

**CITY OF SUGAR HILL, GEORGIA**

**FINANCIAL STATEMENTS**

**For the fiscal year ended December 31, 2018**

**WALKER, PIERCE & TUCK, CPA'S, PC**

**CITY OF SUGAR HILL, GEORGIA  
FISCAL YEAR ENDED DECEMBER 31, 2018  
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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
Sugar 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 units and each major fund of the City of Sugar Hill, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Sugar Hill, Georgia's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **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 units and each major fund of the City of Sugar Hill, Georgia, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. However, the budgetary comparison information, schedules of changes in net pension liability and contributions are presented, as required by generally accepted accounting standards in the United States of America on pages 33-36 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 of Sugar Hill, Georgia's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.G.A. 48-8-121 as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Special Purpose Local Option Sales Tax is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Special Purpose Local Option Sales Tax 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 June 10, 2019, on our consideration of the City of Sugar Hill, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sugar Hill, Georgia's internal control over financial reporting and compliance.

*Walker, Pierce & Tuck, CPA's, P.C.*

Walker, Pierce and Tuck, CPA's, P.C.

Gainesville, Georgia

June 10, 2019

# CITY OF SUGAR HILL, GEORGIA

## Statement of Net Position

December 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Dev. Authority	Housing Authority
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 11,595,396	\$ 2,300	\$ 11,597,696	\$ 37,146	\$ 29,659
Restricted cash	147,945	730,396	878,341	3,387,455	-
Investments	3,000,000	-	3,000,000	-	178,065
Accounts receivables (net)	905,984	1,031,726	1,937,710	-	-
Intergovernmental receivable	528,564	-	528,564	-	-
Prepaid expenditures	56,408	22,796	79,204	4,040	-
Interfund balances	(1,207,377)	1,207,377	-	-	-
Due from component unit	3,198,820	-	3,198,820	-	-
Supplies / inventory	-	180,742	180,742	-	-
<b>Total Current Assets</b>	<b>18,225,740</b>	<b>3,175,337</b>	<b>21,401,077</b>	<b>3,428,641</b>	<b>207,724</b>
<b>Noncurrent Assets</b>					
Capital assets					
Nondepreciable	23,190,693	4,258,848	27,449,541	2,535,662	-
Depreciable, net	49,295,864	3,948,700	53,244,564	46,984,765	-
<b>Total Noncurrent Assets</b>	<b>72,486,557</b>	<b>8,207,548</b>	<b>80,694,105</b>	<b>49,520,427</b>	<b>-</b>
<b>Total Assets</b>	<b>90,712,297</b>	<b>11,382,885</b>	<b>102,095,182</b>	<b>52,949,068</b>	<b>207,724</b>
<b>Deferred Outflows of Resources</b>	<b>1,985,160</b>	<b>1,010,856</b>	<b>2,996,016</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>92,697,457</b>	<b>12,393,741</b>	<b>105,091,198</b>	<b>52,949,068</b>	<b>207,724</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	367,248	1,048,005	1,415,253	98,244	-
Accrued expenses	93,101	24,497	117,598	110,087	-
Retainage Payable	16,670	-	16,670	2,250,000	-
Revenue bond payable	-	-	-	1,992,950	-
Unearned revenue	-	10,006	10,006	-	-
Due to primary government	-	-	-	3,198,820	-
Landfill closure/postclosure cost	144,986	-	144,986	-	-
<b>Total Current Liabilities</b>	<b>622,005</b>	<b>1,082,508</b>	<b>1,704,513</b>	<b>7,650,101</b>	<b>-</b>
<b>Long-term Liabilities</b>					
Net pension liability	2,285,891	1,163,990	3,449,881	-	-
Revenue bonds payable	-	-	-	39,775,496	-
Amounts held in trust	147,945	726,340	874,285	40,224	-
Compensated absences	194,923	45,024	239,947	-	-
Landfill closure/postclosure cost	1,014,907	-	1,014,907	-	-
<b>Total Long-term Liabilities</b>	<b>3,643,666</b>	<b>1,935,354</b>	<b>5,579,020</b>	<b>39,815,720</b>	<b>-</b>
<b>Total Liabilities</b>	<b>4,265,671</b>	<b>3,017,862</b>	<b>7,283,533</b>	<b>47,465,821</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>4,265,671</b>	<b>3,017,862</b>	<b>7,283,533</b>	<b>47,465,821</b>	<b>-</b>
<b>Net Position</b>					
Net Investment in Capital Assets	72,469,887	8,207,548	80,677,435	5,501,981	-
Restricted for:					
Capital projects	4,580,594	-	4,580,594	911,266	-
Debt service	-	-	-	137,119	-
Unrestricted	11,381,305	1,168,331	12,549,636	(1,067,119)	207,724
<b>Total Net Position</b>	<b>\$ 88,431,786</b>	<b>\$ 9,375,879</b>	<b>\$ 97,807,665</b>	<b>\$ 5,483,247</b>	<b>\$ 207,724</b>

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

**CITY OF SUGAR HILL, GEORGIA**

Statement of Activities

For the Year Ended December 31, 2018

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>			<u>Component Units</u>	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Government</u>			Downtown Dev. Authority	Housing Authority
					Governmental Activities	Business-Type Activities	Total		
<b>Primary Government:</b>									
Governmental Activities:									
General government	\$ 4,689,250	\$ 854,890	\$ -	\$ 3,995,821	\$ 161,461	\$ -	\$ 161,461	\$ -	\$ -
Judicial	4,214	3,575	-	-	(639)	-	(639)	-	-
Public safety	141,386	-	-	-	(141,386)	-	(141,386)	-	-
Public works	2,264,033	90,224	155,517	437,299	(1,580,993)	-	(1,580,993)	-	-
Health and welfare	16,458	-	-	-	(16,458)	-	(16,458)	-	-
Recreation and culture	2,158,585	432,938	-	-	(1,725,647)	-	(1,725,647)	-	-
Housing and development	1,714,012	-	-	4,300,148	2,586,136	-	2,586,136	-	-
Total Governmental Activities	<u>10,987,938</u>	<u>1,381,627</u>	<u>155,517</u>	<u>8,733,268</u>	<u>(717,526)</u>	<u>-</u>	<u>(717,526)</u>	<u>-</u>	<u>-</u>
Business-type Activities:									
Gas	6,282,296	7,451,306	-	-	-	1,169,010	1,169,010		
Golf	1,279,683	729,242	-	-	-	(550,441)	(550,441)		
Stormwater	543,513	671,255	-	-	-	127,742	127,742		
Total Business-type Activities	<u>8,105,492</u>	<u>8,851,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>746,311</u>	<u>746,311</u>		
Total Primary Government	<u>\$ 19,093,430</u>	<u>\$ 10,233,430</u>	<u>\$ 155,517</u>	<u>\$ 8,733,268</u>	<u>(717,526)</u>	<u>746,311</u>	<u>28,785</u>		
<b>Component Units:</b>									
Downtown Dev. Authority	6,628,918	1,208,357	18,850	2,779,285				(2,622,426)	
Housing Authority	-	-	-	-					-
Total Component Units	<u>\$ 6,628,918</u>	<u>\$ 1,208,357</u>	<u>\$ 18,850</u>	<u>\$ 2,779,285</u>				<u>\$ (2,622,426)</u>	<u>\$ -</u>
<b>General Revenues:</b>									
Taxes:									
Property taxes, levied for general purposes					4,005,795	-	4,005,795	-	-
Franchise fees					986,608	-	986,608	-	-
Excise taxes					27,554	-	27,554	-	-
Business tax					1,752,911	-	1,752,911	-	-
Alcoholic beverage tax					255,060	-	255,060	-	-
Interest and investment earnings					43,667	-	43,667	59,633	865
Miscellaneous					47,061	1,240	48,301	-	-
Gain (Loss) on disposition of assets					(2,817,939)	-	(2,817,939)	851,918	-
Reassigned assets					-	-	-	-	-
Transfers					877,979	(877,979)	-	-	-
Total General Revenues and Transfers					<u>5,178,696</u>	<u>(876,739)</u>	<u>4,301,957</u>	<u>911,551</u>	<u>865</u>
Change in Net Position					<u>4,461,170</u>	<u>(130,428)</u>	<u>4,330,742</u>	<u>(1,710,875)</u>	<u>865</u>
Net Position Beginning of Year					<u>83,970,616</u>	<u>9,506,307</u>	<u>93,476,923</u>	<u>7,194,122</u>	<u>206,859</u>
Ending Net Position					<u>\$ 88,431,786</u>	<u>\$ 9,375,879</u>	<u>\$ 97,807,665</u>	<u>\$ 5,483,247</u>	<u>\$ 207,724</u>

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

# CITY OF SUGAR HILL, GEORGIA

## Balance Sheet

### Governmental Funds

December 31, 2018

	General Fund	Capital Improvements Fund	SPLOST 2017 Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 7,313,704	\$ -	\$ 4,281,692	\$ 11,595,396
Restricted cash	147,945	-	-	147,945
Investments	3,000,000	-	-	3,000,000
Intergovernmental receivable	9,800	178,553	340,211	528,564
Receivables (net)	905,984	-	-	905,984
Prepaid expenditures	56,408	-	-	56,408
Due from other funds	52,208	-	-	52,208
Due from component unit	3,194,716	4,104	-	3,198,820
<b>Total Assets</b>	<b>14,680,765</b>	<b>182,657</b>	<b>4,621,903</b>	<b>19,485,325</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 14,680,765</u></b>	<b><u>\$ 182,657</u></b>	<b><u>\$ 4,621,903</u></b>	<b><u>\$ 19,485,325</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 212,160	\$ 155,088	\$ -	367,248
Retainage payable	-	16,670	-	16,670
Accrued expenses	93,101	-	-	93,101
Due to other funds	1,207,377	-	52,208	1,259,585
Amounts held in trust	147,945	-	-	147,945
<b>Total Liabilities</b>	<b>1,660,583</b>	<b>171,758</b>	<b>52,208</b>	<b>1,884,549</b>
<b>Deferred Inflows of Resources</b>	<b>82,725</b>	<b>-</b>	<b>-</b>	<b>82,725</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,743,308</b>	<b>171,758</b>	<b>52,208</b>	<b>1,967,274</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid expenditures	56,408	-	-	56,408
Restricted for:				
Capital projects	-	-	4,569,695	4,569,695
Unassigned	12,881,049	10,899	-	12,891,948
<b>Total Fund Balances</b>	<b>12,937,457</b>	<b>10,899</b>	<b>4,569,695</b>	<b>17,518,051</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 14,680,765</u></b>	<b><u>\$ 182,657</u></b>	<b><u>\$ 4,621,903</u></b>	<b><u>\$ 19,485,325</u></b>

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

**CITY OF SUGAR HILL, GEORGIA**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 December 31, 2018

**Total Governmental Fund Balances** \$ 17,518,051

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$	101,505,336	
Less: Accumulated depreciation		<u>(29,018,779)</u>	
Total capital assets			72,486,557

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued compensated absences not reported in governmental funds		(194,923)	
Landfill Closure/Postclosure costs		(1,159,893)	

Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

82,725

Pension items not included in fund financial statements.

Deferred outflows of resources		1,985,160	
Net pension liability		(2,285,891)	

**Net Position of Governmental Activities** \$ 88,431,786

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



# CITY OF SUGAR HILL, GEORGIA

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the Year Ended December 31, 2018

	General Fund	Capital Improvements Fund	SPLOST 2017 Fund	Total Governmental Funds
<b>Revenues</b>				
Property tax	4,007,614	-	-	4,007,614
Business tax	1,752,911	-	-	1,752,911
Franchise tax	986,608	-	-	986,608
Alcohol tax	199,185	-	-	199,185
Excise tax	27,554	-	-	27,554
Intergovernmental	4,504,059	389,596	3,407,566	8,301,221
Licenses and permits	400,136	-	-	400,136
Fines and forfeitures	3,575	-	-	3,575
Charges for services	1,033,100	-	-	1,033,100
Interest	43,667	-	18,951	62,618
Miscellaneous	47,061	-	-	47,061
<b>Total Revenue</b>	<u>13,005,470</u>	<u>389,596</u>	<u>3,426,517</u>	<u>16,821,583</u>
<b>Expenditures</b>				
Current:				
General government	4,938,396	-	-	4,938,396
Judicial	4,214	-	-	4,214
Public safety	129,719	-	-	129,719
Public works	1,657,904	18,312	7,186	1,683,402
Recreation and culture	1,926,150	11,576	-	1,937,726
Housing and development	2,055,441	-	-	2,055,441
Capital Outlay	-	722,890	417,691	1,140,581
<b>Total Expenditures</b>	<u>10,711,824</u>	<u>752,778</u>	<u>424,877</u>	<u>11,889,479</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	2,293,646	(363,182)	3,001,640	4,932,104
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,385,522	311,330	-	1,696,852
Transfers out	(818,873)	-	-	(818,873)
Proceeds from sale of assets	576,353	-	-	576,353
<b>Total Other Financing Sources (Uses)</b>	<u>1,143,002</u>	<u>311,330</u>	<u>-</u>	<u>1,454,332</u>
<b>Net Change in Fund Balances</b>	3,436,648	(51,852)	3,001,640	6,386,436
<b>Fund Balances Beginning of Year</b>	9,500,809	62,751	1,568,055	11,131,615
<b>Fund Balances End of Year</b>	<u>\$12,937,457</u>	<u>\$ 10,899</u>	<u>\$ 4,569,695</u>	<u>\$ 17,518,051</u>

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

## CITY OF SUGAR 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, 2018

<b>Net Changes in Fund Balances-Total Governmental Funds</b>		<b>\$ 6,386,436</b>
<b>Amounts reported as governmental activities in the Statement of Activities are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:</b>		
Capital outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation.		
Capital outlay	3,513,780	
Less: Current year depreciation	<u>(2,418,871)</u>	1,094,909
In the statement of activities, only the gain/loss on the sale of various fixed assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the equipment sold.		
Net book value of fixed assets sold		(3,394,292)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.		
Landfill Closure / Postclosure Costs		144,987
Net pension liability is not available during the current period and therefore is not reported in the funds		
End of Year	(2,285,891)	
Beginning of Year	<u>-</u>	(2,285,891)
Contributions made after pension measurement date, changes in assumptions, and differences in expected and actual results of the defined benefit pension plan are reported as deferred outflows and not reported in the funds.		
End of Year	1,985,160	
Beginning of Year	<u>-</u>	1,985,160
Compensated absences are reported in the Statement of Activities, but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absence liability at December 31, 2017	157,299	
Compensated absence liability at December 31, 2018	<u>(194,923)</u>	(37,624)
Revenues from donated assets in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
		569,304
Because some revenues will not be collected for several months after the City's fiscal year end, they are considered "available" revenues and are deferred in the governmental funds.		
Deferred revenue at December 31, 2017	(84,544)	
Deferred revenue at December 31, 2018	<u>82,725</u>	(1,819)
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ 4,461,170</u></b>

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

# CITY OF SUGAR HILL, GEORGIA

## Statement of Net Position

### Proprietary Funds

December 31, 2018

	Gas Fund	Golf Fund	Stormwater Fund	Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,000	\$ 1,300	\$ -	\$ 2,300
Restricted cash and cash equivalents	730,275	121	-	730,396
Accounts receivable (net)	1,012,330	-	19,396	1,031,726
Prepaid expenses	12,133	6,996	3,667	22,796
Supplies / inventory	165,638	15,104	-	180,742
Due from other funds	-	-	1,207,377	1,207,377
<b>Total Current Assets</b>	<u>1,921,376</u>	<u>23,521</u>	<u>1,230,440</u>	<u>3,175,337</u>
<b>Noncurrent Assets</b>				
Capital assets				
Non-depreciable	10,900	4,247,948	-	4,258,848
Depreciable, net	2,764,799	1,004,306	179,595	3,948,700
<b>Total Noncurrent Assets</b>	<u>2,775,699</u>	<u>5,252,254</u>	<u>179,595</u>	<u>8,207,548</u>
<b>Total Assets</b>	<u>4,697,075</u>	<u>5,275,775</u>	<u>1,410,035</u>	<u>11,382,885</u>
<b>Deferred Outflows of Resources</b>	<u>596,507</u>	<u>256,759</u>	<u>157,590</u>	<u>1,010,856</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>5,293,582</u>	<u>5,532,534</u>	<u>1,567,625</u>	<u>12,393,741</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	856,727	14,094	177,184	1,048,005
Accrued expenses	12,539	6,957	5,001	24,497
Unearned revenue	3,934	6,072	-	10,006
<b>Total Current Liabilities</b>	<u>873,200</u>	<u>27,123</u>	<u>182,185</u>	<u>1,082,508</u>
<b>Long-term Liabilities</b>				
Net pension liability	686,871	295,655	181,464	1,163,990
Customer deposits	726,340	-	-	726,340
Compensated absences	20,399	14,634	9,991	45,024
<b>Total Long-term Liabilities</b>	<u>1,433,610</u>	<u>310,289</u>	<u>191,455</u>	<u>1,935,354</u>
<b>Total Liabilities</b>	<u>2,306,810</u>	<u>337,412</u>	<u>373,640</u>	<u>3,017,862</u>
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>2,306,810</u>	<u>337,412</u>	<u>373,640</u>	<u>3,017,862</u>
<b>Net Position</b>				
Net investment in capital assets	2,775,699	5,252,254	179,595	8,207,548
Unrestricted	211,073	(57,132)	1,014,390	1,168,331
<b>Total Net Position</b>	<u>\$ 2,986,772</u>	<u>\$ 5,195,122</u>	<u>\$ 1,193,985</u>	<u>\$ 9,375,879</u>

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

**CITY OF SUGAR HILL, GEORGIA**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2018

	Gas Fund	Golf Fund	Stormwater Fund	Total
<b>Operating Revenue</b>				
Charges for services	\$ 6,981,806	\$ -	\$ -	\$ 6,981,806
Tap fees	89,110	-	-	89,110
Green and cart fees	-	515,038	-	515,038
Rentals	-	43,557	-	43,557
Concessions and merchandise	-	162,349	-	162,349
User fees and charges	-	-	667,975	667,975
Penalties and interest	101,859	-	3,280	105,139
Miscellaneous income	279,771	8,298	-	288,069
<b>Total Operating Revenue</b>	<u>7,452,546</u>	<u>729,242</u>	<u>671,255</u>	<u>8,853,043</u>
<b>Operating Expenses</b>				
Personnel services:				
Salaries and wages	574,309	387,549	249,013	1,210,871
Employment Taxes	44,901	31,504	13,192	89,597
Benefits	580,372	318,413	180,836	1,079,621
<b>Total Personnel Services</b>	<u>1,199,582</u>	<u>737,466</u>	<u>443,041</u>	<u>2,380,089</u>
Purchased / contracted services:				
Professional and technical	180,724	2,994	45,620	229,338
Purchased property services	10,450	25,556	1,945	37,951
Rentals	-	960	-	960
Other purchased services	104,702	131,993	17,537	254,232
<b>Total Purchased / contracted services</b>	<u>295,876</u>	<u>161,503</u>	<u>65,102</u>	<u>522,481</u>
Other operating expenses:				
Supplies	629,493	153,712	17,570	800,775
Purchases for resale	3,996,180	91,689	-	4,087,869
Depreciation	161,165	135,313	17,800	314,278
<b>Total other operating expenses</b>	<u>4,786,838</u>	<u>380,714</u>	<u>35,370</u>	<u>5,202,922</u>
<b>Total Operating Expenses</b>	<u>6,282,296</u>	<u>1,279,683</u>	<u>543,513</u>	<u>8,105,492</u>
<b>Operating Income (Loss)</b>	<u>1,170,250</u>	<u>(550,441)</u>	<u>127,742</u>	<u>747,551</u>
<b>Nonoperating Revenues (Expenses)</b>				
<b>Income (Loss) Before Contributions and Transfers</b>	<u>1,170,250</u>	<u>(550,441)</u>	<u>127,742</u>	<u>747,551</u>
Transfer in	-	507,543	-	507,543
Transfer (out)	(1,385,522)	-	-	(1,385,522)
<b>Change in Net Position</b>	<u>(215,272)</u>	<u>(42,898)</u>	<u>127,742</u>	<u>(130,428)</u>
<b>Net Position Beginning of Year</b>	<u>3,202,044</u>	<u>5,238,020</u>	<u>1,066,243</u>	<u>9,506,307</u>
<b>Net Position End of Year</b>	<u>\$ 2,986,772</u>	<u>\$ 5,195,122</u>	<u>\$ 1,193,985</u>	<u>\$ 9,375,879</u>

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

# CITY OF SUGAR HILL, GEORGIA

## Statement of Cash Flows

### Proprietary Funds

For The Year Ended December 31, 2018

	Gas Fund	Golf Fund	Stormwater Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 7,386,458	\$ 779,763	\$ 500,924	\$ 8,667,145
Payments to suppliers	(4,809,955)	(413,468)	88,403	(5,135,020)
Payments to employees	(1,120,333)	(712,022)	(414,585)	(2,246,940)
Net cash provided (used) by operating activities	1,456,170	(345,727)	174,742	1,285,185
<b>Cash flows from noncapital financing activities:</b>				
Transfer from other funds	-	507,543	-	507,543
Transfer to other funds	(1,385,522)	-	-	(1,385,522)
Net cash provided (used) by noncapital financing activities	(1,385,522)	507,543	-	(877,979)
<b>Cash flows from capital and related financing activities:</b>				
Transfer from other funds	-	-	-	-
Acquisition and construction of capital assets	(39,707)	(163,086)	(174,742)	(377,535)
Net cash provided (used) by capital and related financing activities	(39,707)	(163,086)	(174,742)	(377,535)
<b>Net increase (decrease) in cash and cash equivalents</b>	30,941	(1,270)	-	29,671
Cash and cash equivalents, December 31, 2017	700,334	2,691	-	703,025
Cash and cash equivalents, December 31, 2018	\$ 731,275	\$ 1,421	\$ -	\$ 732,696
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,170,250	\$ (550,441)	\$ 127,742	\$ 747,551
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	161,165	135,313	17,800	314,278
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(96,828)	0	9,875	(86,953)
(Increase) decrease in due from other governments	-	52,390	-	52,390
(Increase) decrease in prepaid expenses	(2,448)	(6,996)	(3,667)	(13,111)
(Increase) decrease in supplies/inventory	11,069	(2,121)	-	8,948
(Increase) decrease in deferred outflows of resources	(596,507)	(256,759)	(157,590)	(1,010,856)
Increase (decrease) in due from other funds	-	0	(180,206)	(180,206)
Increase (decrease) in accounts payable	102,973	2,553	174,742	280,268
Increase (decrease) in accrued expenses	204	(145)	1,704	1,763
Increase (decrease) in compensated absences	(11,319)	(13,307)	2,878	(21,748)
Increase (decrease) in unearned revenue	850	(1,869)	-	(1,019)
Increase (decrease) in customer deposits	29,890	0	-	29,890
Increase (decrease) in net pension liability	686,871	295,655	181,464	1,163,990
Net cash provided (used) by operating activities	\$ 1,456,170	\$ (345,727)	\$ 174,742	\$ 1,285,185

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

# City of Sugar Hill, Georgia

Notes to Financial Statements  
December 31, 2018

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of City of Sugar Hill, Georgia, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

### **1-A The Reporting Entity**

The City of Sugar Hill, Georgia is a municipal corporation governed by a five member City Council, a Mayor and a full time City Manager. As required by generally accepted accounting principles, the accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The blended component unit, although a legally separate entity is, in substance, part of the City's operations and so data from this unit is combined with data of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. Each blended and discretely presented component unit has a December 31st year-end.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

### **Discretely presented component units**

The Sugar Hill Housing Authority (Housing Authority) is governed by a separate board appointed by the Mayor and Council and is a separate legal, public body created and existing under instrumentality of the City of Sugar Hill, Georgia for the purpose of providing safe and sanitary dwelling accommodations to persons of low income. The Housing Authority's financial statements are reflected on the City's financial statements under the Discretely Presented Component Unit caption. The Housing Authority does not issue separate financial statements.

The Downtown Development Authority (Development Authority) was created for the purpose of revitalization and redevelopment of the central business district of the City of Sugar Hill and to develop and promote for the public good and general welfare trade, commerce, industry, and employment opportunities. The Development Authority is governed by a separate board appointed by the Mayor and Council and is a separate legal, public body created and existing under instrumentality of the City of Sugar Hill, Georgia. The Development Authority utilizes City employees to conduct daily operations including finance activities. During 2018, the City waived all admin fees and refunded the admin fees that had been paid during the year. Until February 2018, the Development Authority leased property, commonly known as Buice School from the city and was responsible for maintaining the property and entering into subleases for the rental and occupancy of the building which were approved by the City. During 2018, the Development Authority collected \$850 for rent of the Buice School. However, during 2018, the City waived the rental fees from being paid over to the city. The City leases property, commonly known as the E Center, during the current year from the Development Authority for rental payments equal to the revenue bonds monthly interest expense payments, in excess of rent revenue collected by the Authority from other sources. During 2018, this City paid the Development Authority \$1,116,082. The Development Authority does not issue separate financial statements.

### **Payments between the city and component units**

Resource flows (except those that affect the statement of net position/balance sheet only) between a primary government and its discretely presented component units are reported as external transactions—that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as interfund transactions in the financial statements. During 2018, there were no blended component units.

## City of Sugar Hill, Georgia

Notes to Financial Statements  
December 31, 2018

All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type / proprietary funds and governmental funds.

### **1-B Basis of Presentation and Basis of Accounting**

#### **Basis of Presentation - Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

### **1-C Fund Equity**

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

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

**Non-spendable** - Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally contractually required to be maintained intact.

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

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

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager to assign fund balances.

## City of Sugar Hill, Georgia

### Notes to Financial Statements

December 31, 2018

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

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

Committed  
Assigned  
Unassigned

Net position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

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

The City reports the following major governmental funds:

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

*SPLOST 2017.* These funds account for Special Purpose Local Option Sales Tax financial resources expended for capital purposes approved by referendum.

*Capital Improvements Fund.* This fund is used for capital purchase purposes, as approved by the City Council.

The City reports the following major proprietary funds:

*Gas Fund.* This fund accounts for the distribution and sale of natural gas in the City of Sugar Hill and Gwinnett County. Natural gas sales are very seasonal in nature and are the highest during the colder months of the year.

*Golf Fund.* This fund accounts for the operations of the City's Golf Course. The Golf Course is a public course open to all residents and nonresidents.

*Stormwater Utility Fund.* This fund accounts for revenues from charges and fees to property owners and expenses associated with the management, protection, control, regulation, use and enhancement of the City's stormwater management systems and facilities.

Enterprise fund operating revenues and expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings or interest expense, result from non-exchange transactions or ancillary activities.

Receivables from and payables to external parties are reported separately and not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.



## City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2018

### **Basis of Accounting – Measurement Focus**

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the flow of economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year end except for property taxes for which sixty days after year end applies. Property taxes, sales taxes, franchise fees, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

*Budgets.* Formal budgetary accounting is employed as a management control device for the General Fund, SPLOST, Stormwater Utility, Gas, and Golf Funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and Special Revenue Funds. In October, the City Manager meets with all department heads to formulate a preliminary budget for expenditures and expenses after all known revenues are calculated. After the preliminary budget is prepared, the City Manager meets with the City Council for final adjustments. In November or December, hearings are conducted to obtain public comment. At the council meeting in December, the budget is formally approved. The same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principle basis. Budgets for the Capital Project Funds are adopted on a project basis, spanning more than one fiscal year. The City Council must approve any amendments to the budget.

The legal level of control (the level at which expenditures and/or expenses may not legally exceed appropriations) for each adopted annual operating budget is at the department level.

All annual appropriations lapse at the end of each fiscal year.

### **1-D Assets, Liabilities, and Equity**

#### **Cash and Cash Equivalents**

The City considers short-term liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash equivalents. Only investments with original maturities of three months or less meet this definition. Time deposits are classified as cash and cash equivalents without regard to maturity date.

#### **Investments**

The City does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2018, the City had investments in the amount of \$3,000,000 and consisted of only certificates of deposit.

#### **Restricted Assets**

These assets are held in the capital projects and special revenue funds for specific purposes defined by statute, referendum, or grant contract and are not generally available for general government operations.

## City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2018

### Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “interfund balances.”

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables, including those for the City of Sugar Hill, are shown net of an allowance for uncollectibles. Trade accounts receivable for the City are the balances in the proprietary fund resulting from the sale of gas utility services. Balances due for utility services in excess of 90 days plus a conservative estimate for balances due in excess of 30-60 days comprise the trade accounts receivable allowance for uncollectibles, which was \$60,000 at December 31, 2018. The collection rate for property taxes in the General Fund and stormwater fees in the Stormwater Fund is in excess of 99%, consequently the City has chosen to make a conservative judgmental estimate for uncollectible property tax accounts in the amount of \$17,576 in the General Fund and \$2,252 in the Stormwater Fund as of December 31, 2018.

### Property Tax Calendar

The City set its millage rate for the 2018 fiscal year on July 9, 2018 at 3.800 mills. Property tax bills were mailed on August 15, 2018 by the Gwinnett County Tax Commissioner and were due October 15, 2018. Penalties and interest are due on all accounts not paid by the due date.

### Inventories and Prepaid Items

Inventories are valued at the lower of cost or market. In the governmental funds, the cost of inventory items are recorded as expenditures at the time of purchase. The City maintains no significant inventories in governmental funds. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in governmental funds.

Inventories in the proprietary funds consist of expendable supplies, parts, pipes, meters, golf paraphernalia, etc. Inventories are valued at the lower of cost or market. Inventory is reflected in the proprietary funds on a first-in first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the proprietary funds.

### Capital Assets

Capital assets, which include property, building, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported at cost in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

## City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2018

Property, building and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

	Governmental Funds	Gas Fund	Golf Fund	Stormwater Fund
<u>Assets</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>
Buildings and improvements	5-50	20-40	10-40	-
Machinery and equipment	5-30	7-20	5-10	5-10
Furniture and fixtures	5-15	7-10	7-20	-
Vehicles	5-15	5-10	5-6	5
Infrastructure	15-40	20-50	-	20-50
Recreational upgrades	10-30	-	-	-
Sprayfield	15-40	-	30	-
Gas distribution system	-	40-50	-	-
Golf renovations	-	-	5-20	-

### Bond Premium and Discounts

Bond premiums and discounts are deferred and amortized over the life of the bonds based on the effective interest method. Bonds are reported net of the applicable premium or discount. Amortization costs for the Development Authority's bond premium and discount was \$ 138,206 and \$2,465, respectively, during 2018.

### Estimates

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

### Compensated Absences

Personal leave for the City includes both vacation and sick pay. Personal leave is based on an employee's length of employment and is earned ratably during the span of employment. Personal leave can be carried over a maximum of 240 hours to the following year. Any amounts of personal leave over the maximum of 240 hours are either paid to the employee or contributed to the employee's 401k policy, at the employees' discretion at the end of the year. Upon termination, employees are paid full value for any accrued leave earned. Employees may not elect to apply accumulated personal leave to their time of service at their retirement.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The balance of compensated absences is recorded as a noncurrent liability and disclosed as a long term debt.

### Deferred Outflows/Inflows of Resources

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

# City of Sugar Hill, Georgia

## Notes to Financial Statements

December 31, 2018

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. This item only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source in 2018: property taxes.

### **NOTE 2. DEPOSITS AND INVESTMENTS**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties or municipalities.

The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have a foreign credit risk. At December 31, 2018, bank deposits were fully insured at the required 110% under the pooling method with the Georgia Banking Association. All other bank deposits were also fully collateralized.

### **NOTE 3. LITIGATION**

The Attorneys for the City have advised that there are no known legal matters which will have a material effect on the City's financial condition. No provision has been made to provide reserves for litigation settlements.

### **NOTE 4. RECEIVABLES**

#### PRIMARY GOVERNMENT

Receivables as of December 31, 2018 for the City's major governmental and proprietary funds are as follows:

#### Governmental Funds:

Property taxes receivable - net	\$	125,029
Due from other governments - SPLOST		340,211
Due from other governments - Gwinnett County		178,553
Due from other governments - other operating state grants		9,800
Due from other governments - DDA (component unit)		3,198,820
Other charges for services receivable - net		858
Franchise taxes receivable		780,097
Total Governmental Receivables:	\$	<u>4,633,368</u>

#### Business-type Funds:

Stormwater utility fees receivable - net	\$	19,396
Accounts receivable, net - Gas customers		1,012,330
Total Business-type Receivables:	\$	<u>1,031,726</u>

The City maintains an allowance for bad debts account and is adjusted annually and netted in with the above receivables. Annually, accounts that are determined to be uncollectible are written off directly against receivables.

#### DISCRETELY PRESENTED COMPONENT UNIT

There were no receivables as of December 31, 2018 for the City's discretely presented component unit, the DDA.

# City of Sugar Hill, Georgia

## Notes to Financial Statements

December 31, 2018

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance 1/1/2018	Additions	Retirements	Reclassifications	Ending Balance 12/31/2018
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 21,333,407	\$ 2,826,788	\$ 2,667,499	\$ -	\$ 21,492,696
Construction in Progress	925,816	772,181	-	-	1,697,997
Total non-depreciable capital assets	22,259,223	3,598,969	2,667,499	-	23,190,693
<b>Depreciable Assets:</b>					
Buildings & Improvements	19,904,614	128,570	788,038	-	19,245,146
Machinery & Equipment	1,701,498	38,059	99,062	-	1,640,495
Furniture & Fixtures	61,775	-	-	-	61,775
Vehicles	1,049,367	79,986	-	-	1,129,353
Infrastructure	45,065,519	237,500	-	391	45,303,410
Sprayfield	226,914	-	-	-	226,914
Recreational Upgrades	10,707,941	-	-	(391)	10,707,550
Total depreciable capital assets	78,717,628	484,115	887,100	-	78,314,643
<b>Accumulated Depreciation:</b>					
Buildings & Improvements	2,767,776	635,111	93,336	-	3,309,551
Machinery & Equipment	1,107,133	102,344	66,971	-	1,142,506
Furniture & Fixtures	5,475	4,118	-	-	9,593
Vehicles	762,296	64,906	-	-	827,202
Infrastructure	19,426,021	1,240,020	-	-	20,666,041
Sprayfield	84,057	6,377	-	-	90,434
Recreational Upgrades	2,607,457	365,995	-	-	2,973,452
Total accumulated depreciation	26,760,215	2,418,871	160,307	-	29,018,779
Total depreciable capital assets, net	51,957,413	(1,934,756)	726,793	-	49,295,864
<b>Governmental activities capital assets, net</b>	<b>\$ 74,216,636</b>	<b>\$ 1,664,213</b>	<b>\$ 3,394,292</b>	<b>\$ -</b>	<b>\$ 72,486,557</b>
<b>Business-type Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 4,258,848	\$ -	\$ -	\$ -	\$ 4,258,848
Total non-depreciable capital assets	4,258,848	-	-	-	4,258,848
<b>Depreciable Assets:</b>					
Buildings & Improvements	2,288,052	-	-	-	2,288,052
Machinery & Equipment	1,830,732	14,377	13,500	-	1,831,609
Furniture & Fixtures	80,932	-	-	-	80,932
Vehicles	543,094	25,307	-	-	568,401
Sprayfield	583,676	-	-	-	583,676
Stormwater Improvements	-	174,742	-	-	174,742
Gas Distribution System	4,364,150	14,400	-	-	4,378,550
Golf Renovations	719,331	148,709	-	-	868,040
Total depreciable capital assets	10,409,967	377,535	13,500	-	10,774,002
<b>Accumulated Depreciation:</b>					
Buildings & Improvements	1,679,263	79,701	-	-	1,758,964
Machinery & Equipment	1,537,074	46,669	13,500	-	1,570,243
Furniture & Fixtures	80,932	-	-	-	80,932
Vehicles	417,636	30,676	-	-	448,312
Sprayfield	364,798	19,456	-	-	384,254
Stormwater Improvements	-	-	-	-	-
Gas Distribution System	1,901,777	107,113	-	-	2,008,890
Golf Renovations	543,044	30,663	-	-	573,707
Total accumulated depreciation	6,524,524	314,278	13,500	-	6,825,302
Total depreciable capital assets, net	3,885,443	63,257	-	-	3,948,700
<b>Business-type activities capital assets, net</b>	<b>\$ 8,144,291</b>	<b>\$ 63,257</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,207,548</b>

During 2018, land in the amount of \$2,098,195 was transferred to the DDA from the City.

During 2018, land in the amount of \$569,304 was donated to the City from Gwinnett County, GA.

## City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2018

### NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 580,428
Public Safety	11,667
Public Works	1,241,440
Health & Welfare	16,458
Culture & Recreation	559,105
Housing & Development	9,773
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,418,871</b>
<b>Business-type Activities:</b>	
Gas	\$ 161,165
Golf	135,313
Stormwater	17,800
<b>Total depreciation expense - business-type activities</b>	<b>\$ 314,278</b>

### DISCRETELY PRESENTED COMPONENT UNITS

Activity for the Development Authority for the year ended December 31, 2018, was as follows:

	Beginning Balance 1/1/2018	Additions	Retirements	Reclassifications	Ending Balance 12/31/2018
<b>Discretely Presented Component Units</b>					
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 2,535,662	\$ -	\$ -	\$ -	\$ 2,535,662
Construction in Progress	28,954,201	18,823,111	668,945	(47,108,367)	-
Total non-depreciable capital assets	<u>31,489,863</u>	<u>18,823,111</u>	<u>668,945</u>	<u>(47,108,367)</u>	<u>2,535,662</u>
<b>Depreciable Assets:</b>					
Buildings & Improvements	-	2,098,195	2,098,195	46,803,345	46,803,345
Machinery & Equipment	-	-	-	39,966	39,966
Furniture & Fixtures	27,126	-	-	265,056	292,182
Total depreciable capital assets	<u>27,126</u>	<u>2,098,195</u>	<u>2,098,195</u>	<u>47,108,367</u>	<u>47,135,493</u>
<b>Accumulated Depreciation:</b>					
Buildings & Improvements	-	132,943	-	-	132,943
Machinery & Equipment	-	445	-	-	445
Furniture & Fixtures	11,354	5,986	-	-	17,340
<b>Total accumulated depreciation</b>	<u>11,354</u>	<u>139,374</u>	<u>-</u>	<u>-</u>	<u>150,728</u>
<b>Total depreciable capital assets, net</b>	<u>15,772</u>	<u>1,958,821</u>	<u>2,098,195</u>	<u>47,108,367</u>	<u>46,984,765</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 31,505,635</u>	<u>\$ 20,781,932</u>	<u>\$ 2,767,140</u>	<u>\$ -</u>	<u>\$ 49,520,427</u>

During 2018, land in the amount of \$2,098,195 was transferred to the DDA from the City and resold on the same day.

### NOTE 6. RISK MANAGEMENT

The City purchased general liability insurance from Georgia Interlocal Risk Management Agency in 2018. The City's policy starts May 1st and ends April 30th of each year. The premium for the City's fiscal year of 2018 was \$132,250. The City purchased Workers Compensation Insurance through Georgia Municipal Association Workers' Compensation Self-Insurance Fund in 2018. The City's policy period for Georgia Municipal Association carry a one year term which started on Jan 1<sup>st</sup> and ended December 31<sup>st</sup>. The premium for the City's fiscal year of 2018 was \$51,488.

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2018

Under the Georgia Municipal Association Workers' Compensation fund, as part of the risk pool, the City of obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the fund. The fund it to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all costs taxed against members in any legal negotiation or defense. With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss.

**NOTE 7. DEFERRED INFLOWS OF RESOURCES**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City's governmental funds report unavailable revenues as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The amounts are reported as follows:

<b>Governmental Fund Financial Statements:</b>	
Property Taxes	\$ 82,725
<b>Total Deferred Inflows of Resources</b>	<b>\$ 82,725</b>

**NOTE 8. DEFERRED OUTFLOWS OF RESOURCES**

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

As of December 31, 2018, deferred outflows of resources consisted of the following:

<b>Governmental Activities:</b>	
Defined benefit retirement plan - See note 15	\$ 1,985,160
Total deferred outflows of resources - governmental activities	<u>\$ 1,985,160</u>
<b>Business-type Activities:</b>	
Defined benefit retirement plan - See note 15	\$ 1,010,856
Total deferred outflows of resources - business-type activities	<u>\$ 1,010,856</u>
<b>Total Deferred Outflows of Resources - Government-Wide</b>	<b>\$ 2,996,016</b>

**NOTE 9. LANDFILL CLOSURE/POSTCLOSURE**

State and federal laws and regulations require the City to place a final cover on a landfill site when it stops accepting water and to perform certain maintenance and monitoring functions at the site for thirty years after closure, The City recognizes a portion of the closure and postclosure care costs in each operating period even though actual payouts will not occur until the landfill is closed. The amount recognized each year is based on the landfill capacity used as of the balance sheet date.

As of December 31, 2018, the City has recorded a liability for the landfill of \$1,159,893 which represents the estimated postclosure costs based on 100% of landfill capacity used to date. All estimated liability costs have been recognized since the landfill is no longer used. The City received its closure certificate on February 14, 2000.

These costs are based on what it would cost to perform all postclosure care in 2018. The estimated costs are subject to changes resulting from inflation, technology, or changes in applicable laws or regulations. The revised estimated liability for the postclosure care costs have been estimated by the City's Public Works Department.

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2018

**NOTE 10. LONG-TERM DEBT**

**PRIMARY GOVERNMENT**

Long-term debt information is presented separately for governmental and business-type activities.

The table below presents current year changes in long-term debt and the current portions due for each type of debt:

	Balance as of			Balance as of		Due Within
	December 31, 2017	Additions	Reductions	December 31, 2018	One Year	
<b>Governmental Activities:</b>						
Compensated Absences	\$ 157,299	\$ 202,003	\$ (164,379)	\$ 194,923	\$ -	-
Landfill closure/postclosure	\$ 1,304,880	\$ -	\$ (144,987)	\$ 1,159,893	\$ 144,986	-
Net Pension Liability	-	2,285,891	-	2,285,891	-	-
<b>Total governmental activities</b>	<b>\$ 1,462,179</b>	<b>\$ 2,487,894</b>	<b>\$ (309,366)</b>	<b>\$ 3,640,707</b>	<b>\$ 144,986</b>	<b>-</b>
<b>Business-Type Activities:</b>						
Compensated Absences	\$ 66,772	\$ 76,547	\$ (98,295)	\$ 45,024	\$ -	-
Net Pension Liability	-	1,163,990	-	1,163,990	-	-
<b>Total business-type activities</b>	<b>\$ 66,772</b>	<b>\$ 1,240,537</b>	<b>\$ (98,295)</b>	<b>\$ 1,209,014</b>	<b>\$ -</b>	<b>-</b>
<b>Total Primary Government Long-Term Liabilities</b>	<b>\$ 1,528,951</b>	<b>\$ 3,728,431</b>	<b>\$ (407,661)</b>	<b>\$ 4,849,721</b>	<b>\$ 144,986</b>	<b>-</b>

The governmental activities compensated absences liability will be paid from the fund from which the salaries are paid, the General Fund. The business-type activities compensated absences liability will be paid from the fund which the salaries are paid, the Stormwater Fund, the Gas Fund, and the Golf Fund.

**DISCRETLY PRESENTED COMPONENT UNITS**

Activity for the Development Authority for the year ended December 31, 2018, was as follows:

	Balance as of			Balance as of		Due Within
	December 31, 2017	Additions	Reductions	December 31, 2018	One Year	
<b>Development Authority Activities:</b>						
Revenue Bonds	\$ 28,230,000	\$ 13,925,000	\$ (1,400,000)	\$ 40,755,000	\$ 1,855,000	-
Less: original issue discount	(5,940)	-	2,465	(3,475)	(2,170)	-
Plus: original issue premium	1,144,387	10,740	(138,206)	1,016,921	140,120	-
<b>Total Revenue Bonds</b>	<b>29,368,447</b>	<b>13,935,740</b>	<b>(1,535,741)</b>	<b>41,768,446</b>	<b>1,992,950</b>	<b>-</b>
<b>Total Development Authority activities</b>	<b>\$ 29,368,447</b>	<b>\$ 13,935,740</b>	<b>\$ (1,535,741)</b>	<b>\$ 41,768,446</b>	<b>\$ 1,992,950</b>	<b>-</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 29,368,447</b>	<b>\$ 13,935,740</b>	<b>\$ (1,535,741)</b>	<b>\$ 41,768,446</b>	<b>\$ 1,992,950</b>	<b>-</b>

On February 19, 2016, the City entered into a contract, as lessee, with the Development Authority to issue \$24,375,000 in revenue bonds, Series 2016A, and \$3,855,000 in taxable revenue bonds, Series 2016B. The Series 2016A bonds carry a rate of ranging from 2.5% to 4.0% per annum and mature on December 1, 2035. The Series 2016B bonds carry a rate ranging from 1.25% to 2.0% per annum and mature on December 31, 2021. The bonds were issued to construct the E Center. Under the contract, the City will fund the bond payments as rent for the portion of the facilities rented by the City along with commercial lease tenants until the bond principal, premium, and interest have been fully paid. The E Center building will be owned and managed by the Development Authority.



**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2018

The annual requirements to amortize the Series 2016 A&B revenue bonds outstanding as of December 31, 2018, are as follows:

<u>Dec 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,250,000	\$ 924,225	\$ 2,174,225
2020	1,270,000	905,475	2,175,475
2021	1,295,000	883,250	2,178,250
2022	1,325,000	851,750	2,176,750
2023	1,365,000	812,000	2,177,000
2024-2028	7,700,000	3,195,400	10,895,400
2029-2033	9,255,000	1,637,400	10,892,400
2034-2035	4,170,000	188,550	4,358,550
	<u>\$ 27,630,000</u>	<u>\$ 9,398,050</u>	<u>\$ 37,028,050</u>

On May 29, 2018, the City entered into a contract, as lessee, with the Development Authority to issue \$9,875,000 in revenue bonds, Series 2018A, and \$4,050,000 in taxable revenue bonds, Series 2018B. The Series 2018A bonds carry a rate of ranging from 3% to 3.375% per annum and mature on December 1, 2035. The Series 2018B bonds carry a rate ranging from 2.45% to 3.21% per annum and mature on December 1, 2024. The bonds were issued to construct the E Center. Under the contract, the City will fund the bond payments as rent for the portion of the facilities rented by the City along with commercial lease tenants until the bond principal, premium, and interest have been fully paid. The E Center building will be owned and managed by the Development Authority.

The annual requirements to amortize the Series 2018 A&B revenue bonds outstanding as of December 31, 2018, are as follows:

<u>Dec 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 605,000	\$ 931,725	\$ 1,536,725
2020	620,000	931,725	1,551,725
2021	640,000	924,225	1,564,225
2022	660,000	905,475	1,565,475
2023	680,000	883,250	1,563,250
2024-2028	3,710,000	3,763,150	7,473,150
2029-2033	4,300,000	2,286,900	6,586,900
2034-2035	1,910,000	446,500	2,356,500
	<u>\$ 13,125,000</u>	<u>\$ 11,072,950</u>	<u>\$ 24,197,950</u>

The annual requirements to amortize all revenue bonds outstanding as of December 31, 2018, are as follows:

<u>Dec 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,855,000	\$ 1,855,950	\$ 3,710,950
2020	1,890,000	1,837,200	3,727,200
2021	1,935,000	1,807,475	3,742,475
2022	1,985,000	1,757,225	3,742,225
2023	2,045,000	1,695,250	3,740,250
2024-2028	11,410,000	6,958,550	18,368,550
2029-2033	13,555,000	3,924,300	17,479,300
2034-2035	6,080,000	635,050	6,715,050
	<u>\$ 40,755,000</u>	<u>\$ 20,471,000</u>	<u>\$ 61,226,000</u>

**City of Sugar Hill, Georgia**

Notes to Financial Statements

December 31, 2018

**NOTE 11. BONDS HELD**

As of December 31, 2018, 30 performance bonds were posted by multiple companies with the City against damages that might occur during construction. Once these construction projects are successfully completed, the monies posted will be returned to the appropriate company. During 2018, no performance bonds were called due to noncompliance. The outstanding balance of the erosion bonds as of December 31, 2018 is \$147,945.

**NOTE 12. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivable and payable balances result 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. As of December 31, 2018, the interfund receivables and payables were as follows:

**Interfund Balances:**

<b>Due To:</b>	<b>Due From:</b>		
	General Fund	SPLOST 2017 Fund	Total
General Fund	\$ -	\$ 52,208	\$ 52,208
Stormwater Fund	1,207,377	-	1,207,377
	<u>\$ 1,207,377</u>		<u>\$ 1,259,585</u>

This government reports interfund transfers between several of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row titled *All Others*. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. These transfers have been eliminated from the government-wide financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect 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) provide unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During 2018, the transfers were as follows:

**Transfers:**

<b>Transfer To:</b>	<b>Transfer From:</b>		
	General Fund	Gas Fund	Total
General Fund	\$ -	\$ 1,385,522	\$ 1,385,522
Capital Improvements Fund	311,330	-	311,330
Golf Fund	507,543	-	507,543
	<u>\$ 818,873</u>	<u>\$ 1,385,522</u>	<u>\$ 2,204,395</u>

**City of Sugar Hill, Georgia**

Notes to Financial Statements

December 31, 2018

**NOTE 14. BUDGETS**

The following are Governmental Funds for which budgets were legally adopted:

Department	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Variance with Final Budget Over (Under)
<b>General Fund</b>			
General Government	\$ 4,939,582	\$ 4,938,396	\$ (1,186)
Judicial	10,300	4,214	(6,086)
Public Safety	175,000	129,719	(45,281)
Public Works	1,858,050	1,657,904	(200,146)
Recreation & Culture	2,736,849	1,926,150	(810,699)
Housing & development	2,177,363	2,055,441	(121,922)
Transfers Out	958,320	818,873	(139,447)
	<u>\$ 12,855,464</u>	<u>\$ 11,530,697</u>	<u>\$ (1,324,767)</u>

The legal level of control for this government is at the department level, which is the basis for the Budgetary Comparison Schedule.

**NOTE 15: RETIREMENT PLANS**

**Defined Benefit Retirement Plan**

**Plan Description**

The Georgia Municipal Employees Benefit System (GMEBS) administers an agent multiple-employer defined benefit pension plan, the City of Sugar Hill Retirement Plan as defined in the Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Under the GMEBS Retirement Fund, the contributions made by the City of Cleveland, Georgia are commingled with contributions made by other participants of the GMEBS Retirement Fund for investment purposes. The plan was effective on April 1, 2018.

The Board of Trustees of the Georgia Municipal Employees Benefit System (GMEBS) is authorized to amend the "Plan" documents pursuant to a formally adopted resolution. The adoption agreements, executed by the City Council, establish the specific benefit provisions of the Defined Benefit Plan and may be amended by a formally adopted resolution by the City Council and approved by the Plan Board of Trustees. The Plan provides for benefits upon retirement, death, disablement, and termination of employment. The pension plan's financial report is included in the report of the Georgia Municipal Employees Benefit System.

A copy of the Pension Plan financial reports can be obtained from:

Georgia Municipal Association  
201 Pryor Street, NW  
Atlanta, GA. 30303-3606

Employee membership data related to the Plan, as of December 31, 2018 was as follows:

Active employees	78
Active elected officials	0
Vested former participants	0
Retired participants and beneficiaries	0

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2018

**Funding Policy**

The City is required to contribute an actuarially determined amount annually to the Plan's trust. The Contribution amount is determined using actuarial methods and assumptions provided for by the adoption agreement and intended to satisfy the minimum contribution requirements set forth in controlling State of Georgia statutes. The City's retirement plan is subject to minimum funding standards of the Public Retirement Systems Standard Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is \$436,297. The minimum contribution amount is determined as the sum of (1) the normal cost (including administrative expenses), (2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization surplus, and (3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contributions to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan.

**Recommended Contribution**

	<u>Year Beginning</u>
	<u>July 1, 2018</u>
Total Benefit Normal Cost	\$ 278,011
Administrative Expenses	\$ 14,930
Expected Employee Contributions	\$ -
Employer Normal Cost	<u>\$ 292,941</u>
Actuarial Accrued Liability at Valuation Date	\$ 3,374,730
Actuarial Value of Assets at Valuation Date	<u>\$ 1,303,155</u>
Underfunded/(Surplus) Actuarial Accrued Liability	\$ 2,071,575
Payment on Unfunded/(Surplus) Actuarial Accrued Liability	\$ 169,173
Full Funding Credit	\$ -
Recommended Mid-Year Contribution at Valuation Date	\$ 462,114
Adjustment to Fiscal Year (Begins July 1, 2019)	\$ 17,016
Total Recommended Mid-Year Contribution, For Fiscal Year	<u>\$ 479,130</u>
Recommended Contribution As A Percentage Of Expected Payroll	14.94%

Note: The scheduled is intended to show information for two years. Additional information will be displayed in subsequent years.

**City of Sugar Hill, Georgia**

Notes to Financial Statements

December 31, 2018

**Summary of Plan Provisions**

Employer	City of Sugar Hill
Social Security	Yes
Participant Contribution	Non-Contributory
Original Effective Date	4/1/2018
Master Plan/Adoption Agreement	4/1/2018
Eligibility Requirements	Employees: No waiting period Officials: No waiting period
Normal Retirement Age	Employees: 65+5 or 62+10 (participant is not required to be in service of the Employer at the time of satisfying the Alternative Normal) Officials: 65 or 62+10 (participant is not required to be in service of the Employer at the time of satisfying the Alternative Normal)
Early Retirement	55+10
Benefit Formula	2.00%
Official's Benefits	\$35
Vesting	5 years Officials: Immediate vesting
Death Benefits	Automatic Option A – Vested Participation Term vest Auto A death benefit
Disability Minimum	20%
Cost-of-Living	Variable not to exceed 2%
Other	Participants who are employed as of 4-1-18 will be entitled to receive up to 5 years of credit at no cost. Participants may purchase service with the City prior to 4-1-13 for either 5-1-18 to 7-30-18 and 5-1-19 to 7-30-19. (See Service Addendum for additional details)
	New plan change effective 4-1-18

The following chart shows the historical funding information. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**Funding History**

Actuarial Valuation Date	July 1, 2018
Actuarial Value of Assets (a)	\$ 1,303,155
Actuarial Accrued Liability (b)	\$ 3,374,730
Underfunded/(Surplus) (b) - (a)	\$ 2,071,575
Funded Ratio (a) / (b)	38.62%
Covered Payroll	\$ 3,164,411
Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	65.46%

*Actuarial Cost Method. Projected Unit Credit.*

*Amortization Method. Closed level dollar for remaining underfunded liability.*

## City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2018

**Asset Valuation Method.** Sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

**Actuarial assumptions.** The total pension liability in the January 1, 2018 actuarial valuation date was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Net Investment Rate of Return	7.50% (on-going basis)
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	2.00%

The mortality and economic actuarial assumptions used in the July 1, 2018 valuation were approved by the Board in December, 2017 based on the results of an actuarial study conducted by Segal in September 2017. The mortality and the other actuarial assumptions used in the July 1, 2018 valuation were approved by the Board in December 2014 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014 by Segal. Mortality experience will be review periodically and updated if necessary.

### Mortality Rates

Healthy:	RP-2000 Combined Health Mortality Table with sex-distinct rates, set forward two years for male and one year for females
Disabled:	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates
Plan termination basis (all lives):	1994 Group Annuity Reserving Unisex Table

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. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.71%
International Equity	20%	7.71%
Real Estate	10%	5.21%
Global Fixed Income	5%	3.36%
Domestic Fixed Income	20%	2.11%
Cash	0%	
Total	100%	

**Discount Rate.** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that City contributions will be made at equal rates to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

## City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2018

**Net Pension Liability.** The City's net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. At December 31, 2018, the City reported a net pension liability. The amount recognized by the City were as follows:

City's Net Pension Liability:	
Governmental activities	\$ 2,285,891
Business-type activities	1,163,990
Total Net Pension Liability	\$ 3,449,881

Changes in the City's net pension liability for the year ended March 31, 2018 were as follows:

### Changes in the Net Pension Liability

	Total Pension Liability (TPL)	Plan Net Position (FNP)	Net Pension Liability (NPL)
	(a)	(b)	(a)-(b)
<b>Balances at March 31, 2017</b>	-	-	-
<b>Changes for the Year:</b>			
Service Cost	\$ -	\$ -	\$ -
Interest Expense	-	-	-
Benefit Changes (Changes of benefit terms)	-	-	-
Experience Losses (gains)	-	-	-
(Amortized over avg remain svc period of actives & inactives)			
Changes of Assumptions	-	-	-
Contributions - Employer/Nonemployer	-	-	-
Contributions - Employee	-	-	-
Contributions - State	-	-	-
Other Changes - Contribution timing differences	-	-	-
Net Investment Income	-	-	-
Expected Return on Plan Investments	-	-	-
Amortized Portion of Current-period	-	-	-
Differences between Actual			
and Expected Returns on Plan Investments	-	-	-
Refunds of Contributions	-	-	-
Benefits Paid	-	-	-
Plan Administrative Expenses	-	-	-
Contributions for Specific Liabilities	-	-	-
Other - Initial Plan Valuation	3,449,881	\$ -	3,449,881
Amortization of or Change in Beginning Balances of Deferred Outflow	-	-	-
<b>NET CHANGES:</b>	<b>\$ 3,449,881</b>	<b>\$ -</b>	<b>\$ 3,449,881</b>
<b>Balances at March 31, 2018</b>	<b>\$ 3,449,881</b>	<b>\$ -</b>	<b>\$ 3,449,881</b>

## City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2018

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate.*** The following presents the City's net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate: ***Pension Plan Fiduciary Net Position.*** Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$4,014,343
Current Discount Rate	7.50%	\$3,449,881
1% Increase	8.50%	\$2,989,570

### Pension Expense for the Year Ended June 30, 2018

Service Cost	\$	-
Interest on TPL		-
Employee Contributions		-
Administrative Expenses		-
Expected Return on Assets		-
Expensed Portion of Current Year Period Differences Between Expected And Actual Experience in TPL		-
Expensed Portion of Current Year Period Assumption Changes		-
Current Year Plan Changes		3,449,881
Expensed Portion of Current Year Period Differences Between Projected and Actual Investment Earnings		-
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years		-
Total Pension Expense	\$	3,449,881

For the year ended December 31, 2018, the City of Sugar Hill recognized pension expense of \$3,449,881.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The deferred outflows of resources are reported on the Statement of Net Position as follows:

### Deferred Outflows/Inflows of Resources Related to Pensions

	Governmental Activities	Business-Type Activities	Total
Difference Between Projected & Actual Earnings on Pension Plan Investments	\$ -	\$ -	\$ -
Difference Between Expected & Actual Experience	\$ -	\$ -	\$ -
Assumption Change	\$ -	\$ -	\$ -
Employer Contributions Apr 1, 2018 - Dec 31, 2018	\$ 1,985,160	\$ 1,010,856	\$2,996,016



**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2018

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the pension expense as follows:

**Projected Recognition of Deferred Outflows/ (Inflows)**

	Year Established	Outstanding	Amount recognized	Outstanding	Deferred Outflows/(Inflows) Recognized in Future Years					
		Balance at July 1, 2018	During FYE December 31, 2018	Balance at December 31, 2018	2019	2020	2021	2022	2023	2024 and thereafter
<b>Fiscal Year Outflows</b>										
None		-	-	-	-	-	-	-	-	-
<b>Total Outflows</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fiscal Year Inflows</b>										
None		-	-	-	-	-	-	-	-	-
<b>Total Inflows</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>		-	-	-	-	-	-	-	-	-

Note: Due to the plan being implemented during 2018 there are no other projected deferred outflows or inflows in the current period to be reported.

*Defined Contribution Plan*

The City had adopted a defined contribution money purchase plan until April 2018 at which time the City changed to the Defined Benefit Plan. The Defined Contribution Plan operated in conjunction with a Deferred Compensation Plan as discussed below with Nationwide Retirement Solutions. The plan was established by the City Council. The plan was established by a majority vote of the Sugar Hill City Council. Employees must complete one month of service to be eligible for participation in the plan. The City's contribution requirements can be amended by majority vote of the City Council. For Fiscal Year 2018, the contribution requirement of the City was 3% of eligible employees' salaries as a base contribution for salaries earned before April 1, 2018 at which time the plan was discontinued. Employees were fully vested after 4 years of continuous service. For the year ending December 31, 2018, the city contributed \$31,707.

*Deferred Compensation Plan*

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan contributions are invested with Nationwide Retirement Solutions. The plan is available to all City employees and permits the employees to defer a portion of their salary until future years. The plan is funded through payroll deductions with maximum contribution being 25% with a ceiling dollar amount of \$18,000 per year. Until April 2018, the City matched 50% of the employee contribution up to 7.5% of the employees' gross pay. In April 2018, when the City changed to the Defined Benefit Plan, it eliminated the match. However, employees are still allowed to contribute to the plan as of December 3, 2018. For employees over 50 years of age, the ceiling is \$24,000 per year with a catch-up provision. For the year ending December 31, 2018, the employees contributed \$194,050 to the plan and the city contributed \$16,493.

The City has no fiduciary responsibilities in relation to these plans, and therefore, is not required to report the financial activity as an expendable trust fund.

**NOTE 16. SPECIAL PURPOSE LOCAL OPTION SALES TAX**

Gwinnett County administers the SPLOST funds for the City. In connection therewith, the County collects revenues on behalf of the City and remits the taxes collected to the City each month. The City expends these funds according to SPLOST resolution.

## **City of Sugar Hill, Georgia**

Notes to Financial Statements

December 31, 2018

### **NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES**

The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Municipal Gas Authority of Georgia ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts with MGAG, the City is obligated to purchase from MGAG, and MGAG is obligated to provide, all of the City's natural gas requirements. The price paid by the City to MGAG under its contracts is intended to cover the City's share of all the costs of MGAG including scheduled debt service. Such payments are required to be made by the City whether or not MGAG's facilities or natural gas properties or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under the gas supply or transportation contracts with MGAG. To the extent the required payments are not made from revenues of the System of other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City is contingently liable for its pro-rata share of MGAG's obligations in the amount of \$184,110,000 as of December 31, 2018, with the City's pro-rata share being \$3,689,439.

### **NOTE 18. JOINT VENTURES**

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During its year ended December 31, 2018, the City's dues were paid by Gwinnett County, which did not request reimbursement from the City. According to the ARC, all dues are billed to the County and the management of the County determined if each municipality within the County should be billed for their pro-rata share of the dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The ARC's Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from:

Atlanta Regional Commission  
40 Courtland Street, N.E.  
Atlanta, GA 30303

### **NOTE 19. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 10, 2019.

**CITY OF SUGAR HILL, GEORGIA**

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Differences Over / (Under)	GAAP Basis	Final Budget
<b>Revenues</b>						
Property tax	3,089,700	3,089,700	4,007,614	-	4,007,614	917,914
Business tax	1,465,000	1,465,000	1,752,911	-	1,752,911	287,911
Franchise tax	940,000	940,000	986,608	-	986,608	46,608
Alcohol tax	166,500	166,500	199,185	-	199,185	32,685
Excise tax	6,000	6,000	27,554	-	27,554	21,554
Intergovernmental	5,690	1,380,690	4,504,059	-	4,504,059	3,123,369
Licenses and permits	480,200	480,200	400,136	-	400,136	(80,064)
Fines and forfeitures	10,300	10,300	3,575	-	3,575	(6,725)
Charges for services	1,202,100	1,202,100	1,033,100	-	1,033,100	(169,000)
Investment earnings	13,000	13,000	43,667	-	43,667	30,667
Miscellaneous	2,500	2,500	47,061	-	47,061	44,561
<b>Total Revenues</b>	<b>7,380,990</b>	<b>8,755,990</b>	<b>13,005,470</b>	<b>-</b>	<b>13,005,470</b>	<b>4,249,480</b>
<b>Expenditures</b>						
Current Operating:						
General government	3,564,582	4,939,582	4,938,396	-	4,938,396	(1,186)
Judicial	10,300	10,300	4,214	-	4,214	(6,086)
Public safety	175,000	175,000	129,719	-	129,719	(45,281)
Public works	1,858,050	1,858,050	1,657,904	-	1,657,904	(200,146)
Recreation and culture	2,736,849	2,736,849	1,926,150	-	1,926,150	(810,699)
Housing and development	2,177,363	2,177,363	2,055,441	-	2,055,441	(121,922)
<b>Total Expenditures</b>	<b>10,522,144</b>	<b>11,897,144</b>	<b>10,711,824</b>	<b>-</b>	<b>10,711,824</b>	<b>(1,185,320)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,141,154)</b>	<b>(3,141,154)</b>	<b>2,293,646</b>	<b>-</b>	<b>2,293,646</b>	<b>5,434,800</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,600,000	1,600,000	1,385,522	-	1,385,522	214,478
Transfers out	(958,320)	(958,320)	(818,873)	-	(818,873)	(139,447)
Proceeds from sale of assets	2,499,474	2,499,474	576,353	-	576,353	1,923,121
<b>Total Other Financing Sources (Uses)</b>	<b>3,141,154</b>	<b>3,141,154</b>	<b>1,143,002</b>	<b>-</b>	<b>1,143,002</b>	<b>1,998,152</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,436,648</b>	<b>\$ -</b>	<b>3,436,648</b>	<b>\$ 7,432,952</b>
<b>Fund Balance Beginning of Year</b>			<b>9,500,809</b>		<b>9,500,809</b>	
<b>Fund Balance End of Year</b>			<b>\$ 12,937,457</b>		<b>\$ 12,937,457</b>	

**City of Sugar Hill, Georgia**  
Notes to Required Supplementary Information  
on Budgetary Accounting and Control  
Year Ended December 31, 2018

**BUDGETARY ACCOUNTING AND CONTROL**

**Budget Law**

The City prepares its annual operating budget under the provisions of the official Code of Georgia. In accordance with those provisions, the following process is used to adopt the annual budget:

- (a). Prior to December 1, the City Manager 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.
- (b). Public hearings are conducted in November or December to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.
- (c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council at the normal council meeting in December.

All governmental funds with revenues and/or expenditures as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is at the department level within a fund.

**Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. The City Council has delegated the authority to transfer appropriations between departments to the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

**Budget Requirements**

An amendment to the original budget appropriations was properly approved by the City Manager as authorized by the City Council.

Department	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
<b>General Fund</b>				
General Government	\$ 3,564,582	\$ 1,375,000		\$ 4,939,582
Judicial	10,300	-	-	10,300
Public Safety	175,000	-	-	175,000
Public Works	1,858,050	-	-	1,858,050
Recreation & Culture	2,736,849	-	-	2,736,849
Housing & development	2,177,363	-	-	2,177,363
Transfers Out	958,320	-	-	958,320
	<u>\$ 9,447,414</u>	<u>\$ 1,375,000</u>	<u>\$ -</u>	<u>\$ 10,822,414</u>

**City of Sugar Hill, Georgia**  
 Required Supplementary Information  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Year Ended December 31, 2018

City of Sugar Hill Retirement Plan

	2018
<b>Total Pension Liability</b>	
Service cost	\$ -
Interest	-
Differences between expected and actual experience	-
Changes of assumptions	-
Changes of benefit terms	-
Benefit payments, including refunds of employee contributions	-
Net change in Total Pension Liability	-
Total Pension Liability - Beginning	-
Total Pension Liability - Ending (a)	<u><u>\$ -</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ -
Contributions - Employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expense	-
Other	-
Net change in Fiduciary Net Position	-
Plan Fiduciary Net Position - Beginning	-
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ -</u></u>
Net Pension Liability - Ending: (a)-(b)	<u><u>\$ -</u></u>
Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	0.00%
Covered-employee payroll	\$ -
Net Pension Liability as a percentage of covered-employee payroll	<u><u>0.00%</u></u>

Note: No information is available due to 2018 being the initial year of the plan. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Sugar Hill, Georgia**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Year Ended December 31, 2018**

City of Sugar Hill Retirement Plan

	2018
Actuarially determined contribution	-*
Contributions in relation to the actuarially determined contribution	-*
Contribution deficiency (excess)	-*
Covered-employee payroll	-*
Contributions as a percentage of covered-employee payroll	-*

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. The 2018 information will be determined after fiscal year end and will be in the 2019 valuation report. The actuarially determined contribution is based on benefit study dated April 8, 2014. Contributions in relation to the actuarially determined contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

***Changes of Assumptions***

There have been no changes in assumptions during 2018

***Benefit Changes***

There have been no changes in benefit provisions during 2018.



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*

To the City Council  
Sugar 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 aggregate discretely presented component units, and each major fund of the City of Sugar Hill, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Sugar Hill, Georgia's basic financial statements and have issued our report thereon dated June 10, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Sugar Hill, Georgia'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 of Sugar Hill, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sugar Hill, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2018-2

*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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies: 2018-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Sugar Hill, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## The City of Sugar Hill, Georgia's Response to Findings

The City of Sugar Hill, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Sugar Hill, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*Walker, Pierce & Tuck, CPA's, P.C.*

Walker, Pierce & Tuck, CPA's, P.C.  
Gainesville, Georgia  
June 10, 2019





City of Sugar Hill, Georgia  
Schedule of Findings and Responses  
For the Year Ended December 31, 2018

**Findings – Financial Statement Audit**

**INTERNAL CONTROL**

**2018 -1**

**Condition:** The City accounting staff requires additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external audit for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City. Under current auditing standards, providing technical assistance does not impair independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the auditor. This does not indicate that the Finance Manager is not trained to perform the daily accounting functions, but the City has elected as a cost benefit to outsource this expertise to their auditors. As required, we have indicated this as a significant deficiency in our letter on internal control and compliance.

**Criteria:** Effective internal control requires that the City accept responsibility and understanding of the audited financial report.

**Cause:** The City staff does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.

**Effect:** The lack of proper technical training and knowledge by City staff could result in the failure to understand and detect material misstatements in the financial statements.

**Recommendation:** The City should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.

**Response:** The City agrees with this finding and with the intent of GASB. The City has chosen to outsource the creation of the Annual Financial Statements to our auditors, experts in this area.

**2018 -2**

**Condition:** The City does not maintain a complete and accurate policy and procedure manual for all repetitive monthly accounting tasks performed by accounting and non-accounting staff responsible for task involving the revenue and expenditure processes.

**Criteria:** A basic part of proper internal controls includes a written policy and procedure manual for all accounting tasks.

**Cause:** The City does not have a complete and accurate policy and procedure manual of accounting tasks for reference and use by staff.

**Effect:** The City's staff does not have written policy and procedures manual to follow to insure internal control procedures are followed as intended to prevent errors.

**Recommendation:** A written policy and procedures manual should be created, regularly updated and provided to staff to help insure proper internal procedures for all accounting tasks are consistently followed.

**Response:** The City agrees with this finding and has already begun the process of developing a written policies and procedures manual for all accounting tasks.

**CITY OF SUGAR HILL, GEORGIA**  
Schedule of Special Purpose Local Option Sales Tax  
Estimated Cost and Expenditure Summary  
For the Year Ended December 31, 2018

<u>Project Description</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
<b>SPLOST 2017</b>					
Cultural facilities	\$ 1,836,249	\$ 1,836,249	\$ -	\$ -	-
Recreation facilities & equipment	8,236,540	8,236,540	638,403	127,115	765,518
Roads, streets, bridges and related facilities and equipment	9,859,121	9,859,121	266,705	297,762	564,467
<b>Total:</b>	<u>\$19,931,910</u>	<u>\$19,931,910</u>	<u>\$ 905,108</u>	<u>\$ 424,877</u>	<u>\$ 1,329,985</u>