Receivables		647,936
Restricted cash and investments		2,357,735
Total current assets		6,216,578
Non-current assets:		
Long-term receivable		587,666
Capital Assets:		
Land, improvements, and construction in progress		2,844,274
Other capital assets, net of depreciation		15,221,143
Total non-current assets		18,653,083
Total assets		24,869,661
LIABILITIES		
Current Liabilities:		
Accounts payable		476,947
Accrued liabilities		30,102
Current portion of long-term debt		44,706
Payable from restricted assets:		
Customers' deposits		249,951
Current portion of long-term debt		413,661
Total current liabilities		1,215,367
Non-current liabilities:		
Bonds, notes and loans payable		5,484,980
Total non-current liabilities		5,484,980
Total liabilities		6,700,347
NET ASSETS		
Invested in capital assets, net of related debt		12,026,077
Restricted for capital projects		2,107,784
Unrestricted		4,035,453
Total net assets	$	18,169,314

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

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WATER AND SEWER ENTERPRISE FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

Operating Revenues	
Charges for services	$ 2,514,585
Total operating revenues	2,514,585
Operating Expenses	
Cost of sales and services	2,761,251
Depreciation	542,950
Total Operating Expenses	3,304,201
Operating income (loss)	(789,616)
Nonoperating revenues (expenses)	
Investment income	146,454
Interest expense	(186,939)
Total non-operating revenue (expenses)	(40,485)
Income (loss) before transfers	(830,101)
Capital contributions	1,680,714
Change in net assets	850,613
Total net assets - beginning	17,318,701
Total net assets - ending	$ 18,169,314

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

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

Cash flows from operating activities:		
Cash received from customers	$	2,483,405
Cash payments to suppliers for goods and services		(2,364,919)
Cash payments to employees for services		(189,526)
Net cash provided (used) by operating activities		(71,040)
Cash flows from capital and related financing activities:		
Capital contributions		1,512,729
Proceeds from debt		751,549
Acquisitions and construction of capital assets		(1,405,832)
Principal payments on debt		(474,580)
Interest payments on debt		(191,630)
Net cash (used) by capital and related financing activities		192,236
Cash flows from investing activities:		
Interest earned on cash and investments		146,454
Net cash provided (used) by investing activities		146,454
Net increase (decrease) in cash and cash equivalents		267,650
Cash and cash equivalents, beginning of year		5,300,992
Cash and cash equivalents, end of year	$	5,568,642
Operating income (loss)	$	(789,616)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		542,950
Change in assets and liabilities:		
Decrease (increase) in other/accounts receivables		(41,630)
(Decrease) Increase in accounts payable and accrued liabilities		206,806
(Decrease) increase in customer deposits		10,450
Total adjustments		718,576
Net cash provided (used) by operating activities	$	(71,040)

Noncash Capital and Related Financing Activities:

1. During the year, the water and sewer fund accepted infrasturcture assets from developers in the amount of $167,985.

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF RICHMOND HILL
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

NOTE 3. OTHER INFORMATION

A. Employee Pension Plan
B. Risk Management
C. Commitments and Contingencies
D. Subsequent Events

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

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

Membership in Coastal Regional Commission

Under Georgia law, the City is a member of the Coastal Regional Commission and is required to pay annual dues thereto. During its year ended December 31, 2011, the City paid $7,240 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership of 37 is as follows: Bryan - 3, Bulloch - 5, Camden - 4, Chatham – 5, Effingham - 4, Glynn - 5, Liberty - 5, Long - 3 and McIntosh - 3. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Management believes that the RDC is currently accumulating sufficient financial resources to meet its financial obligations. Separate financial statements may be obtained from:

Coastal Regional Commission
127 F Street
Brunswick, Georgia 31520

B. Basis of Presentation

Government-wide Financial Statements

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

The City's net assets are reported in three categories: invested in capital assets – net of related debt; restricted net assets; and unrestricted net assets.

The caption "Capital assets, net of related debt" consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

Fund Financial Statements

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

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

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

Governmental Funds

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

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

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

Proprietary Fund

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

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

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

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

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

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

D. Assets, Liabilities and Equity

1. Cash and Investments

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

2. Receivables and Payables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual. Unavailable property taxes totaling $369,862 have been deferred in the fund financial statements. In accordance with the accrual basis of accounting for government-wide financial statements, $4,551 is recorded as unearned revenue for funds received in advance. Accounts receivable comprise the majority of proprietary fund receivables.

Trade receivables are shown net of an allowance for uncollectibles. The water and sewer enterprise fund allowance for uncollectibles is $100,000 at December 31, 2011.

Property taxes are assessed as of January 1 and taxes were levied on September 13, 2011. Tax bills were rendered on October 12, 2011 and are considered past due 60 days after the

tax billing date at which time the applicable property is subject to lien and interest is assessed. Penalties are assessed 90 days after the due date (the date interest is assessed).

3. Inventories and Prepaid Items

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

4. Restricted Assets

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

5. Capital Assets

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

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

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

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

6. Compensated Absences

The City's policy is to permit employees to accumulate vacation leave, based on years of service, from 0 to 15 days per year. Vacation leave can be carried over only to the next year. Any additional vacation leave carried over in excess of one year can be used for credit towards retirement; however, this leave time will not be paid to the employee if employment is terminated. Each permanent employee accumulates 6 to 12 days personal leave per year. Employees may accumulate up to 240 hours and be paid if employment is terminated. Vacation pay and personal leave is accrued when incurred in the proprietary funds and reported as a fund liability. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

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

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

8. Equity Classifications

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

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

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

c. Unrestricted net assets consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

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

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

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

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

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

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

E. Revenues, Expenditures and Expenses

1. Operating and Non-operating Revenues and Expenses

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

2. Expenditures/Expenses

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

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

3. Interfund Transactions

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

4. Use of Estimates

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

NOTE 2. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

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

Deposits:
Custodial Credit Risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. At December 31, 2011 all of the City's deposits were either covered by federal depository insurance, a line of credit or collateralized by pledged collateral.

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

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

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

Investments:
In its investment of public funds, the City follows state statutes and adopted investment policies. As of December 31, 2011 the investments of the City were:

Investment	Average Credit Rating	Fair Value	Average Maturity (Days)
Georgia Fund 1	AAAm	$ 689,284	48

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

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

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

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

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

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

Basic financial statements:	
Cash and investments	$ 7,397,326
Restricted cash	2,493,170
Total	$ 9,890,496
Carrying Value:	
Deposits	$ 9,201,212
Investments	689,284
Total	$ 9,890,496

B. Accounts Receivable

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

Receivables:	Taxes	Intergovern-mental	Accounts Receivable	Gross Receivables	Less: Allowance for uncollectables	Net Receivables
General	$ 464,175	$ 1,153,964	$ 692,574	$ 2,310,713	$ (110,719)	$ 2,199,994
Conference Center	-	-	-	-	-	-
SPLOST		118,429		118,429		118,429
Non-major governmental	-	-	28,999	28,999	-	28,999
Water and Sewer	-	25,206	722,730	747,936	(100,000)	647,936
Total	$ 464,175	$ 1,297,599	$ 1,444,303	$ 3,206,077	$ (210,719)	$ 2,995,358

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

C. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 1,191,981	$ -	$ -	$ 1,191,981
Construction in Progress	443,752	187,771	631,523	-
Depreciable Assets:				
Buildings and Improvements	8,498,213	-	-	8,498,213
Infrastructure and other structures	10,054,643	899,004	-	10,953,647
Machinery, Equipment & Vehicles	4,205,535	350,398	145,115	4,410,818
	24,394,124	1,437,173	776,638	25,054,659
Accumulated Depreciation:				
Buildings and Improvements	(1,288,969)	(226,110)	-	(1,515,079)
Infrastructure and other structures	(524,517)	(286,224)	-	(810,741)
Machinery, Equipment & Vehicles	(3,253,165)	(319,159)	(145,115)	(3,427,209)
	(5,066,651)	(831,493)	(145,115)	(5,753,029)
Total Governmental Activities	19,327,473	605,680	631,523	19,301,630
Business-Type Activities:				
Non-Depreciable Assets:				
Land	1,100,329	-	-	1,100,329
Construction in Progress	304,365	1,797,080	357,500	1,743,945
Depreciable Assets:				
Utility Plant and Equipment	19,889,250	167,985	-	20,057,235
Buildings	124,464	-	-	124,464
Machinery, Equipment & Vehicles	572,524	71,125	-	643,649
	21,990,932	2,036,190	357,500	23,669,622
Accumulated Depreciation:				
Utility Plant and Equipment	(4,563,008)	(477,009)	-	(5,040,017)
Buildings	(84,877)	(7,918)	-	(92,795)
Machinery, Equipment & Vehicles	(413,370)	(58,023)	-	(471,393)
	(5,061,255)	(542,950)	-	(5,604,205)
Total Business-Type Activities	16,929,677	1,493,240	357,500	18,065,417
Total Capital Assets	$ 36,257,150	$ 2,098,920	$ 989,023	$ 37,367,047

Depreciation expense was charged to governmental activities as follows:

General Government	$ 43,017
Public Safety	258,989
Public Works	289,771
Culture and Recreation	79,355
Development	160,361
Total depreciation	$ 831,493

The City did have an impairment of an asset and recognized an expense of $525,138 for engineering services related to the design of a waste water treatment plant which was rejected by the State of Georgia's Environmental Protection Division.

D. Interfund Transactions and Balances

Interfund receivable and payable balances at December 31, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
General	Non-major governmental	$ 12,426
Non-major governmental	Non-major governmental	20,161
	Total fund financial statements	$ 32,587

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

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

Transfer from	Transfer to	Amount
General	Non-major govenmental	$ 178,322
SPLOST	Non-major govenmental	319,472
Non-major govenmental	General	202,529
Non-major govenmental	Non-major govenmental	135,082
	Total fund financial statements	$ 835,405

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

E. Long-term receivables

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

The following is the repayment schedule:

Year	Principal	Interest	Total
2012	$ 25,206	$ 24,898	$ 50,104
2013	26,269	23,835	50,104
2014	27,378	22,726	50,104
2015	28,533	21,571	50,104
2016	29,737	20,367	50,104
2017-2021	168,600	81,920	250,520
2022-2026	207,302	43,221	250,523
2027-2029	99,847	4,540	104,387
Total Intergovernmental Receivable	612,872	$ 243,078	$ 855,950
Less: Current Portion	(25,206)		
Long-term Intergovernmental Receivable	$ 587,666		

F. Leases

Capital Leases: The City has entered into lease agreements as lessee for financing the acquisition of land, buildings, vehicles, and other equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, the assets have been recorded at the present value of the future minimum lease payments as of the inception date in the general capital assets.

The assets acquired through capital leases are as follows:

Asset Class	Governmental Activities
Machinery and equipment	$ 2,022,794
Less: accumulated depreciation	(704,436)
Total	$ 1,318,358

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ending December 31	Governmental Activities
2012	$ 233,030
2013	181,722
2014	174,620
2015	174,621
2016	153,956
2017	66,077
Total minimum lease paymets	984,026
Less: amount representing interest	196,075
Present value of minimum lease payments	$ 787,951

G. Long-term Liabilities

Changes in Long-term Liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	$ 117,884	$ 119,104	$ 116,321	$ 120,667	$ 63,954
Contractual obligation	4,163,727	-	137,562	4,026,165	143,789
Capital leases	1,091,889	-	250,362	841,527	189,665
Total Governmental Activities	$ 5,373,500	$ 119,104	$ 504,245	$ 4,988,359	$ 397,408
Business-Type Activities:					
Compensated absences	$ 7,443	$ 8,418	$ 6,981	$ 8,880	$ 4,706
Revenue bonds	108,000	-	40,000	68,000	40,000
GEFA loans	5,162,966	1,132,846	429,345	5,866,467	413,661
Capital leases	6,672	-	6,672	-	-
Total Business-Type Activities	$ 5,285,081	$ 1,141,264	$ 482,998	$ 5,943,347	$ 458,367

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

Governmental Activities:

Contractual Obligations: In 2009, the City entered into a contractual obligation with the Richmond Hill Area Convention and Visitors Bureau Authority (Authority), a discretely presented component unit of the City, related to the Richmond Hill Area Convention and Visitors Bureau Authority Revenue Bond (City Center Project), Series 2009 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 $4,230,000 at a rate of 4.375 percent and maturity of 20 years. The bond can be drawn down within the first twelve months of the bond in increments of $250,000. The bonds are subject to a maturity of 132 months (12 month construction period and a callable feature at year 10 of the permanent financing). The 2009 bonds were used for the purposes of providing the funds required to construct and equip the City Center and pay the issuance costs related to the bonds.

The bond debt service requirements based on the amount drawn of $4,230,000 are as follows:

Year	Principal	Interest	Total
2012	$ 143,789	$ 175,683	$ 319,472
2013	150,299	169,173	319,472
2014	157,103	162,369	319,472
2015	164,215	155,257	319,472
2015	171,649	147,823	319,472
2017-2021	982,084	615,277	1,597,361
2022-2026	1,225,440	371,920	1,597,360
2027-2030	1,031,586	83,818	1,115,404
Total	$ 4,026,165	$ 1,881,320	$ 5,907,485

Business-Type Activities:

Revenue Bonds: The resolutions under which the bond series were issued provide that principal and interest are to be paid solely from the revenues of the system, which are pledged for that purpose. The City is required to accumulate and maintain a debt service reserve of $42,000. This reserve totaled $69,095 at December 31, 2011. Then the City is required to transfer funds to the Renewal and Extension Fund to maintain a balance of $10,000. As of December 31, 2011, the Renewal and Extension Fund totaled $16,719. The bonds outstanding at year end are as follows:

Purpose	Original Issue	Interest Rate	Bond Payable
FHA sewer bonds	$ 480,000	5%	$ 56,000
FHA water bonds	200,000	5%	12,000
Total bonds			68,000
Less: current portion			40,000
Total long-term debt			$ 28,000

Revenue bonds debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2012	$ 40,000	$ 3,400	$ 43,400
2013	28,000	1,400	29,400
Total	$ 68,000	$ 4,800	$ 72,800

Georgia Environmental Facilities Authority (GEFA) Loans: The City has obtained four 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 one loan still in the construction phase. The Pump Station Rehabilitation and Energy Efficiency Upgrades and the Force Main Replacement loan has a total project amount of $2,933,041. Of this amount, $2,245,541 is the loan portion and $687,500 is the grant portion. The City has expended $1,479,681 on the project of which $1,132,846 is the construction loan amount. The loans outstanding at year end are as follows:

Purpose	Original Issue	Interest Rate	Loan Payable
GEFA-Water and Sewer Expansion	$ 225,470	4.24%	$ 116,283
GEFA-Wastewater Treatment Facility and Improvements	4,924,203	3.00%	1,867,298
GEFA-Water and Sewer Lower Floridan Well, Tank and Water Main Extension	3,376,000	4.00%	2,750,040
GEFA- Pump Station Rehab-ilitation and Force Main Replacement - Construction Loan	2,245,541	3.00%	1,132,846
Total loans			5,866,467
Less: current portion			413,661
Total long-term debt			$ 5,452,806

GEFA loans debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2012	$ 413,661	$ 169,008	$ 582,669
2013	427,755	154,913	582,668
2014	442,254	140,415	582,669
2015	457,283	125,385	582,668
2016	472,807	109,862	582,669
2017-2021	1,142,431	376,638	1,519,069
2022-2026	930,055	193,260	1,123,315
2027-2029	447,375	20,116	467,491
Construction loan	1,132,846		1,132,846
			-
Total	$ 5,866,467	$ 1,289,597	$ 7,156,064

H. Segments of Enterprise Activities

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

I. Fund Balances/Restricted Net Assets

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

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventories and prepaids	$ 4,320	$ -	$ -	$ 4,320
Restricted for:				
Public Safety	-	-	12,843	12,843
Trade shows and conferences	-	-	106,294	106,294
Construction and capital outlay	-	1,893,635	-	1,893,635
Unassigned:	4,116,320	-	-	4,116,320
Total Fund Balances	$ 4,120,640	$ 1,893,635	$ 119,137	$ 6,133,412

Of the unassigned fund balance in the general fund, $220,800 has been designated as an economic uncertainty reserve.

2. *Invested in capital assets, net of related debt* – The amounts are calculated as follows:

	Governmental Activities	Business-Type Activities
Net Capital Assets	$ 19,301,630	$ 18,065,417
Capital related debt	(4,867,692)	(5,934,467)
Capital Improvements reported in accounts payable	-	(104,873)
Invested in capital assets, net of related debt	$ 14,433,938	$ 12,026,077

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

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

Restricted for other purposes – This restriction represents $119,137 in the nonmajor special revenue funds.

Business-type Activities

Reserves and restrictions are used to indicate a portion of the fund balance or net assets is legally segregated for a specific future use. The City uses the following reserves/restrictions:

Restricted for system construction – Water and Sewer Enterprise Fund – This restriction ($2,021,970) represents funds to be used for water and sewer system construction.

Restricted for sinking fund and renewal and extension fund – Water and Sewer Enterprise Fund – This restriction ($85,814) represents funds to be used for the retirement of Water and Sewer Revenue Bonds as required by bond covenants. It also represents funds required to be maintained in accordance with the bond resolution for renewal and extension.

NOTE 3. OTHER INFORMATION

A. Employee Pension Plan

Plan Description. The City of Richmond Hill Pension Plan, covering all full-time employees, has a noncontributory plan for class 0 and 1 employees; however, employees who have elected for the enhanced retirement option must contribute 3% of their salary to the plan. These employees are considered class 2 and 3. Effective February 1, 2008, new hires and re-hired regular employees will be required to make contributions. Class 1 and 2 employees are police officers who do not contribute to social security under the plan provisions. Class 0 and 3 employees are all other employees of the City. The employees contributed $71,166 to the plan during 2011.

The plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a state-wide, agent multiple-employer defined benefit plan. GMEBS handles all administrative and investment functions relative to the plan.

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

benefit in the amount of 1.48% of final average earnings up to a participant's amount of covered compensation, plus 2.36% of final average earnings in excess of the participant's covered compensation, all multiplied by the participant/s years of total credited service. If the participant is a police officer who has elected the enhanced retirement option, the participant is entitled to an annual benefit in the amount of 2.4% of final average earnings times the participant's years of total credited service. These benefit provisions and all other requirements are established or amended by local ordinance.

The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to GMEBS, 201 Pryor St. S.W., Atlanta, Georgia 30303.

Funding Policy: 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 level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1984 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise), and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The total level dollar amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded liability/(surplus) actuarial accrued liability. 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 recommended contributions under this policy for 2011 and 2010 are developed below.

	2011	2010
Normal Cost		
Plan Benefits	$ 257,419	$ 227,868
Administrative Expenses	16,464	15,558
Expected employee contributions	(49,297)	(48,289)
Employer normal cost	224,586	195,137
Amortization of the Unfunded Actuarial Accrued Liability	61,786	65,794
Adjustment to fiscal year	10,890	9,922
Recommended Contribution	297,262	270,853
Final recommended contribution	297,262	316,551
Covered Payroll	2,560,448	2,330,729
Recommended Contribution as a Percentage of Covered Payroll	11.4%	13.4%

The above contributions meet the estimated minimum annual contribution under Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

Annual Pension Cost. For 2011, the City's annual pension cost of $316,551 was equal to the City's required and actual contributions. The required contribution was determined as a part of the July 1, 2010 actuarial valuation using the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets as described in the tables of Significant Actuarial Assumptions and Actuarial Assumptions and Methods. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1984 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The significant actuarial assumptions used in the current valuation are:

rate of return on investment	7.75% per year
projected salary increases for -- inflation	3.5% per year
post retirement benefit increases	3.5% per year

Actuarial Assumptions and Methods

Economic Assumptions

Interest Rate:	
On-going plan basis	7.75%
Plan termination basis	3.80%
Annual Rates of increase in:	
Salaries	
Plus age and service based merit increases	3.50%
Future Social Security Wage Bases	3.50%
Inflation Rate and Cost of living adjustment	3.50%

Demographic Assumptions

Mortality:	
On-going plan basis	RP-2000 Combined Mortality Table
Plan termination basis	1994 Group Annuity Reserving Unisex Table
Disability	RP-2000 Disabled Retiree Mortality Table
Retirement	Employees: Earlier of 65 with 5 years of service and 60 with 25 years of service. Officials: Earlier of 65 and 60 with 25 years of service.
Form of Payment	Life annuity
Administrative Expenses	$7,000 plus $65 per participant, plus 0.05% of the market value of assets, plus $10 per participant for electronic maintanance of employee contributions.

Actuarial Methods

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit Cost Method

Actuarial Value of Assets:

Sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10 percent of the amount 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 50% of market value of 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

Plan Changes:

There were no significant changes in methods or assumptions from the prior valuation.

Three-Year Trend Information

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2009	$ 308,778	100%	$ -
12/31/2010	337,967	100%	-
12/31/2011	316,551	100%	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability [AAL] --Entry Age (b)	Unfunded AAL [UAAL] (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
9/1/2008	$ 2,656,714	$ 3,621,263	$ 964,549	73.4%	$ 2,313,110	41.7%
10/1/2009	3,032,220	4,100,573	1,068,353	73.9%	2,297,510	46.5%
7/1/2010	3,477,765	3,941,248	463,483	88.2%	2,330,729	19.9%
7/1/2011	4,081,419	4,516,669	435,250	90.4%	2,560,448	17.0%

B. 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. Settled claims have not exceeded coverage in any of the past three fiscal years.

Risk Pools

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2011. No provisions have been made in the financial statements for the year ended December 31, 2011 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

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

C. Commitments and Contingencies

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

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

Contractual Obligations:

The City has contracted with Operations Management International, Inc (O.M.I.) for the operation of its water and sewer systems and for the operation of its public works department.

D. Subsequent Events

On February 1, 2011, the City approved a resolution for $20 million to finance wastewater treatment plant and infrastructure upgrades of the Water and Sewer fund as part of a loan application submitted to GEFA. This loan is still in the application phase at year end.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
RESOURCES (Inflows):				
Taxes	$ 5,440,000	$ 5,660,500	$ 5,726,830	$ 66,330
Licenses and permits	227,500	227,500	237,882	10,382
Intergovernmental revenues	-	-	14,710	14,710
Charges for services	600,000	600,000	653,716	53,716
Fines and forfeitures	693,000	693,000	596,025	(96,975)
Investment income	24,000	24,000	12,846	(11,154)
Miscellaneous revenue	5,500	5,500	9,679	4,179
Transfers in	220,000	220,000	202,529	(17,471)
Total revenues	7,210,000	7,430,500	7,454,217	23,717
EXPENDITURES				
Current				
City council	50,200	54,700	53,620	1,080
General administration	796,444	706,444	701,151	5,293
Finance department	197,310	187,310	181,386	5,924
General government buildings	35,000	36,000	35,435	565
Municipal court	44,200	44,200	38,129	6,071
Police department	2,555,115	2,615,115	2,607,751	7,364
Custody of prisoners	13,000	13,000	11,375	1,625
Fire protection	579,080	614,080	610,101	3,979
Streets	1,235,731	1,315,731	1,306,318	9,413
Sanitation	575,000	585,000	580,954	4,046
Building inspection	585,766	520,766	513,753	7,013
Code enforcement	9,825	9,825	9,431	394
Special recreation projects	22,000	22,000	19,937	2,063
Park	304,690	319,690	314,853	4,837
Total Expenditures	7,003,361	7,043,861	6,984,194	59,667
Debt service				
Principal	153,089	153,089	149,296	3,793
Interest and fiscal agent fees	53,550	53,550	48,149	5,401
Total Debt Service	206,639	206,639	197,445	9,194
Transfers to other funds	-	180,000	178,322	1,678
Total charges to appropriations	7,210,000	7,430,500	7,359,961	70,539
Excess (deficiency) of resources over charges to appropriations	$ -	$ -	$ 94,256	$ 94,256

A. Budgets and Budgetary Accounting

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

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

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

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

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

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

Supplemental decreases in budget appropriations were properly approved by the City Council. For the year ended December 31, 2011, the following supplemental appropriations were approved:

Fund Type	Original Appropriations	Supplemental Appropriations	Supplemental Decreases	Final Appropriations
General	$ 7,210,000	$ 220,500	$ -	$ 7,430,500

COMBINING FUND FINANCIAL STATEMENTS AND SCHEDULES AND OTHER SUPPLEMENTARY INFORMATION

Non-major Funds

Non-major Governmental Funds

Special Revenue Funds:

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

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

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

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

CITY OF RICHMOND HILL, GEORGIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMETNAL FUNDS

DECEMBER 31, 2011

	Special Revenue Funds			
	Confiscated Assets	Hotel/Motel Tax	City Center Fund	Total
ASSETS				
Cash and cash equivalents	$ 16,992	$ 23,743	$ 86,133	$ 126,868
Receivables	-	28,999	-	28,999
Due from other funds	-	-	20,161	20,161
Total assets	$ 16,992	$ 52,742	$ 106,294	$ 176,028
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 20,155	$ -	$ 20,155
Due to other funds	-	32,587	-	32,587
Deferred revenue	4,149	-	-	4,149
Total liabilities	4,149	52,742	-	56,891
Fund balances:				
Restricted	12,843	-	106,294	119,137
Total fund balances	12,843	-	106,294	119,137
Total liabilities and fund balances	$ 16,992	$ 52,742	$ 106,294	$ 176,028

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds			
	Confiscated Assets	Hotel/Motel Tax	City Center Fund	Total
REVENUES				
Taxes	$ -	$ 472,646	$ -	$ 472,646
Fines and forfeitures	3,727	-	-	3,727
Investment	30	-	1,736	1,766
Miscellaneous	-	-	19	19
Total revenues	3,757	472,646	1,755	478,158
EXPENDITURES				
Current:				
Public Safety	4,150	-	-	4,150
Housing and Development	-	135,035	302,483	437,518
Debt Service:				
Principal	-	-	137,532	137,532
Interest and other charges	-	-	181,955	181,955
Total expenditures	4,150	135,035	621,970	761,155
Excess (deficiency) of revenues over expenditures	(393)	337,611	(620,215)	(282,997)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	632,876	632,876
Transfers out	-	(337,611)	-	(337,611)
Total other financing sources and uses	-	(337,611)	632,876	295,265
Net change in fund balances	(393)	-	12,661	12,268
Fund balances - beginning	13,236	-	93,633	106,869
Fund balances - ending	$ 12,843	$ -	$ 106,294	$ 119,137

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND – CONFISCATED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures				
Fines and forfeitures	$ 10,000	$ 10,000	$ 3,727	$ (6,273)
Total fines and forfeitures	10,000	10,000	3,727	(6,273)
Investment income				
Interest income	-	-	30	30
Total investment income	-	-	30	30
TOTAL REVENUES	10,000	10,000	3,757	(6,243)
EXPENDITURES				
Current				
Police department	10,000	10,000	4,150	5,850
TOTAL EXPENDITURES	10,000	10,000	4,150	5,850
Net change in fund balance	-	-	(393)	(393)
Fund balance at beginning of year	13,236	13,236	13,236	-
Fund balance at end of year	$ 13,236	$ 13,236	$ 12,843	$ (393)

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND – HOTEL/MOTEL TAX

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Hotel/motel	$ 515,000	$ 515,000	$ 472,646	$ (42,354)
Total taxes	515,000	515,000	472,646	(42,354)
TOTAL REVENUES	515,000	515,000	472,646	(42,354)
EXPENDITURES				
Current				
Housing and Development	153,350	153,350	135,035	18,315
TOTAL EXPENDITURES	153,350	153,350	135,035	18,315
Excess revenues over (under) expenditures	361,650	361,650	337,611	(24,039)
OTHER FINANCING SOURCES (USES)				
Transfers out	(361,650)	(361,650)	(337,611)	24,039
TOTAL OTHER FINANCING SOURCES (USES)	(361,650)	(361,650)	(337,611)	24,039
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	$ -	$ -	$ -	$ -

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND – CITY CENTER FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	$ -	$ -	$ 1,736	$ 1,736
Miscellaneous	-	-	19	19
TOTAL REVENUES	-	-	1,755	1,755
EXPENDITURES				
Current				
Housing and Development	200,000	305,000	302,483	2,517
Debt Service				
Principal	134,316	137,532	137,532	-
Interest	185,484	182,268	181,955	313
TOTAL EXPENDITURES	519,800	624,800	621,970	2,830
Excess revenues over (under) expenditures	(519,800)	(624,800)	(620,215)	4,585
OTHER FINANCING SOURCES (USES)				
Transfers in	519,800	624,800	632,876	8,076
TOTAL OTHER FINANCING SOURCES (USES)	519,800	624,800	632,876	8,076
Net change in fund balance	-	-	12,661	12,661
Fund balance at beginning of year	93,633	93,633	93,633	-
Fund balance at end of year	$ 93,633	$ 93,633	$ 106,294	$ 12,661

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2011

ASSETS	
Cash and cash equivalents	$ 39,155
Receivables	20,155
Prepaids	9,885
Total assets	$ 69,195
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ -
Total liabilities	-
Fund balances:	
Nonspendable	9,885
Restricted	59,310
Total fund balances	69,195
Total liabilities and fund balances	$ 69,195
Reconciliation of the Component Unit Balance Sheet to the Statement of Net Assets	
Total fund balances	$ 69,195
Amounts reported for the component unit in the Statement of Net Assets are different because: Some liabilities, (such as Compensated Absences), are not due and payable in the current period and are not included in the component unit fund financial statement, but are included in the component unit Statement of Net Assets.	(1,312)
Net assets of component unit in the Statement of Net Assets	$ 67,883

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUES	
Intergovernmental	$136,786
Investment	1,510
Miscellaneous	266
Total revenues	138,562
EXPENDITURES	
Current:	
Housing and Development	142,810
Total expenditures	142,810
Excess (deficiency) of revenues over expenditures	(4,248)
Net change in fund balances	(4,248)
Fund balances - beginning	73,443
Fund balances - ending	$ 69,195
Reconciliation of the Component Unit Balance Sheet to the Statement of Net Assets	
Net change in fund balances	$ (4,248)
Amounts reported for the component unit in the Statement of Activities are different because: Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in the component unit for compensated absences	(1,312)
Net assets of component unit in the Statement of Net Assets	$ (5,560)

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE
DISCRETELY PRESENTED COMPONENT UNIT – CONVENTION AND VISITORS BUREAU

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental				
Intergovernmental	$ 153,350	$ 153,350	$ 136,786	$ (16,564)
Total investment income	153,350	153,350	136,786	(16,564)
Investment income				
Interest income	-	-	1,510	1,510
Total investment income	-	-	1,510	1,510
Miscellaneous	-	-	266	266
Total miscellaneous revenue	-	-	266	266
TOTAL REVENUES	153,350	153,350	138,562	(14,788)
EXPENDITURES				
Current				
Economic Development and Assistance	153,350	153,350	142,810	10,540
TOTAL EXPENDITURES	153,350	153,350	142,810	10,540
Excess revenues over (under) expenditures	-	-	(4,248)	(4,248)
Fund balance at beginning of year	73,443	73,443	73,443	-
Fund balance at end of year	$ 73,443	$ 73,443	$ 69,195	$ (4,248)

STATE MANDATED PROGRAM INFORMATION

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL ONE PERCENT SALES TAX PROCEEDS

For the Year Ended December 31, 2011

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total
SPLOST 06-11:					
City Center	$ 1,565,000	$ 1,625,000	$ 1,600,179	$ -	$ 1,600,179
Water, Sewer, Roads, Streets, Drainage, Parks/Recreation and Public Safety	3,173,047	-	-	-	-
Parks/Recreation City Center		737,574	737,574	-	737,574
Drainage		200,000	15,845	-	15,845
Casey Street		150,000	33,016	102,896	135,912
Cedar Street		50,000	41,497	-	41,497
Streetscape Project		500,000	440,526	84,874	525,400
Rushing Street		75,000	-	71,119	71,119
Streets Equipment		103,639	49,364	100,306	149,670
Sidewalks		50,000	-	-	-
Park Equipment		125,000	8,694	8,500	17,194
Amphitheatre		550,000	530,908	-	530,908
Water and Sewer Utilities		500,000	367,091	-	367,091
Water and Sewer Equipment		250,000	51,048	71,125	122,173
Public Safety Equipment		250,000	34,042	230,199	264,241
Debt Service:					
Water/Sewer and Streets Equipment		83,361	23,816	11,909	35,725
Water/Sewer Vehicles		38,000	20,970	11,982	32,952
Public Safety Vehicles		223,221	101,348	74,043	175,391
Public Safety		1,779	-	-	-
Streets Vehicles		27,000	14,978	8,559	23,537
Streets Vehicles		23,000	-	-	-
City Center		312,426	-	319,472	319,472
Water/Sewer Infrastructure		-	-	230,000	230,000
Total	$ 4,738,047	$ 5,875,000	$ 4,070,896	$ 1,324,984	$ 5,395,880

Note 1
The above schedule presents only the debt service on the capital leases. The financial statements for the SPLOST fund will include the equipment expenditures and capital lease debt service expenditures. This will result in a difference between the schedule and financial statements. Below is a reconciliation of the financial statements to the SPLOST Schedule.

Current year expenditures reported	$ 1,005,512
Transfer out to City Center fund	319,472
Total SPLOST Fund Expenditures	$ 1,324,984

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF REQUIRED EXPENDITURES
GENERATED BY THE HOTEL/MOTEL TAX

For the year ended December 31, 2011

Revenue:	
Hotel/motel taxes	$ 472,646
Expenditures:	
Tourism expenditures - Richmond Hill Convention and Visitors Bureau	$ 135,035
Transfer to City Center Fund	135,082
Total expenditures	$ 270,117
Percentage of expenditures to revenues	57%

FEDERAL FINANCIAL ASSISTANCE

Karp, Ronning & Tindol, P.C.

Certified Public Accountants
6600 Abercorn Street, Suite 200
Savannah, Georgia 31405
(912) 232-0475

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 11, 2012. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2011-01, 2011-02 and 2011-03 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-04.

We noted certain matters that we reported to management of the City in a separate letter dated June 11, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Kapp, Renning & Tindall, P.C.

June 11, 2012

KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

6600 ABERCORN STREET • SUITE 200 SAVANNAH, GEORGIA 31405

P.O. BOX 16149 SAVANNAH, GEORGIA 31416

912-232-0475 TEL 912-232-0478 FAX www.krtcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Richmond Hill, Georgia (City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the City's internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-05. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kapp, Renning & Tindal, P.C.

June 11, 2012

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditure
Environmental Protection Agency			
Pass through from the Geogia Environmental Finance Agency			
Clean Water State Revolving Fund	66.458	CWSRF 09-095	$ 1,479,681
Total Environemental Protection Agency			1,479,681
Total Federal Expenditures			$ 1,479,681

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City of Richmond Hill, Georgia (City) under programs of the federal government for the year ended December 31, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net assets of the City.

Note 2 – Summary of Significant Accounting Policies

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

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

Financial Statements

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

2. Internal control over financial reporting:

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

3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

4. Internal control over major programs:

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

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

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes _____ no

7. The programs tested as major programs include:

Program	CFDA No.
Clean Water State Revolving Fund	66.458

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The City was not determined to be a low-risk auditee.

B. Findings – Financial Statement Audit

Finding 2011-01

Condition: Our test work of disbursements detected that some purchases greater than $10,000 did not obtain three quotes as required by City policy. Also, there was an instance where three quotes were obtained, but the City did not document the reason why the low bidder was not selected.

Criteria: City policy requires three quotes for purchases greater than $10,000.

Cause: The City has employed a decentralized purchasing method, and effective monitoring procedures have not been implemented.

Effect: Risk that procurement of goods and services are in accordance with City policy.

Recommendation: The City should review the policy and implement monitoring procedures. Also, management should periodically communicate the policy to department heads.

Response: Management concurs with this finding.

Finding 2011-02

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

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

Cause: In prior years, the accounting software did not provide for recording project budgets. The City does not have a formal procedure for adopting project budgets.

Effect: The City could authorize project without sufficient funding available.

Recommendation: We recommend that the City adopt policies and procedures for adopting project length budgets. The policies and procedures should address project budget approval, approval process for project budget modifications, and monthly monitoring and oversight over actual costs against project budgets. Estimates for budgets should be established prior to the beginning of a project for each major cost component, i.e. engineering cost, construction cost, other cost, and contingencies.

Response: Management concurs with this finding.

Finding 2011-03

Condition: Since the City does not have an integrated encumbrance system in the general ledger, procedures should be implemented for monitoring contract payments. During our test work, we noted an instance where a contract amount had been exceeded by the payments.

Criteria: Contract amounts should be adhered too and change orders should be approved prior to any payment that exceeds the contract amount.

Cause: Policies and procedures have not been implemented for the monitoring of contracts.

Effect: The City could pay for services that were not authorized.

Recommendation: We recommend that the City adopt policies and procedures for monitoring contracts including consideration of implementing an encumbrance system.

Response: Management concurs with this finding.

Finding 2011-04

Condition: We have noted that certain projects have exceeded the project's budget.

Criteria: Compliance with approved budgets.

Cause: Project budgets have not been amended.

Effect: Noncompliance with budget appropriations.

Recommendation: The City should amend the project budgets to reflect the appropriate project amount. Also, inclusion of project budgets in the accounting software would provide management with the appropriate information to monitor the projects that are in progress.

Response: Management concurs with this finding.

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

Environmental Protection Agency

Finding 2011-05

Clean Water State Revolving Fund – CFDA No. 66.458

Suspension and Debarment

Condition: Verification that vendors were not on the federal suspension and debarment listing was not performed by the City on required disbursements of the grant.

Criteria: Federal regulations require that grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension".

Cause: Lack of effective internal controls over the monitoring of compliance requirements.

Effect: Potential non-compliance with Federal guidelines.

Known Questioned Cost: None identified.

Recommendation: Even though the City subsequently determined that the vendors were not on the suspension and debarment listing, formal internal control procedures should be established to ensure that vendors which are paid with federal funds are not on the federal suspension and debarment listing.

Response: Management concurs with this finding.

II. STATUS OF PRIOR YEAR AUDIT FINDINGS

A single audit was not required for December 31, 2010.