City of Richmond Hill, Georgia

Financial Statements
And
Independent Auditors' Report

For the year ended December 31, 2014

CITY OF RICHMOND HILL, GEORGIA

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December 31, 2014

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INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2014, and the respective changes in financial position, and where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages B-1 through B-8 and D-1 through D-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KRT, CPAs P.C.

Savannah, Georgia
May 22, 2015

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, 2014. The intent of this management discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of the City's financial performance.

The reporting model is a combination of both government-wide financial statements and fund financial statements. The Convention and Visitor's Bureau is reported as a separate component unit in the financial statements. The basic financial statements contain three components:

1) Government-wide financial statements including the Statement of Net Position and the Statement of Activities which provide a broad, long-term overview of the City's finances;
2) Fund financial statements that provide a greater level of detail of revenues and expenditures and focus on how well the City has performed in the short term in the most significant funds; and
3) Notes to the Financial Statements.

This report presents the financial highlights for last year and contains other supplementary information.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at December 31, 2014 by $48,482,531 (net position). Of this amount, $11,692,712 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of $2,464,900 from 2013. The CVB component unit has a balance of $105,596 in net position, which is restricted for tourism-related expenses.

- The City's total net position increased $6,967,585 from the previous year with a $2,754,563 increase resulting from governmental activities, and a $4,213,022 increase from business–type activities.

- Key factors resulting in the increase in net position include:

  a) The total net position of governmental activities increased primarily through the capital assets acquired by SPLOST proceeds and the addition of street infrastructure assets contributed by developers. Net investment in capital assets was $18,682,124 at year end compared to $16,396,406 in 2013, an increase of $2,285,718.
  b) The total net position of business-type activities increased primarily due to the expansion of the water/sewer system. In addition, there was a forgiveness of principal on two GEFA loans which allowed assets to increase without an increase in corresponding debt. At December 31, 2014, the net investment in capital assets of business–type activities was $15,403,972 compared to $13,801,532 at year end 2013, an increase of $1,602,440.

- At December 31, 2014, the City's governmental funds balance sheet reports combined ending fund balances of $5,687,344, an increase of $606,489 over the previous calendar year. This was primarily the result of an increase in general fund revenue collections.

- The SPLOST capital projects fund had a fund balance of $692,100, a decrease of $209,159 from a year ago, primarily due to expenditures exceeding revenues and other financing sources related to capital

leases. The Non-Major Governmental Funds ended the year with a fund balance of $175,624. These funds include the Confiscated Assets Fund, the City Center Fund and the Hotel Motel Fund. These fund balances are reported as restricted due to the nature of the special revenue funds and the restriction on expenditure purposes.

- The General Fund reported an unassigned fund balance of $4,819,620, an increase over 2013 of $806,181. This increase occurred due to significantly higher overall revenue in several areas. The primary drivers behind this increase were fines and forfeitures, TAVT (title tax) revenues property tax collections, and revenue line items that benefited from improving real estate activity. The City benefited from lower gasoline prices and effective departmental cost control. The City's General Fund enjoys a solid financial position, and is well positioned to improve overall in 2015 and beyond with no general fund debt. Additionally, the City Center has operated with revenues from other sources, eliminating the need for support from the General Fund. The City has a diversified revenue base and is demonstrating a robust recovery in real estate activity, especially in residential construction. Increased building permits for both residential and commercial along with a new industrial development offer a nice balance to the City's economic base.

- Total long-term liabilities of the City were $17,718,113 at year-end, an increase of $6,187,887 from the previous calendar year. The Water/Sewer Enterprise Fund accounted for almost all of the net long-term liability increase with an increase of $5,801,395 due to the construction of the new wastewater treatment plant project and additional infrastructure and improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

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

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

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

Governmental activities reported in the statements include General Government, Judiciary, Public Safety, Public Works, Culture and Recreation, Housing and Development, and interest on Long-Term Debt. Business-

type activities in the City include water and sewer services, made up entirely of the Water and Sewer Enterprise Fund.

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

Fund Financial Statements

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

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

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

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

governmental funds, begin on page E-1. This section also includes budget to actual schedules for non-major special revenue funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements presented are for the calendar year ended December 31, 2014. The 'total" approach to governmental accounting was mandated by the Government Accounting Standards Board (GASB). Governmental accounting falls under their auspices to insure the uniform presentation of governmental financial statements that are accurate and complete in their presentation. Statements will continue, as has been the case, to include current and prior calendar year data and provide greater opportunities for comparative analysis.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position (government and business-type activities) totaled $48.5 million at December 31, 2014.

The following table presents a summary of the City's net position at December 31, 2014:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets	$ 6,232,013	$ 5,467,009	$ 9,879,992	$ 7,492,948	$ 16,112,005	$ 12,959,957
Capital assets, net	23,193,766	20,918,715	29,952,205	20,947,955	53,145,971	41,866,670
Total assets	29,425,779	26,385,724	39,832,197	28,440,903	69,257,976	54,826,627
Current liabilities	530,807	672,463	2,526,525	1,108,992	3,057,332	1,781,455
Noncurrent liabilities	4,692,170	4,265,022	13,025,943	7,265,204	17,718,113	11,530,226
Total liablilities	5,222,977	4,937,485	15,552,468	8,374,196	20,775,445	13,311,681
Net position:						
Net investment in capital assets	18,682,124	16,396,406	15,403,972	13,801,532	34,086,096	30,197,938
Restricted for:						
Capital projects	692,100	901,259	1,835,999	1,021,780	2,528,099	1,923,039
Other purposes	175,624	166,157	-	-	175,624	166,157
Unrestricted	4,652,954	3,984,417	7,039,758	5,243,395	11,692,712	9,227,812
Total net position	$ 24,202,802	$ 21,448,239	$ 24,279,729	$ 20,066,707	$ 48,482,531	$ 41,514,946

The largest portion of the City's net position (70%) reflect its investment in capital assets such as land, buildings, and equipment, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (6.0%) represents resources that are subject to external restrictions on how they may be used. The remaining 24% balance (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.
At the end of the current calendar year, the City is able to report positive balances in all three categories of net position for the government as a whole, including the separate governmental and business-type activities.

Changes in Net Position

The following table presents a summary of the changes in net position for the calendar year ended December 31, 2014:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 1,983,379	$ 1,648,932	$ 3,758,182	$ 3,052,474	$ 5,741,561	$ 4,701,406
Operating grants and contributions	87,555	4,953	-	-	87,555	4,953
Capital grants and contributions	3,623,583	1,699,290	4,452,598	1,051,323	8,076,181	2,750,613
General revenues:						
Property taxes	2,002,893	1,835,174	-	-	2,002,893	1,835,174
Sales taxes	2,351,505	1,933,617	-	-	2,351,505	1,933,617
Other taxes	2,444,751	2,354,341	-	-	2,444,751	2,354,341
Unrestricted investment earnings	12,487	11,881	46,824	49,428	59,311	61,309
Miscellaneous	6,872	12,052	-	3	6,872	12,055
Transfers	40,000	-	(40,000)	-	-	-
Total revenues	12,553,025	9,500,240	8,217,604	4,153,228	20,770,629	13,653,468
Expenses:						-
General government	1,269,485	1,106,633	-	-	1,269,485	1,106,633
Judiciary	37,234	35,586	-	-	37,234	35,586
Public safety	3,709,092	3,609,897	-	-	3,709,092	3,609,897
Public w orks	2,941,503	2,856,603	-	-	2,941,503	2,856,603
Culture and recreation	546,343	516,203	-	-	546,343	516,203
Housing and development	1,137,770	1,058,362	-	-	1,137,770	1,058,362
Interest on long-term debt	157,035	228,407	-	-	157,035	228,407
Water and sew er	-	-	4,004,582	3,267,197	4,004,582	3,267,197
Total expenses	9,798,462	9,411,691	4,004,582	3,267,197	13,803,044	12,678,888
Change in net position	2,754,563	88,549	4,213,022	886,031	6,967,585	974,580
Net position-beginning	21,448,239	21,359,690	20,066,707	19,180,676	41,514,946	40,540,366
Net position-ending	$ 24,202,802	$ 21,448,239	$ 24,279,729	$20,066,707	$48,482,531	$41,514,946

Approximately 16% of the City's governmental activities revenue came from property taxes, while 16% of governmental activity revenue was generated from charges for various goods and services. Property tax revenue increased by $167,719 over 2013 levels due to higher collections on a slightly lower digest. Sales taxes provided 19% of governmental activity revenues, an increase of $417,888 over 2013, generating a total figure of $2.35 million. The City had several large infrastructure contributions from developers in 2014 which also added to the increase in net position.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds:

Governmental funds provide information on near-term inflows, outflows, and balances of available resources. The governmental fund types include the general fund, special revenues, and capital projects. The General and SPLOST funds are the City's major funds. As of December 31, 2014, the City's governmental funds reported combined fund balances of $5,687,344 an increase of $606,489 over the prior year's balance. This was primarily the result of increased general fund revenues. The restricted fund balance totals $867,724 and represents funds set aside primarily for capital projects.

General Fund:

The general fund is the chief operating fund of the City. At December 31, 2014, the total fund balance in the general fund was $4,819,620, an increase of $806,181 from 2013. As previously mentioned, revenues exceeded budget expectations and expenditures were only slightly above budget levels. The General Fund balance is strong, with funds available to support over seven months of operating expenses.

Proprietary Funds:

Proprietary fund statements provide the same information as the business activities column of the government-wide statements, only in greater detail. The City currently utilizes only one enterprise fund 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, 2014, total net position amounted to $24,279,729 for the enterprise fund as compared to $20,066,707 at December 31, 2013. The change in net position (an increase of $4,213,022) resulted primarily from the increased water/sewer infrastructure and connection fees. The fund continues to show a loss from operations, but is close to reporting a break-even operating income. Management has raised water/sewer base rates and volume charges to cover the increased debt service levels associated with the replacement of our wastewater treatment plant, expected to be operational by October 2015.

The City incurred much higher operating costs within the water and sewer fund in 2014 for several reasons. The initial start-up costs of providing equipment and tools for a new vendor to handle the water/sewer operation cost about $200,000. Repairs and maintenance expensed for upgrading City infrastructure added to the increase in operating expenses. Finally, the City paid all utilities incurred by the water and sewer department during 2014 including electricity and communications, which were not previously paid for by the City. The results of the additional expenses caused operating costs to increase by 22% over 2013 levels, excluding depreciation costs. These increased expenses resulted in a net operating loss to the fund of $41,614, after depreciation expense of $749,605. Management will endeavor to reduce the operating loss in 2015 and better control overhead as the City looks for efficiencies with our operations partner.

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

CAPITAL ASSETS

The Statement of Net Position presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction-in-progress. At December 31, 2014, the City's capital assets for both governmental activities and business-type activities totaled $53,145,971. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment. Capital assets increased $11,279,301 or 27% between calendar year 2014 and 2013. This was primarily related to the wastewater treatment plant construction and expansion, donated capital infrastructure and other capital projects.

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, 2014 totaled $17,718,113. Of this amount, $13,025,943 relates to the business-type activities and $4,692,170 relates to the government-type activities.

Long-term debt of the business type activities increased by $5,760,739 from December 31, 2013 levels. The increase resulted from additional construction loan advances which exceeded principal balance reductions on GEFA loans. Governmental activity related debt increased by $427,148 from 2013 as capital leases increased for equipment purchases. Additional information on the City's debt can be found in Note 2, Section G. on pages C-23 to C-27.

BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund is provided as required supplementary information and can be found on pages D-1 and D-2. Additional budgetary comparison schedules of the special revenue funds can be found within other supplementary information found on pages E-3 to E-5. Budget columns are provided for both the original budget adopted for calendar year 2014 as well as the final budget. A column for actual resources (revenues), appropriations (expenditures), and a column for any variance between final budget and actual are also provided.

General Fund

The overall operations of the City are similar to directing a large multi-million dollar business. The total revenues recorded for this calendar year were $8,698,355 which was $898,355 higher the original budgeted revenues. Taxes accounted for $437,112 over budgeted estimates primarily from the TAVT (title tax) and sales taxes. Other areas of revenue also contributed to the total increase such as an increase in fines and forfeiture collections.

Expenditures and debt service recorded for the calendar year totaled $7,892,174, which was $92,174 higher than the original budget. The fund balance increase in 2014 was the result of increased total revenues over expectations and efficient control of expenditures.

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

The City continues to adopt conservative budgets in 2015 to address the challenges in a changing revenue environment. A modest growth is expected in 2015 general fund revenues with the rebound in real estate development. Rising health care costs could negatively impact operating expenses in the future as well as increased professional services expenditures. The overall revenue picture is enhanced by Richmond Hill's diversified revenue base as mentioned earlier. The City of Richmond Hill continues to expand infrastructure to encourage residential and commercial economic development. In addition, the industrial development established at the Belfast Commerce Centre in 2014 will provide a significant economic boost to the Richmond Hill area.

Management believes the potential challenges to the fiscal health of Richmond Hill can be met by controlling spending on a City-wide basis. In addition, revenue will be raised in the Water/Sewer Enterprise Fund by increased base and usage charges to support the new wastewater treatment plant, expected to be operational by late 2015. A comprehensive financial plan has been approved to adequately address the future debt service requirements in the Enterprise Fund, which includes a small operating profit in the very near future.

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

REQUESTS FOR INFORMATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF NET POSITION

DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total	Convention and Visitors' Bureau - Component Unit
ASSETS				
Cash and investments	$ 4,825,830	$ 4,876,855	$ 9,702,685	$ 65,457
Receivables	1,321,519	1,804,015	3,125,534	35,905
Prepaid	-	-	-	10,446
Restricted assets				
Cash and investments	84,664	2,693,638	2,778,302	-
Long-term note receivables	-	505,484	505,484	-
Capital assets				
Land, improvements, and construction in progress	3,057,111	8,984,947	12,042,058	-
Other capital assets, net of depreciation	20,136,655	20,967,258	41,103,913	-
Total assets	29,425,779	39,832,197	69,257,976	111,808
LIABILITIES				
Accounts payable	518,089	2,505,874	3,023,963	6,212
Accrued liabilities	12,718	20,651	33,369	-
Long-term liabilities				
Due within one year	446,843	555,841	1,002,684	-
Due in more than one year	4,245,327	12,470,102	16,715,429	-
Total liabilities	5,222,977	15,552,468	20,775,445	6,212
NET POSITION				
Net investment in capital assets	18,682,124	15,403,972	34,086,096	-
Restricted for:				
Capital projects	692,100	1,835,999	2,528,099	-
Other purposes	175,624	-	175,624	105,596
Unrestricted	4,652,954	7,039,758	11,692,712	-
Total net position	$ 24,202,802	$ 24,279,729	$ 48,482,531	$ 105,596

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, 2014

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 Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total	Discretely Presented Component Unit
Primary government								
Governmental Activities								
General Government	$ 1,269,485	$ -	$ -	$ -	$ (1,269,485)		$ (1,269,485)	
Judiciary	37,234	-	-	-	(37,234)		(37,234)	
Public Safety	3,709,092	803,694	-	-	(2,905,398)		(2,905,398)	
Public Works	2,941,503	791,031	-	3,623,583	1,473,111		1,473,111	
Culture and Recreation	546,343	43,727	87,555	-	(415,061)		(415,061)	
Housing and Development	1,137,770	344,927	-	-	(792,843)		(792,843)	
Interest on Long-term debt	157,035	-	-	-	(157,035)		(157,035)	
Total governmental activities	9,798,462	1,983,379	87,555	3,623,583	(4,103,945)		(4,103,945)	
Business-type activities:								
Water & Sewer	4,004,582	3,758,182	-	4,452,598	-	$ 4,206,198	4,206,198	
Total business-type activities	4,004,582	3,758,182	-	4,452,598	-	4,206,198	4,206,198	
Total	$ 13,803,044	$ 5,741,561	$ 87,555	$ 8,076,181	(4,103,945)	4,206,198	102,253	
Component Unit								
Richmond Hill Convention and Visitors' Bureau	$ 163,585	$ -	$ 171,993	$ -				$ 8,408
General revenues:								
Taxes:								
Property taxes, levied for general purposes					2,002,893	-	2,002,893	
Sales taxes for general purposes					2,351,505	-	2,351,505	
Selective taxes					864,534	-	864,534	
Other taxes					1,580,217	-	1,580,217	
Unrestricted investment earnings					12,487	46,824	59,311	194
Miscellaneous					6,872	-	6,872	411
Transfers					40,000	(40,000)	-	
Total general revenues					6,858,508	6,824	6,865,332	605
Change in Net Position					2,754,563	4,213,022	6,967,585	9,013
Net position - beginning					21,448,239	20,066,707	41,514,946	96,583
Net position - ending					$ 24,202,802	$ 24,279,729	$ 48,482,531	$ 105,596

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, 2014

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,881,949	$ 753,925	$ 189,956	$ 4,825,830
Receivables	1,116,352	151,041	54,126	1,321,519
Due from other funds	23,193	-	32,442	55,635
Restricted cash	84,664	-	-	84,664
Total assets	$ 5,106,158	$ 904,966	$ 276,524	$ 6,287,648
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 259,958	$ 212,866	$ 45,265	$ 518,089
Due to other funds	-	-	55,635	55,635
Total liabilities	259,958	212,866	100,900	573,724
Derferred Inflows of Resources:				
Unavailable property taxes	26,580	-	-	26,580
Fund balances:				
Restricted	-	692,100	175,624	867,724
Unassigned	4,819,620	-	-	4,819,620
Total fund balances	4,819,620	692,100	175,624	5,687,344
Total liabilities, deferred inflows of resources and fund balances	$ 5,106,158	$ 904,966	$ 276,524	$ 6,287,648

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2014

Total fund balance, governmental funds	$	5,687,344
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		23,193,766
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		26,580
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(4,692,170)
Accrued interest not reflected on Governmental funds		(12,718)
Net Position of Governmental Activities in the Statement of Net Position	$	24,202,802

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 6,288,112	$ -	$ 602,004	$ 6,890,116
Licenses and permits	344,927	-	-	344,927
Intergovernmental	86,855	1,739,020	-	1,825,875
Charges for services	834,758	-	-	834,758
Fines and forfeitures	799,815	-	3,879	803,694
Investment	11,960	3,070	520	15,550
Miscellaneous	6,870	700	2	7,572
Total revenues	8,373,297	1,742,790	606,405	10,722,492
EXPENDITURES				
Current:				
General government	1,245,912	-	-	1,245,912
Judicial	37,234	-	-	37,234
Public Safety	3,391,620	-	3,464	3,395,084
Public Works	2,115,769	-	-	2,115,769
Culture and recreation	462,401	-	-	462,401
Housing and Development	634,486	-	335,516	970,002
Capital outlay		1,784,355	-	1,784,355
Debt Service:				
Principal	4,340	331,722	-	336,062
Interest and other charges	412	156,927	-	157,339
Total expenditures	7,892,174	2,273,004	338,980	10,504,158
Excess (deficiency) of revenues over expenditures	481,123	(530,214)	267,425	218,334
OTHER FINANCING SOURCES (USES)				
Transfers in	297,958	-	172,053	470,011
Transfers out	-	-	(430,011)	(430,011)
Capital lease	27,100	321,055	-	348,155
Total other financing sources and uses	325,058	321,055	(257,958)	388,155
Net change in fund balances	806,181	(209,159)	9,467	606,489
Fund balances - beginning	4,013,439	901,259	166,157	5,080,855
Fund balances - ending	$ 4,819,620	$ 692,100	$ 175,624	$ 5,687,344

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, 2014

Net change in fund balances - total governmental funds:	$	606,489
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. Also, assets contributed to the City are reflected in the additions. This is the amount by which capital outlays $1,441,899 and assets donated $1,881,500 exceeded depreciation $1,048,348 in the current period.		2,275,051
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.		(90,967)
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.		(12,093)
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		304
Compensated absences		(24,221)
Change in Net Position of governmental activities	$	2,754,563

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF NET POSITION
WATER AND SEWER ENTERPRISE FUND

DECEMBER 31, 2014

ASSETS		
Current assets:		
Cash and investments	$	4,876,855
Receivables		1,804,015
Restricted cash and investments		2,693,638
Total current assets		9,374,508
Non-current assets:		
Long-term receivable		505,484
Capital Assets:		
Land, improvements, and construction in progress		8,984,947
Other capital assets, net of depreciation		20,967,258
Total non-current assets		30,457,689
Total assets		39,832,197
LIABILITIES		
Current Liabilities:		
Accounts payable		2,199,414
Accrued liabilities		20,651
Current portion of long-term debt		4,662
Payable from restricted assets:		
Customers' deposits		306,460
Current portion of long-term debt		551,179
Total current liabilities		3,082,366
Non-current liabilities:		
Bonds, notes and loans payable		12,470,102
Total non-current liabilities		12,470,102
Total liabilities		15,552,468
NET POSITION		
Net investment in capital assets		15,403,972
Restricted for capital projects		1,835,999
Unrestricted		7,039,758
Total net position	$	24,279,729

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

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2014

Operating Revenues	
Charges for services	$ 3,758,182
Total operating revenues	3,758,182
Operating Expenses	
Cost of sales and services	3,050,191
Depreciation	749,605
Total Operating Expenses	3,799,796
Operating income (loss)	(41,614)
Nonoperating revenues (expenses)	
Investment income	46,824
Interest expense	(204,786)
Total non-operating revenue (expenses)	(157,962)
Income (loss) before contributions and transfers	(199,576)
Transfer Out	(40,000)
Capital contributions	4,452,598
Change in net position	4,213,022
Total net position - beginning	20,066,707
Total net position - ending	$ 24,279,729

CITY OF RICHMOND HILL, GEORGIA

STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities
Cash flows from operating activities:	
Cash received from customers	$ 3,736,629
Cash payments to suppliers for goods and services	(2,812,956)
Cash payments to employees for services	(180,106)
Net cash provided (used) by operating activities	743,567
Cash flows from noncapital financing activities:	
Transfer to other funds	(40,000)
Net cash provided (used) by noncapital financing activities	(40,000)
Cash flows from capital and related financing activities:	
Capital contributions	1,753,422
Proceeds from debt	5,181,176
Acquisitions and construction of capital assets	(5,258,951)
Principal payments on debt	(488,188)
Interest payments on debt	(204,786)
Net cash (used) by capital and related financing activities	982,673
Cash flows from investing activities:	
Interest earned on cash and investments	46,824
Net cash provided (used) by investing activities	46,824
Net increase (decrease) in cash and cash equivalents	1,733,064
Cash and cash equivalents, beginning of year	5,837,429
Cash and cash equivalents, end of year	$ 7,570,493
Operating income (loss)	$ (41,614)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	749,605
Change in assets and liabilities:	
Decrease (increase) in other/accounts receivables	(33,762)
(Decrease) Increase in accounts payable and accrued liabilities	57,129
(Decrease) increase in customer deposits	12,209
Total adjustments	785,181
Net cash provided (used) by operating activities	$ 743,567
Noncash Investing, Capital and Financing Activities:	
Contributions of capital assets from developers/ other entities	$ 2,324,869
Contributions of capital assets from other funds	374,307

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF RICHMOND HILL
NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

NOTE 3. OTHER INFORMATION

- A. Employee Pension Plan
- B. 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. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principals. The City exclusively follows the standards set forth by the GASB. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

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

Membership in Coastal Regional Commission

Under Georgia law, the City is a member of the Coastal Regional Commission (CRC) and is required to pay annual dues thereto. During its year ended December 31, 2014, the City paid $9,281 in such dues. Membership in a Regional Commission (RC) is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The CRC Board membership of 37 is as follows: Bryan - 3, Bulloch - 5, Camden - 4, Chatham – 5, Effingham - 4, Glynn - 5, Liberty - 5, Long - 3 and McIntosh - 3. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RC. Management believes that the CRC is currently accumulating sufficient financial resources to meet its financial obligations. Separate financial statements may be obtained from:

Coastal Regional Commission
127 F Street
Brunswick, Georgia 31520

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Basis of Accounting

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

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

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

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

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

D. Assets, Liabilities and Equity

1. Cash and Investments

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

2. Receivables and Payables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are included in the Deferred Inflows of Resources section in the fund financial statements in accordance with the modified accrual basis of accounting. The Deferred Inflows of Resources include unavailable property taxes totaling $26,580. 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 $134,000 at December 31, 2014. The allowance for uncollectibles for sanitation, shown in the general fund, is $26,000 at December 31, 2014.

Property taxes are assessed as of January 1 and taxes were levied on August 28, 2014. Tax bills were rendered on September 2, 2014 and are considered past due 60 days after the tax billing date at which time the applicable property is subject to lien and interest is assessed. Penalties are assessed 90 days after the due date (the date interest is assessed).

3. Inventories and Prepaid Items

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

4. Restricted Assets

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

5. Capital Assets

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

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

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

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

6. Compensated Absences

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

7. Long-term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type activities Statement of Net Position. Bond premiums and discounts, 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 position and displayed in three components in the government-wide financial statements.

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

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

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

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

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

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

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

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

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

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

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, 2014 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, 2014 the investments of the City were:

Investment	Average Credit Rating		Fair Value	Average Maturity (Days)
Georgia Fund 1	AAAm	$	2,257,966	48

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

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

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

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

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

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

Reconciliation of financial statements to note:

Basic financial statements:	
Cash and investments	$ 9,702,685
Restricted cash	2,778,302
Total	$ 12,480,987
Carrying Value:	
Deposits	$ 10,223,021
Investments	2,257,966
Total	$ 12,480,987

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	$ 194,815	$ 309,915	$ 694,151	$ 1,198,881	$ (82,529)	$1,116,352
SPLOST	-	151,041	-	151,041	-	151,041
Non-major governmental	-	-	54,126	54,126	-	54,126
Water and Sewer	-	28,534	1,909,481	1,938,015	(134,000)	1,804,015
Total	$ 194,815	$ 489,490	$ 2,657,758	$ 3,342,063	$ (216,529)	$3,125,534

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

C. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 2,257,956	$ 73,263	$ -	$ 2,331,219
Right of Way	-	310,000	-	310,000
Construction in Progress	-	415,892	-	415,892
Depreciable Assets:				
Buildings and Improvements	9,695,844	225,499	-	9,921,343
Infrastructure and other structures	11,542,919	1,571,500	-	13,114,419
Machinery, Equipment & Vehicles	4,518,984	816,091	170,385	5,164,690
	28,015,703	3,412,245	170,385	31,257,563
Accumulated Depreciation:				
Buildings and Improvements	(2,049,755)	(279,563)	-	(2,329,318)
Infrastructure and other structures	(1,406,760)	(349,083)	-	(1,755,843)
Machinery, Equipment & Vehicles	(3,640,473)	(419,702)	(81,539)	(3,978,636)
	(7,096,988)	(1,048,348)	(81,539)	(8,063,797)
Total Governmental Activities	20,918,715	2,363,897	88,846	23,193,766
Business-Type Activities:				
Non-Depreciable Assets:				
Land	1,100,329	-	-	1,100,329
Construction in Progress	2,191,541	7,095,370	1,402,293	7,884,618
Depreciable Assets:				
Utility Plant and Equipment	23,657,020	4,080,683	40,691	27,697,012
Buildings	124,464	-	-	124,464
Machinery, Equipment & Vehicles	680,973	20,786	19,235	682,524
	27,754,327	11,196,839	1,462,219	37,488,947
Accumulated Depreciation:				
Utility Plant and Equipment	(6,118,905)	(690,259)	-	(6,809,164)
Buildings	(108,631)	(7,918)	-	(116,549)
Machinery, Equipment & Vehicles	(578,836)	(51,428)	(19,235)	(611,029)
	(6,806,372)	(749,605)	(19,235)	(7,536,742)
Total Business-Type Activities	20,947,955	10,447,234	1,442,984	29,952,205
Total Capital Assets	$41,866,670	$ 12,811,131	$ 1,531,830	$53,145,971

The beginning balances in the governmental activities for machinery were increased by $19,236 for both the cost and accumulated depreciation.

Depreciation expense was charged to governmental activities as follows:

General Government	$ 50,919
Public Safety	294,228
Public Works	451,427
Culture and Recreation	83,942
Development	167,832
Total depreciation	$ 1,048,348

The City has active construction projects as of year-end. The City's major commitments are as follows:

	Contract Balance
Water & Sewer	$ 16,212,596
Total	$ 16,212,596

D. Interfund Transactions and Balances

Interfund receivable and payable balances at December 31, 2014 are as follows:

Receivable Fund	Payable Fund	Amount
General	Non-major governmental	$ 23,193
Non-major governmental	Non-major governmental	32,442
	Total fund financial statements	$ 55,635

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
Water and sewer	General	$ 40,000
Non-major govenmental	General	257,958
Non-major govenmental	Non-major govenmental	172,053
	Total fund financial statements	$ 470,011

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 County would reimburse the City for the cost of the extension project, upon completion of the project. The project was completed at a cost of $680,710 that will be repaid in monthly installments of $4,175 over 20 years at an interest rate of 4.13%.

The following is the repayment schedule:

Year	Principal	Interest	Total
2015	$ 28,534	$ 21,571	$ 50,105
2016	29,737	20,367	50,104
2017	30,993	19,111	50,104
2018	32,300	17,804	50,104
2019	33,662	16,442	50,104
2020-2024	190,856	59,665	250,521
2025-2029	187,936	16,659	204,595
Total Intergovernmental Receivable	534,018	$ 171,619	$ 705,637
Less: Current Portion	(28,534)		
Long-term Intergovernmental Receivable	$ 505,484		

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 amortization of assets recorded under capital leases is included with depreciation expense in the amount of $10,657.

The assets acquired through capital leases are as follows:

Asset Class	Governmental Activities
Machinery and equipment	$ 437,000
Less: accumulated depreciation	(46,410)
Total	$ 390,590

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, were as follows:

Year Ending December 31	Governmental Activities
2015	$ 60,324
2016	60,323
2017	55,571
2018	50,818
2019	50,818
2020	50,817
2021	50,817
Total minimum lease paymets	379,488
Less: amount representing interest	35,673
Present value of minimum lease payments	$ 343,815

G. Long-term Liabilities

Changes in Long-term Liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	$ 133,547	$ 268,868	$ 244,647	$ 157,768	$ 83,617
Contractual obligation	3,696,216	-	266,679	3,429,537	276,438
Notes	803,128	-	42,078	761,050	43,571
Capital leases	22,965	348,155	27,305	343,815	43,217
Total Governmental Activities	$4,655,856	$ 617,023	$ 580,709	$ 4,692,170	$ 446,843
Business-Type Activities:					
Compensated absences	$ 7,486	$ 13,365	$ 12,055	$ 8,796	$ 4,662
GEFA loans	7,703,940	5,801,395	488,188	13,017,147	551,179
Total Business-Type Activities	$7,711,426	$5,814,760	$ 500,243	$ 13,025,943	$ 555,841

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

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

Year	Principal	Interest	Total
2015	$ 276,438	$ 118,901	$ 395,339
2016	286,238	109,100	395,338
2017	297,027	98,311	395,338
2018	307,897	87,441	395,338
2019	319,163	76,175	395,338
2020-2024	1,779,518	197,172	1,976,690
2025-2028	163,256	1,468	164,724
Total	$ 3,429,537	$ 688,568	$ 4,118,105

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

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

Year	Principal	Interest	Total
2015	$ 43,571	$ 26,110	$ 69,681
2016	45,116	24,565	69,681
2017	46,716	22,965	69,681
2018	48,372	21,309	69,681
2019	50,088	19,593	69,681
2020-2024	278,380	70,025	348,405
2025-2028	248,807	18,302	267,109
Total	$ 761,050	$ 202,869	$ 963,919

Business-Type Activities:

Georgia Environmental Facilities Authority (GEFA) Loans: The City has obtained six GEFA loans for the development and expansion of its water and sewer systems and for the construction of the wastewater treatment facility and for a Floridian Aquifer well. The City has pledged its full faith and credit and revenue-raising power including its taxing power, for repayment of these obligations. The City has two loans in the construction phase. Phase I of the Construction of a new wastewater treatment facility and all necessary appurtenances loan (CWSRF-10-008) has a total project amount of $4,000,000. Of this amount, $3,500,000 is the loan portion. The City has expended $4,000,000 on the project of which $3,500,000 is the construction loan amount. Phase II of the Construction of a new wastewater treatment facility and all necessary appurtenances loan (CWSRF-10-008(2)) has a total project amount of $10,000,000. Of this amount, $9,500,000 is the loan portion. The City has expended $3,831,228 on the project of which $3,639,667 is the construction loan amount.

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 Georgia Environmental Financing Agency (GEFA). During 2013, GEFA approved $10 million of the $20 million application.

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%	$ 78,590
GEFA-Wastewater Treatment Facility and Improvements	4,924,203	3.00%	975,154
GEFA-Water and Sewer Lower Floridan Well, Tank and Water Main Extension	3,376,000	4.00%	2,395,877
GEFA- Pump Station Rehab-ilitation and Force Main Replacement - Construction Loan	2,500,000	2.91%	2,427,859
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase I	3,500,000	3.00%	3,500,000
GEFA- Construction of new wastewater treatment facility and all necessary appurtenances - Phase II	10,000,000	1.40%	3,639,667
Total loans			13,017,147
Less: current portion			551,179
Total long-term debt			$ 12,465,968

GEFA loans debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2015	$ 551,179	$ 194,790	745,969
2016	569,472	176,498	745,970
2017	588,469	157,501	745,970
2018	262,955	141,786	404,741
2019	272,747	131,994	404,741
2020-2024	1,436,468	507,546	1,944,014
2025-2029	1,508,526	224,795	1,733,321
2030-2034	687,664	47,191	734,855
Construction loan	7,139,667	-	7,139,667
Total	$ 13,017,147	$ 1,582,101	$ 14,599,248

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 position

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

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
Public Safety	$ -	$ -	$ 3,200	$ 3,200
Trade shows and conferences	-	-	172,424	172,424
Construction and capital outlay	-	692,100	-	692,100
Unassigned:	4,819,620	-	-	4,819,620
Total Fund Balances	$ 4,819,620	$ 692,100	$ 175,624	$ 5,687,344

Of the unassigned fund balance in the general fund, $290,802 has been designated as an economic uncertainty reserve.

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

	Governmental Activities	Business-Type Activities
Net Capital Assets	$ 23,193,766	$ 29,952,205
Capital related debt and payables	(4,511,642)	(14,548,233)
Net investment in capital assets	$ 18,682,124	$ 15,403,972

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

Governmental Activities

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

Restricted for other purposes – This restriction represents $175,624 in the nonmajor special revenue funds.

Business-type Activities

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

Restricted for system construction – Water and Sewer Enterprise Fund – This restriction ($1,835,999) represents funds to be used for water and sewer system construction.

NOTE 3. OTHER INFORMATION

A. Employee Pension Plan

***Plan Description*.** The City of Richmond Hill Pension Plan, covering all full-time employees, has a noncontributory plan for class 0 and 1 employees; however, employees who have elected for the enhanced retirement option must contribute 3% of their salary to the plan. These employees are considered class 2 and 3. Effective February 1, 2008, new hires and re-hired regular employees will be required to make contributions. Class 1 and 2 employees are police officers who do not contribute to social security under the plan provisions. Class 0 and 3 employees are all other employees of the City. The employees contributed $88,338 to the plan during 2014.

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.

The following is the plan membership at July 1, 2014:

Active Plan Participants	73
Retirees and Beneficiaries	20
Terminated plan particpants entitled to, but not yet receiving benefits	35
Total	128

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 closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). Well-funded plans may have a full credit applied to reduce the recommended contributions. This credit insures that contributions are not required if a plan's assets exceed the present value of future benefits. The recommended contributions under this policy for 2015 and 2014 are developed below.

	7/1/2014	7/1/2013
Normal Cost		
Plan Benefits	$ 296,942	$ 269,461
Administrative Expenses	18,801	18,006
Expected employee contributions	(70,483)	(49,221)
Employer normal cost	245,260	238,246
Amortization of the Unfunded Actuarial Accrued Liability	88,341	53,445
Adjustment to fiscal year	12,686	11,092
Recommended Contribution	$ 346,287	$ 302,783
Covered Payroll	$ 2,971,113	$ 2,825,700
Recommended Contribution as a Percentage of Covered Payroll	11.5%	10.5%

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 2014, the City's annual pension cost of $302,783 was equal to the City's required and actual contributions. The required contribution was determined as a part of the July 1, 2013 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 Methods. The amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for other changes to plan provisions, and 30 years for actuarial assumptions and cost methods. The total amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/ (surplus) actuarial accrued liability. In a year when the 10-year or 30-year corridor applies, the following year, the prior year bases are combined into one 10-year or 30-year base. These amortization periods, if applicable, are closed for this plan year.

Significant Actuarial Assumptions and Methods

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.

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%
Rate of return on investment	7.75%
Post retirement benefit increases	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

Actuary Cost Method	Projected Unit Credit

Actuarial Value of Assets:

The actuarial value of assets is calculated by adding the 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 20% of market value.

Net Investment Return:

A 7.75% net investment return on an on-going basis is based on the long-term expected rate of return on pension plan investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-term Nominal Real Rate of Return
Domestic equity	50.0%	5.5%	9.0%
International equity	10.0%	5.5%	9.0%
Fixed income	35.0%	2.5%	6.0%
Real estate	5.0%	4.0%	7.5%
Cash	0.0%		
Total	**100.0%**		

Plan termination basis: 3.76% (30-year Treasury Securities Rate as of August, 2013, published in September, 2013; 2.77% last year)

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
12/31/2012	$ 297,262	100%	-
12/31/2013	312,751	100%	-
12/31/2014	302,783	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)
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%
7/1/2012	4,630,993	5,156,177	525,184	89.8%	2,632,601	19.9%
7/1/2013	5,251,082	5,627,574	376,492	93.3%	2,825,700	13.3%
7/1/2014	5,979,315	6,644,354	665,039	90.0%	2,971,133	22.4%

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. The City utilizes Lion Insurance Company for its workers compensation insurance. The City makes monthly payments to the company based on industry actuarial projections. An annual workers compensation audit is performed by the carrier which can either result in a refund of premium or additional charge over the base premium. No amount has been recorded in the financial statements as a contingency for additional assessments as management believes the likelihood for a substantial surcharge is remote. Settled claims have not exceeded coverage in any of the past three fiscal years.

Risk Pools

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2014. No provisions have been made in the financial statements for the year ended December 31, 2014 for any estimate of potential unpaid claims.

Self Insurance

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

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

D.Subsequent Events

On January 14, 2015, the City approved a bridge loan with South State Bank in the amount of $3,000,000 which serves as a line of credit for cash flow purposes to fund the payments for the building of the Waste Water Treatment Plant in the event the GEFA loan draws are delayed for any reason.

On April 7, 2015, the City approved management to submit a GEFA loan application in the amount of $10,500,000 to fund Phase III of the Waste Water Treatment Plant and it was approved by GEFA on May 12, 2015.

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, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
RESOURCES (Inflows):				
Taxes	$ 5,851,000	$ 5,983,900	$ 6,288,112	$ 304,212
Licenses and permits	240,500	240,500	344,927	104,427
Intergovernmental revenues	-	-	86,855	86,855
Charges for services	850,000	850,000	834,758	(15,242)
Fines and forfeitures	615,000	615,000	799,815	184,815
Investment income	7,400	7,400	11,960	4,560
Miscellaneous revenue	6,100	6,100	6,870	770
Capital lease	-	27,100	27,100	-
Transfers in	230,000	270,000	297,958	27,958
Total revenues	7,800,000	8,000,000	8,698,355	698,355
CHARGES TO APPROPRIATIONS (Outflows)				
Current				
City council	50,200	75,200	72,812	2,388
General administration	762,866	932,866	928,487	4,379
Finance department	204,850	210,850	209,603	1,247
General government buildings	35,000	36,000	35,010	990
Municipal court	40,000	40,000	37,234	2,766
Police department	2,782,081	2,710,081	2,671,429	38,652
Custody of prisoners	45,000	39,000	28,092	10,908
Fire protection	675,486	695,486	692,099	3,387
Streets	1,365,000	1,355,000	1,342,168	12,832
Sanitation	800,000	790,000	773,601	16,399
Building inspection	601,892	616,892	613,759	3,133
Code enforcement	12,625	22,625	20,727	1,898
Special recreation projects	25,000	35,000	33,564	1,436
Park	400,000	435,000	428,837	6,163
Total Expenditures	7,800,000	7,994,000	7,887,422	106,578
Debt service				
Principal	-	5,000	4,340	660
Interest and fiscal agent fees	-	1,000	412	588
Total Debt Service	-	6,000	4,752	1,248
Transfers to other funds	-	-	-	-
Total charges to appropriations	7,800,000	8,000,000	7,892,174	107,826
Excess (deficiency) of resources over charges to appropriations	-	-	806,181	806,181
Fund balance, beginning of year	-	-	4,013,439	4,013,439
Fund balance, end of year	$ -	$ -	$ 4,819,620	$ 4,819,620

A. Budgets and Budgetary Accounting

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

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

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

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

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

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

Supplemental increases in budget appropriations were properly approved by the City Council. For the year ended December 31, 2014, the following supplemental appropriations were approved:

Fund Type	Original Appropriations	Supplemental Appropriations	Supplemental Decreases	Final Appropriations
General	$ 7,800,000	$ 200,000	$ -	$ 8,000,000

COMBINING FUND FINANCIAL STATEMENTS AND SCHEDULES AND OTHER SUPPLEMENTARY INFORMATION

Non-major Funds

Non-major Governmental Funds

Special Revenue Funds:

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

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

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

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

CITY OF RICHMOND HILL, GEORGIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	Special Revenue Funds			
	Confiscated Assets	Hotel/Motel Tax	City Center Fund	Total
ASSETS				
Cash and cash equivalents	$ 7,349	$ 33,939	$ 148,668	$ 189,956
Receivables	-	54,126	-	54,126
Due from other funds	-	-	32,442	32,442
Total assets	$ 7,349	$ 88,065	$ 181,110	$ 276,524
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 4,149	$ 32,430	$ 8,686	$ 45,265
Due to other funds	-	55,635	-	55,635
Total liabilities	4,149	88,065	8,686	100,900
Fund balances:				
Restricted	3,200	-	172,424	175,624
Total fund balances	3,200	-	172,424	175,624
Total liabilities and fund balances	$ 7,349	$ 88,065	$ 181,110	$ 276,524

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, 2014

	Special Revenue Funds			
	Confiscated Assets	**Hotel/Motel Tax**	**City Center Fund**	**Total**
REVENUES				
Taxes	$ -	$ 602,004	$ -	$ 602,004
Fines and forfeitures	3,879	-	-	3,879
Investment	28	-	492	520
Miscellaneous	-	-	2	2
Total revenues	3,907	602,004	494	606,405
EXPENDITURES				
Current:				
Public Safety	3,464	-	-	3,464
Housing and Development	-	171,993	163,523	335,516
Total expenditures	3,464	171,993	163,523	338,980
Excess (deficiency) of revenues over expenditures	443	430,011	(163,029)	267,425
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	172,053	172,053
Transfers out	-	(430,011)	-	(430,011)
Total other financing sources and uses	-	(430,011)	172,053	(257,958)
Net change in fund balances	443	-	9,024	9,467
Fund balances - beginning	2,757	-	163,400	166,157
Fund balances - ending	$ 3,200	$ -	$ 172,424	$ 175,624

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND – CONFISCATED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures				
Fines and forfeitures	$ 5,000	$ 5,000	$ 3,879	$ (1,121)
Total fines and forfeitures	5,000	5,000	3,879	(1,121)
Investment income				
Interest income	-	-	28	28
Total investment income	-	-	28	28
TOTAL REVENUES	5,000	5,000	3,907	(1,093)
EXPENDITURES				
Current				
Police department	5,000	5,000	3,464	1,536
TOTAL EXPENDITURES	5,000	5,000	3,464	1,536
Net change in fund balance	-	-	443	443
Fund balance at beginning of year	2,757	2,757	2,757	-
Fund balance at end of year	$ 2,757	$ 2,757	$ 3,200	$ 443

CITY OF RICHMOND HILL, GEORGIA

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND – HOTEL/MOTEL TAX

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Hotel/motel	$ 514,600	$ 602,600	$ 602,004	$ (596)
Total taxes	514,600	602,600	602,004	(596)
TOTAL REVENUES	514,600	602,600	602,004	(596)
EXPENDITURES				
Current				
Housing and Development	144,600	172,600	171,993	607
TOTAL EXPENDITURES	144,600	172,600	171,993	607
Excess revenues over (under) expenditures	370,000	430,000	430,011	11
OTHER FINANCING SOURCES (USES)				
Transfers out	(370,000)	(430,000)	(430,011)	(11)
TOTAL OTHER FINANCING SOURCES (USES)	(370,000)	(430,000)	(430,011)	(11)
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, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	$ -	$ -	$ 492	$ 492
Miscellaneous	-	-	2	2
TOTAL REVENUES	-	-	494	494
EXPENDITURES				
Current				
Housing and Development	140,000	164,000	163,523	477
Debt Service				
Principal	240,000	240,000	-	240,000
Interest	156,000	156,000	-	156,000
TOTAL EXPENDITURES	536,000	560,000	163,523	396,477
Excess revenues over (under) expenditures	(536,000)	(560,000)	(163,029)	396,971
OTHER FINANCING SOURCES (USES)				
Transfers in	536,000	560,000	172,053	(387,947)
TOTAL OTHER FINANCING SOURCES (USES)	536,000	560,000	172,053	(387,947)
Net change in fund balance	-	-	9,024	9,024
Fund balance at beginning of year	163,400	163,400	163,400	-
Fund balance at end of year	$ 163,400	$ 163,400	$ 172,424	$ 9,024

COMPONENT UNIT

CITY OF RICHMOND HILL, GEORGIA

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

DECEMBER 31, 2014

ASSETS	
Cash and cash equivalents	$ 65,457
Receivables	35,905
Prepaids	10,446
Total assets	$ 111,808
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 6,212
Total liabilities	6,212
Fund balances:	
Nonspendable	10,446
Restricted	95,150
Total fund balances	105,596
Total liabilities and fund balances	$ 111,808

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, 2014

REVENUES	
Intergovernmental	$ 171,993
Investment	194
Miscellaneous	411
Total revenues	172,598
EXPENDITURES	
Current:	
Housing and Development	165,205
Total expenditures	165,205
Excess (deficiency) of revenues over expenditures	7,393
Net change in fund balances	7,393
Fund balances - beginning	98,203
Fund balances - ending	$ 105,596
Reconciliation of the Component Unit Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	
Net change in fund balances	$ 7,393
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	1,620
Net Position of component unit in the Statement of Net Position	$ 9,013

CITY OF RICHMOND HILL, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental				
Intergovernmental	$ 144,600	$ 165,500	$ 171,993	$ 6,493
Total investment income	144,600	165,500	171,993	6,493
Investment income				
Interest income	-	-	194	194
Total investment income	-	-	194	194
Miscellaneous	-	-	411	411
Total miscellaneous revenue	-	-	411	411
TOTAL REVENUES	144,600	165,500	172,598	7,098
EXPENDITURES				
Current				
Economic Development and Assistance	144,600	165,500	165,205	295
TOTAL EXPENDITURES	144,600	165,500	165,205	295
Net change in fund balance	-	-	7,393	7,393
Fund balance at beginning of year	98,203	98,203	98,203	-
Fund balance at end of year	$ 98,203	$ 98,203	$ 105,596	$ 7,393

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, 2014

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total
SPLOST 12-18: Roads, streets, bridges, sidewalks, and bicycle paths; cultural, recreational, historical and municipal facilities to include the City Center; water and sewer capital outlay projects; previously incurred general obligation debt; public safety facilities and capital equipment; stormwater and drainage improvements and capital equipment.	$ 11,000,000	$ 763,757	$ -	$ -	$ -
General Administration Equipment		50,000	44,865	-	44,865
General Administration Software		215,000		157,014	157,014
Parks/Recreation Improvements		300,000	-	-	-
Park Equipment		90,000	32,938	-	32,938
Road Paving		535,000	-	-	-
Traffic Light - Mulberry/US 17		70,000	68,455	-	68,455
Longwood Drive		150,000	-	150,000	150,000
Sidewalks - Timber Trail / Harris Trail		450,000	-	65,903	65,903
Sidewalks - Ivy Street		67,000	66,959	-	66,959
Drainage - Master Plan		50,000	8,478	-	8,478
Drainage - Sandpiper Rd / Piercefield Dr		250,000	245,491	-	245,491
Drainage canals - land purchase		73,154	-	73,154	73,154
Streets Equipment		718,871	51,500	48,160	99,660
Streets - Vehicle Maintenance Building		20,000	17,715	-	17,715
Streets - Sommers Blvd Building Renovations		52,975	-	52,975	52,975
Water and Sewer WWTP Road Access		360,000	-	353,522	353,522
Water and Sewer Equipment		575,000	-	20,785	20,785
Public Safety - Police Dept Building		275,000	274,047	-	274,047
Public Safety - Police Dept Equipment		525,000	29,600	252,931	282,531
Public Safety - Fire Dept Building Renovation		240,000	-	238,857	238,857
Public Safety - Fire Dept Equipment		100,000	-	50,000	50,000
Public Safety - Fire Training Facility		180,000	-	-	-
Public Safety - Fire Truck		450,000	-	-	-
Public Safety - Belfast Fire Station		675,000	-	-	-
Building and Zoning Equipment		78,000	28,012	-	28,012
Building and Zoning Building Improvements		50,000	-	-	-
Debt Service:					
City Center		1,920,000	496,841	395,338	892,179
Streets - Backhoe		35,243	11,613	23,630	35,243
Streets - Excavator		356,000	-	-	-
Water/Sewer Infrastructure - GEFA Loans		400,000	400,000	-	400,000
Sommers Blvd Land and Buildings		300,000	-	69,680	69,680
Police Vehicles		625,000	-	-	-
Total	$ 11,000,000	$ 11,000,000	$ 1,776,514	$ 1,951,949	$ 3,728,463

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

Current year expenditures reported	$ 1,784,355
Debt service	488,649
Activity not reported on SPLOST Schedules:	
Purchase of equipment through a capital lease	(321,055)
Total SPLOST Fund Expenditures	$ 1,951,949

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF REQUIRED EXPENDITURES
GENERATED BY THE HOTEL/MOTEL TAX

For the year ended December 31, 2014

Revenue:	
Hotel/motel taxes	$ 602,004
Expenditures:	
Tourism expenditures - Richmond Hill Convention and Visitors Bureau	$ 171,993
Transfer to City Center Fund	172,053
Total expenditures	$ 344,046
Percentage of expenditures to revenues	57%

SUPPLEMENTAL REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond Hill, Georgia (City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 22, 2015.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See findings 2014-001 through 2014-006.

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,

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regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We also noted certain matters that we reported to management of the City in a separate letter dated May 22, 2015.

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

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

KRT, CPAs P.C.

Savannah, Georgia
May 22, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR 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

Report on Compliance for Each Major Federal Program

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, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with

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types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. 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.

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 internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that are not 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 2014-007.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KRT, CPAs P.C.

Savannah, Georgia
May 22, 2015

CITY OF RICHMOND HILL, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 10-008	$ 2,066,645
Clean Water State Revolving Fund	66.458	CWSRF 10-008(2)	3,831,228
Total Environemental Protection Agency			5,897,873
Total Federal Expenditures			$ 5,897,873

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, 2014. 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 position 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, 2014

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

Financial Statements

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

2. **Internal control over financial reporting:**
   - **a Material weakness(es) identified?** ____ **yes** ___X___ **no**
   - **b Significant deficiency(ies) identified that are not considered to be material weaknesses?** ___X___ **yes** ____ **none reported**

3. **Noncompliance material to financial statements noted?** ____ **yes** ___X___ **no**

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 unmodified 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 determined to be a low-risk auditee.**

B. Findings – Financial Statement Audit

Finding 2014-001

Condition: Several inconsistencies were noted in purchasing procedures. Some purchases over $10,000 are approved by council and some are not approved.

Criteria: Council should approve purchases over $10,000.

Cause: Procurement policy is unclear when Council approval is required and who has authority to sign contracts.

Effect: Increased risk of improper and unauthorized purchases.

Recommendation: The City's procurement policy should be reviewed and clarified. We would also suggest that if departments are authorized to make capital asset purchases based on departmental budgets, a detail listing of such assets should be maintained and any modifications should be approved by Council.

Response: Management concurs with this finding.

Finding 2014-002 (Repeat)

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

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

Cause: Below is a list of items noted:

a. Multiple invoices paid in the subsequent year were not properly accrued to the correct year.
b. Unresolved system issues resulted in a significant number of errors.
c. Reliance on one employee to correct errors during the conversion process, perform year end closing procedures and reconciliation of subsystems to the general ledger.
d. Multiple year-end entries not completed

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

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

Response: Management concurs with this finding.

Finding 2014-003

Condition: Several exceptions were noted during expenditure testing.

1. Approval was not noted on the documentation.
2. Several credit card receipts were not approved and did not state a business purpose.
3. Receipts for food did not state a valid business purpose or who the meal was for. Additionally, some food receipts did not provide a detail of what was purchased.
4. An employee submitted a request for reimbursement for items purchased and no receipts were included as documentation.
5. A statement and a quote were used as documentation for payments rather than invoices.

Criteria: Cash disbursements should be accompanied by properly approved and adequate documentation.

Cause: Accounts payable processing procedures not properly followed.

Effect: Increased risk of improper and unauthorized payments.

Recommendation: All checks presented for signature should have properly approved supporting documentation. In the rare cases where a payment has to be processed prior to receiving adequate supporting documentation (prepayments), a process should be implemented to ensure that all appropriate documents are subsequently obtained. Additionally, we recommend a policy be developed to detail the documentation required for payment of food and beverage purchases.

Response: Management concurs with this finding.

Finding 2014-004 (Repeat)

Condition: A reconciliation process was not performed between the Utility Billing system and the general ledger, resulting in differences in customer deposit balances, collections and billings.

Criteria: Subsystems should reconcile to the general ledger.

Cause: Reconciliations were not completed.

Effect: Financial statements could be misstated.

Recommendation: The City should establish procedures for reconciling all subsystems to the general ledger on a monthly basis to ensure accurate financial data is maintained.

Response: Management concurs with this finding.

Finding 2014-005 (Repeat)

Condition: Of the ten business licenses tested, five were incorrectly charged based upon the revenue ordinance and seven had errors due to the business classification NAICS code per state law. Eight of the business licenses tested were marked with "paid" however there was no documentation as to when or how the fee was paid, making tracing the payment within the accounting system extremely difficult. Additionally, there is an understanding by staff that business license taxes are capped at $5,000 however this is not in the approved revenue ordinance.

Criteria: Fees for business licenses should be charged consistently in accordance with state law and the City's revenue ordinance.

Cause: Incorrect entry of profitability class into system and inconsistency in charging certain fees as well as failure to validate a receipt of payment through the cash receipting system.

Effect: Loss of revenue due to undercharging or improper collection of revenue inconsistent with revenue ordinance. Irregularities and errors could occur without the ability to trace payments through the accounting software. Additionally, unwritten policies and procedures could lead to inconsistencies in fees charged.

Recommendation: We recommend all businesses be reviewed and properly categorized by their NAICS code and fees be consistently applied. Additionally, we recommend when payments are accepted, validation of the payment from the cash receipting system should be maintained with the license paperwork to allow for tracing of payments through the accounting software. We also recommend council determine if they want business license taxes capped at $5,000 and if so, amend the revenue ordinance to reflect that decision.

Response: Management concurs with this finding.

Finding 2014-006 (Repeat)

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

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

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

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

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

Response: Management concurs with this finding.

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

Environmental Protection Agency

Finding 2014-007

Clean Water State Revolving Fund – CFDA No. 66.458

Reporting and Davis Bacon Act

Condition: During our review of the Clean Water State Revolving Fund loan, we noted that that City does not have documented federal grant or loan internal control processes for the administration of federally funded projects. Since the City infrequently receives federal funds, there is an increase the risk of noncompliance with federal requirements. The City appears to be in compliance with these compliance requirements; however, sufficient internal controls have not been implemented to detect or prevent noncompliance. Below are issues noted during our review of the CWSRF loan/grant program:

a. The City does not reconcile the draw down requests to expenses recorded in the projects. Also, the City does not maintain a listing of invoices not reimbursed by the loan that are charged to the projects. This could result in duplicate requests of invoices, invoices not drawn, etc.
b. The City did not document that certified payrolls were compared to the approved wage determinations or contractor employee interviews to ensure compliance with the Davis Bacon Act.

Criteria: A-133 requires that grantees and subgrantees establish internal controls over each compliance requirement to reduce the risk of noncompliance to a low level.

Cause: Lack of documenting and implementing effective internal controls over compliance requirements.

Effect: Potential non-compliance with Federal guidelines.

Known Questioned Cost: None identified.

Recommendation: Policies and procedures should be documented and implemented that include the determination of all federal requirements associated with grants or loans and the control procedures over these compliance requirements. This will include how pertinent information is identified and distributed to the appropriate levels of management and staff critical to compliance, how risk of material non-compliance are identified at the beginning of the program, control activities to address risk of non-compliance, and communication to how non-compliance due to fraud or error should be communicated to the proper level of management and the reporting to those charged with governance.

Response: Management concurs with this finding.

II. STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding 2011-05, 2012-06, 2013-013

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.

Status: Based upon test work performed in the current year, the City complied with the Suspension and Debarment compliance requirement.

Finding 2013-014

Clean Water State Revolving Fund – CFDA No. 66.458

Reporting and Davis Bacon

Condition: During our review of the Clean Water State Revolving Fund loan, we noted that that City does not have documented federal grant or loan internal control processes for the administration of federally funded projects. Since the City infrequently receives federal funds, there is an increase the risk of noncompliance with federal requirements. The City appears to be in compliance with these compliance requirements; however, sufficient internal controls have not been implemented to detect or prevent noncompliance. Below are issues noted during our review of the CWSRF loan/grant program:

c. The City does not reconcile the draw down requests to expenses recorded in the projects. Also, the City does not maintain a listing of invoices not reimbursed by the loan that are charged to the projects. This could result in duplicate requests of invoices, invoices not drawn, etc.
d. The City did not document that certified payrolls were compared to the approved wage determinations or contractor employee interviews to ensure compliance with the Davis Bacon Act.

Status: See discussion at Finding 2014-007.