

CITY OF SUGAR HILL, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

WALKER, PIERCE & TUCK, CPA'S, PC

**CITY OF SUGAR HILL, GEORGIA
FISCAL YEAR ENDED DECEMBER 31, 2012
TABLE OF CONTENTS**

FINANCIAL SECTION

Independent Auditor's Report.....	1-2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	3
Statement of Activities.....	4
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet.....	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	8
Proprietary Fund Financial Statements	
Statement of Net Position.....	9
Statement of Revenues, Expenses, and Changes in Net Position.....	10
Statement of Cash Flows.....	11
Notes to Financial Statements.....	12-25
Required Supplementary Information (other than MD&A)	
Budgetary Comparison Schedules	
General Fund.....	26
Notes to Required Supplementary Information on Budgetary Accounting and Control.....	27
Combining and Individual Funds Statements	
Combining Statement of Net Position-Nonmajor Proprietary Funds.....	28
Combining Statement of Revenues, Expenditures and Changes in Net Position -Nonmajor Proprietary Funds.....	29
Combining Statement of Cash Flow-Nonmajor Proprietary Funds.....	30

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of Financial Statements performed in accordance with Government Auditing Standards.....	31-36
Schedule of Special Purpose Local Option Sales Tax Estimated Cost and Expenditure Summary.....	37



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 unit, each major fund, and the aggregate remaining fund information of the City of Sugar Hill, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sugar Hill, Georgia, as of December 31, 2012, 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 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. Our opinion on the basic financial statements is not affected by this missing information. However, accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sugar Hill, Georgia's basic financial statements. The Combining Non-major Fund Financial Statements and 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 Combining Non-major Fund Financial Statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Non-major Fund Financial Statements and 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 24, 2015, 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 24, 2015

City of Sugar Hill, Georgia

Statement of Net Position

December 31, 2012

	Primary Government			Component Unit
	Governmental	Business-Type	Total	
	Activities	Activities		
Assets				
Current Assets				
Cash and cash equivalents	\$ 9,916,809	\$ 9,290	\$ 9,926,099	\$ 216,100
Restricted cash	218,606	551,846	770,452	-
Receivables (net)	1,195,442	880,437	2,075,879	-
Prepaid Expenses	-	4,530	4,530	-
Supplies / Inventory	-	66,348	66,348	-
Total Current Assets	<u>11,330,857</u>	<u>1,512,451</u>	<u>12,843,308</u>	<u>216,100</u>
Deferred outflows of resources	-	-	-	-
Non-current Assets				
Capital assets				
Nondepreciable	16,708,085	4,893,321	21,601,406	-
Depreciable, net	42,519,820	5,475,972	47,995,792	-
Total Non-current Assets	<u>59,227,905</u>	<u>10,369,293</u>	<u>69,597,198</u>	<u>-</u>
Total Assets	<u>70,558,762</u>	<u>11,881,744</u>	<u>82,440,506</u>	<u>216,100</u>
LIABILITIES				
Current Liabilities				
Accounts payable	746,333	768,517	1,514,850	-
Accrued Expenses	13,201	-	13,201	-
Retainage Payable	540,707	-	540,707	-
Lease Payable	-	47,945	47,945	-
Landfill Closure/Postclosure Cost	144,986	-	144,986	-
Total Current Liabilities	<u>1,445,227</u>	<u>816,462</u>	<u>2,261,689</u>	<u>-</u>
Long-term Liabilities				
Lease Payable	-	66,811	66,811	-
Customer Deposits	218,606	551,846	770,452	-
Compensated Absences	82,825	52,306	135,131	-
Landfill Closure/Postclosure Cost	1,884,823	-	1,884,823	-
Total Long-term Liabilities	<u>2,186,254</u>	<u>670,963</u>	<u>2,857,217</u>	<u>-</u>
Deferred outflows of resources	-	-	-	-
Total Liabilities	<u>3,631,481</u>	<u>1,487,425</u>	<u>5,118,906</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	59,227,905	10,254,537	69,482,442	-
Restricted for:				
Capital projects	1,128,866	-	1,128,866	-
Unrestricted	6,570,510	139,782	6,710,292	216,100
Total Net Position	<u>\$ 66,927,281</u>	<u>\$ 10,394,319</u>	<u>\$ 77,321,600</u>	<u>\$ 216,100</u>

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, 2012

Primary government: Governmental activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities		Business-Type Activities
General government	\$ 1,607,023	\$ 411,352	\$ -	\$ 1,425,671	\$ 230,000	\$ 230,000	
Judicial	3,283	11,174	-	-	7,891	7,891	
Public safety	137,750	-	-	-	(137,750)	(137,750)	
Public works	2,079,966	75	-	502,094	(1,577,797)	(1,577,797)	
Health and welfare	23,873	-	-	-	(23,873)	(23,873)	
Recreation and culture	1,304,975	235,567	-	502,094	(567,314)	(567,314)	
Housing and development	565,972	-	-	-	(565,972)	(565,972)	
Total governmental activities	5,722,842	658,168	-	2,429,859	(2,634,815)	(2,634,815)	
Business-type activities						-	
Gas	5,399,483	6,095,755	-	-	696,272	696,272	
Golf	1,221,581	823,197	-	-	(398,384)	(398,384)	
Stormwater utility	431,192	578,955	-	-	147,763	147,763	
Car wash	27,425	49,279	-	-	21,854	21,854	
Total business-type activities	7,079,681	7,547,186	-	-	467,505	467,505	
Total primary government	\$ 12,802,523	\$ 8,205,354	\$ -	\$ 2,429,859	\$ (2,634,815)	\$ (2,167,310)	
Component units:						\$ (5,884)	
City of Sugarhill Housing Authority	20,000	14,116	-	-		(5,884)	
Total component units	\$ 20,000	\$ 14,116	\$ -	\$ -		(5,884)	
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,168,457	2,168,457	
Franchise tax					798,156	798,156	
Sales taxes					132,677	132,677	
Business Tax					1,196,926	1,196,926	
Alcoholic Beverage Tax					31,050	31,050	
Interest and investment earnings					18,175	18,175	
Miscellaneous					443,864	443,864	
Gain on disposition of miscellaneous assets					266,489	266,489	
Transfers					(262,384)	-	
Total general revenues and transfers					4,793,410	5,055,794	
Change in net position					2,158,595	2,888,484	
Beginning net position, before restatement					63,955,833	73,349,457	
Prior Period Adjustment					812,853	1,083,659	
Beginning net position, as restated					64,768,686	74,433,116	
Ending net position					\$ 66,927,281	\$ 77,321,600	

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

City of Sugar Hill, Georgia

Balance Sheet

Governmental Funds

December 31, 2012

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 8,041,841	\$ 534,925	\$ 1,340,043	\$ 9,916,809
Restricted Cash	218,606	-	-	218,606
Due from other governments	-	-	436,744	436,744
Receivables (net)	758,698	-	-	758,698
Due from other funds	<u>1,182,846</u>	<u>-</u>	<u>-</u>	<u>1,182,846</u>
 Total assets	 10,201,991	 534,925	 1,776,787	 12,513,703
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 10,201,991</u>	<u>\$ 534,925</u>	<u>\$ 1,776,787</u>	<u>\$ 12,513,703</u>
 Liabilities				
Accounts payable	\$ 746,333	\$ -	\$ -	\$ 746,333
Retainage payable	540,707	-	-	540,707
Accrued expenses	13,201	-	-	13,201
Due to other funds	-	-	1,182,846	1,182,846
Erosion bonds - escrow deposits	<u>218,606</u>	<u>-</u>	<u>-</u>	<u>218,606</u>
Total liabilities	1,518,847	-	1,182,846	2,701,693
Deferred inflows of resources	<u>97,655</u>	<u>-</u>	<u>-</u>	<u>97,655</u>
Total liabilities and deferred inflow	<u>1,616,502</u>	<u>-</u>	<u>1,182,846</u>	<u>2,799,348</u>
 Fund balances				
Restricted for:				
Capital projects	-	534,925	593,941	1,128,866
Unassigned	<u>8,585,489</u>	<u>-</u>	<u>-</u>	<u>8,585,489</u>
Total fund balances	<u>8,585,489</u>	<u>534,925</u>	<u>593,941</u>	<u>9,714,355</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 10,201,991</u>	<u>\$ 534,925</u>	<u>\$ 1,776,787</u>	<u>\$ 12,513,703</u>

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, 2012

Total fund balances - governmental funds \$ 9,714,355

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	\$ 76,220,960	
Less: Accumulated depreciation	<u>(16,993,055)</u>	
Total capital assets		59,227,905

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

Accrued personal leave not reported in governmental funds	(82,825)	
Landfill Closure/Postclosure costs	(2,029,809)	

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.

97,655

Net position of governmental activities \$ 66,927,281

City of Sugar Hill, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	Total Governmental Funds
Revenues				
Taxes	\$ 4,377,328	\$ -	\$ -	\$ 4,377,328
Intergovernmental	271,478	-	2,425,575	2,697,053
Licenses and permits	395,037	-	-	395,037
Fines and Forfeitures	34,519	-	-	34,519
Charges for services	452,873	-	-	452,873
Interest	18,175	989	3,295	22,459
Miscellaneous	271,522	-	-	271,522
Total Revenue	<u>5,820,932</u>	<u>989</u>	<u>2,428,870</u>	<u>8,250,791</u>
Expenditures				
Current				
General government	5,862,093	-	-	5,862,093
Judicial	3,283	-	-	3,283
Public safety	137,750	-	-	137,750
Public works	2,765,131	-	-	2,765,131
Health and welfare	4,928	-	-	4,928
Recreation and culture	791,253	-	-	791,253
Housing and development	530,991	-	-	530,991
Capital Outlay	-	-	6,336,905	6,336,905
Total Expenditures	<u>10,095,429</u>	<u>-</u>	<u>6,336,905</u>	<u>16,432,334</u>
Excess revenues over (under) expenditures	(4,274,497)	989	(3,908,035)	(8,181,543)
Other financing sources (uses)				
Transfers In	893,354	-	-	893,354
Transfers Out	<u>(1,155,738)</u>	<u>-</u>	<u>-</u>	<u>(1,155,738)</u>
Total other financing sources and (uses)	<u>(262,384)</u>	<u>-</u>	<u>-</u>	<u>(262,384)</u>
Net change in fund balance	(4,536,881)	989	(3,908,035)	(8,443,927)
Beginning Fund Balance	12,283,548	533,936	4,348,340	17,165,824
Prior Period Adjustment	838,822	-	153,636	(992,458)
Ending Fund Balance	<u>\$ 8,585,489</u>	<u>\$ 534,925</u>	<u>\$ 593,941</u>	<u>\$ 9,714,355</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, 2012

Net change in fund balances-total governmental funds \$ (8,443,927)

Amounts reported for governmental activities in the statement of activities are activities are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:

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 exceeded depreciation.

Expenditures for capital outlays	12,103,491	
Fixed asset transferred in from proprietary fund	6,885	
Less: Current year depreciation	<u>(1,570,657)</u>	
		10,539,719

The book value of capital assets disposed are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement less accumulated depreciation. (5,033)

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 144,986

Compensated Absences are reported in the Statement of Activities, but do not require the use of current financial resources and therefore are not reported in the governmental funds.

Compensated absence liability at December 31, 2011	107,612	
Compensated absence liability at December 31, 2012	<u>(82,825)</u>	
		24,787

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds.

Deferred revenue at December 31, 2011	(199,592)	
Deferred revenue at December 31, 2012	<u>97,655</u>	
		<u>(101,937)</u>

Net change in net position of governmental activities \$ 2,158,595

City of Sugar Hill, Georgia

Statement of Net Position

Proprietary Funds

December 31, 2012

	<u>Gas</u> <u>Fund</u>	<u>Golf</u> <u>Fund</u>	<u>Stormwater</u> <u>Utility Fund</u>	<u>Car Wash</u> <u>Fund</u>	<u>Total</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 552,646	\$ 8,490	\$ -	\$ -	\$ 561,136
Accounts receivable (net)	845,976	-	34,461	-	880,437
Prepaid expenses	-	4,530	-	-	4,530
Supplies / inventory	63,630	2,718	-	-	66,348
Total current assets	<u>1,462,252</u>	<u>15,738</u>	<u>34,461</u>	<u>-</u>	<u>1,512,451</u>
Noncurrent assets:					
Capital assets					
Non-depreciable	10,900	4,247,948	-	634,473	4,893,321
Depreciable, net	3,419,126	1,850,135	152,936	53,775	5,475,972
Total noncurrent assets	<u>3,430,026</u>	<u>6,098,083</u>	<u>152,936</u>	<u>688,248</u>	<u>10,369,293</u>
Total assets	<u>4,892,278</u>	<u>6,113,821</u>	<u>187,397</u>	<u>688,248</u>	<u>11,881,744</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities					
Current Liabilities:					
Accounts payable	764,620	3,239	127	531	(768,517)
Capital lease payable	-	47,945	-	-	(47,945)
Total current liabilities	<u>764,620</u>	<u>51,184</u>	<u>127</u>	<u>531</u>	<u>816,462</u>
Noncurrent liabilities:					
Compensated absences	22,640	24,159	5,507	-	(52,306)
Customer deposits	551,846	-	-	-	(551,846)
Capital lease payable	-	66,811	-	-	(66,811)
Total noncurrent liabilities	<u>574,486</u>	<u>90,970</u>	<u>5,507</u>	<u>-</u>	<u>670,963</u>
Total liabilities	<u>1,339,106</u>	<u>142,154</u>	<u>5,634</u>	<u>531</u>	<u>1,487,425</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position					
Net invested in capital assets	3,430,026	5,983,327	152,936	688,248	10,254,537
Unrestricted	123,146	(11,660)	28,827	(531)	139,782
Total net position	<u>\$3,553,172</u>	<u>\$5,971,667</u>	<u>\$ 181,763</u>	<u>\$687,717</u>	<u>\$10,394,319</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, 2012

	Gas <u>Fund</u>	Golf <u>Fund</u>	Nonmajor <u>Funds</u>	<u>Total</u>
Operating revenue:				
Sales	\$ 5,933,176	\$ -	\$ 49,279	\$ 5,982,455
Tap-on fees	27,700	-	-	27,700
Green and cart fees	-	635,750	-	635,750
Rentals	-	27,118	-	27,118
Concessions and merchandise	-	153,962	-	153,962
User fees and charges	-	-	568,206	568,206
Penalties and interest	129,402	-	10,749	140,151
Miscellaneous Income	<u>5,477</u>	<u>6,367</u>	<u>-</u>	<u>11,844</u>
Total Operating revenue	6,095,755	823,197	628,234	7,547,186
Operating expenses:				
Personal services				
Personnel services & benefits	480,487	391,545	112,733	984,765
Employment Taxes	39,226	31,623	25,558	96,407
Benefits	<u>200,983</u>	<u>140,328</u>	<u>46,645</u>	<u>387,956</u>
Total Personal Services	720,696	563,496	184,936	1,469,128
Purchased / contracted services				
Professional and technical	109,101	36,779	8,835	154,715
Purchased property services	24,755	87,104	3,160	115,019
Rentals	-	300	-	300
Other purchased services	48,175	23,996	167,739	239,910
Supplies	191,830	171,972	60,391	424,193
Purchases for resale	4,132,024	97,962	-	4,229,986
Depreciation	172,456	232,560	33,556	438,572
Total Operating expenses	<u>5,399,037</u>	<u>1,214,169</u>	<u>458,617</u>	<u>7,071,823</u>
Operating Income(loss)	<u>696,718</u>	<u>(390,972)</u>	<u>169,617</u>	<u>475,363</u>
Nonoperating revenues (expenses)				
Interest Expense	<u>(446)</u>	<u>(7,412)</u>	<u>-</u>	<u>(7,858)</u>
Total Nonoperating revenues and (expenses)	<u>(446)</u>	<u>(7,412)</u>	<u>-</u>	<u>(7,858)</u>
Transfer In	-	242,708	913,030	1,155,738
Transfer (Out)	<u>(418,544)</u>	<u>-</u>	<u>(474,810)</u>	<u>(893,354)</u>
Change in net position	277,728	(155,676)	607,837	729,889
Net position - beginning, before restatement	2,928,434	6,284,755	180,435	9,393,624
Prior Period Adjustment	<u>347,010</u>	<u>(157,412)</u>	<u>81,208</u>	<u>270,806</u>
Net position-beginning, as restated	<u>3,275,444</u>	<u>6,127,343</u>	<u>261,643</u>	<u>9,664,430</u>
Total Net position - ending	<u>\$ 3,553,172</u>	<u>\$ 5,971,667</u>	<u>\$ 869,480</u>	<u>\$10,394,319</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, 2012

	Gas Fund	Golf Fund	Nonmajor Funds	Total
Cash flows from operating activities:				
Receipts from customers	\$ 6,104,491	\$ 823,194	\$ 674,982	\$ 7,602,667
Payments to suppliers	(4,391,794)	(405,198)	(234,937)	(5,031,929)
Payments to employees	<u>(748,746)</u>	<u>(577,816)</u>	<u>(188,795)</u>	<u>(1,515,357)</u>
Net cash provided (used) by operating activities	963,951	(159,820)	251,250	1,055,381
Cash flows from noncapital financing activities:				
Transfer from other funds	-	242,708	913,030	1,155,738
Transfer to other funds	<u>(411,659)</u>	<u>-</u>	<u>(474,810)</u>	<u>(886,469)</u>
Net cash provided (used) by noncapital financing activities	(411,659)	242,708	438,220	269,269
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	-	(689,470)	(689,470)
Debt payments, principal and interest	<u>(446)</u>	<u>(82,021)</u>	<u>-</u>	<u>(82,467)</u>
Net cash provided (used) by capital and related financing activities	(446)	(82,021)	(689,470)	(771,937)
Net increase (decrease) in cash and cash equivalents	551,846	867	-	552,713
Cash and cash equivalents, December 31, 2011	<u>800</u>	<u>7,623</u>	<u>-</u>	<u>8,423</u>
Cash and cash equivalents, December 31, 2012	<u>\$ 552,646</u>	<u>\$ 8,490</u>	<u>\$ -</u>	<u>\$ 561,136</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 696,718	\$ (390,972)	\$ 169,617	\$ 475,363
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	172,456	232,560	33,556	438,572
Prior Period Adjustment	347,010	0	81,208	428,218
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(91,972)	(3)	(34,460)	(126,435)
(Increase) decrease in prepaid expenses	18,185	-	4,530	22,715
(Increase) decrease in supplies/inventory	(4,235)	14,798	-	10,563
Increase (decrease) in accounts payable	(246,869)	(1,883)	658	(248,094)
Increase (decrease) in accrued expenses	(20,884)	(16,263)	(4,657)	(41,804)
Increase (decrease) in compensated absences	(7,166)	1,943	798	(4,425)
Increase (decrease) in customer deposits	<u>100,708</u>	<u>-</u>	<u>-</u>	<u>100,708</u>
Net cash provided by operating activities	<u>\$ 963,951</u>	<u>\$ (159,820)</u>	<u>\$ 251,250</u>	<u>\$ 1,055,381</u>

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

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2012

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. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each 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.

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

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 is governed by a separate board and is a separate legal, public body corporate and politic created and existing under instrumentality of the City of Sugar Hill, Georgia for the purpose of revitalizing and developing the central business district of Sugar Hill, Georgia.

The above component unit's financial statements are reflected on the City's Financial Statements under the Discretely Presented Component Unit caption. The Authority does not issue separate statements.

NOTE 1. Summary of significant accounting policies (continued)

Blended component units, although legally separate entities are, in substance, part of the primary government's operation and data from these units are combined with the data of the primary government. The City of Sugar Hill has no blended component units.

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, 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.

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2012

NOTE 1. Summary of significant accounting policies (continued)

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 fund is 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:

Nonspendable - Fund balances are reported as nonspendable 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.

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 are reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2012

NOTE 1. Summary of significant accounting policies (continued)

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 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.

The City reports the following nonmajor proprietary funds:

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.

Car Wash Fund. This fund accounts for the operations of the City's car wash.

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.

Measurement Focus, Basis of Accounting

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 taxes, 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.

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2012

NOTE 1. Summary of significant accounting policies (continued)

Budgets. Formal budgetary accounting is employed as a management control device for the General Fund, SPLOST, Stormwater Utility, Gas, Car Wash, 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 Administrator 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 Administrator 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.

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

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 object level within departments.

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

1-D Assets, Liabilities, and Equity [Primary government]

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, 2012, the City had no investments.

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.

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 "internal balances."

Advances between funds, as reported in the fund financial statements, 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.

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2012

NOTE 1. Summary of significant accounting policies (continued)

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 comprise the trade accounts receivable allowance for uncollectibles, which was \$74,852 at December 31, 2012. The estimate for uncollectible property tax accounts is based on a historical rate of 11% of the receivable balance, which was \$131,321 as of December 31, 2012. In the Stormwater Fund, the allowance is estimated based on a historical rate of 6% of the receivable balance, which was \$33,831 as of December 31, 2012.

Property Tax Calendar

The City set its millage rate for the 2012 fiscal year on July 9, 2012 at 3.800 mills. Property tax bills were mailed on August 15, 2012 by Gwinnett County and were due October 15, 2012. 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, plant, 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, 2012

NOTE 1. Summary of significant accounting policies (continued)

Property, plant 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:

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

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. Other accumulated leave (over 240 hours) is transferred to catastrophic leave. Upon termination, employees are paid full value for any accrued leave earned not to exceed the number of leave hours of 240. Employees may not elect to apply accumulated sick 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.

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: property taxes.

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2012

NOTE 2. Deposits and Investments [Primary government]

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, 2012, bank deposits at BB&T were fully insured at the required 110% under the pooling method with the Georgia Banking Association. All other bank deposits were also fully collateralized. Although, the City's deposits were fully collateralized under the pooling method, the City has not obtained a perfected security agreement from BB&T.

NOTE 3. Litigation [Primary government]

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, 2012 for the City's major governmental and proprietary funds are as follows:

Governmental Funds:	
Property taxes receivable - net	\$ 135,509
Due from other governments - SPLOST	436,744
Franchise taxes receivable	623,189
Total Governmental Receivables:	<u>\$ 1,195,442</u>
Business-type Funds:	
Due from other governments - Stormwater	\$ 34,461
Accounts receivable, net - Gas customers	845,976
Total Business-type Receivables:	<u>\$ 880,437</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.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2012

NOTE 5. Capital assets [Primary government]

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Primary Government:					
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 4,760,836	\$ -	\$ -	9,773	\$ 4,770,609
Construction in progress	6,620,110	10,563,632	-	(5,246,266)	11,937,476
Total non-depreciable capital assets	11,380,946	10,563,632	-	(5,236,493)	16,708,085
Depreciable Assets:					
Buildings and improvements	1,978,799	-	-	(326,239)	1,652,560
Machinery and equipment	1,511,835	42,521	89,213	(188,285)	1,276,858
Furniture and fixtures	-	-	-	-	-
Vehicles	858,537	17,192	-	(24,426)	851,303
Infrastructure	33,345,457	1,480,146	-	5,391,435	40,217,038
Sprayfield	226,915	-	-	-	226,915
Recreational upgrades	14,886,980	-	-	401,221	15,288,201
Total depreciable capital assets	52,808,523	1,539,859	89,213	5,253,706	59,512,875
Accumulated Depreciation:					
Buildings and improvements	629,562	218,407	-	(372,331)	475,638
Machinery and equipment	544,713	99,817	84,180	62,939	623,289
Vehicles	443,518	65,939	-	(9,659)	499,798
Infrastructure	12,776,909	844,749	-	72,346	13,694,004
Sprayfield	45,802	6,375	-	-	52,177
Recreational upgrades	876,141	514,975	-	257,033	1,648,149
Total accumulated depreciation	15,316,645	1,750,262	84,180	10,328	16,993,055
Total depreciable capital assets, net	37,491,878	(210,403)	5,033	5,243,378	42,519,820
Governmental activities capital assets, net	48,872,824	10,353,229	5,033	6,885	59,227,905
Business-type Activities:					
Non-Depreciable Assets:					
Land	4,267,304	858,033	223,560	(8,456)	4,893,321
Total non-depreciable capital assets	4,267,304	858,033	223,560	(8,456)	4,893,321
Depreciable Assets:					
Buildings and improvements	2,399,270	54,997	111,219	-	2,343,049
Machinery and equipment	1,898,885	-	2,565	(80,932)	1,815,388
Furniture and fixtures	-	-	6,885	87,817	80,932
Vehicles	456,429	-	108,234	(17,213)	330,982
Sprayfield	583,676	-	-	-	583,676
Gas distribution system	4,337,510	-	-	-	4,337,510
Golf course renovations	710,875	-	-	8,456	719,331
Total depreciable capital assets	10,386,645	54,997	228,903	(1,872)	10,210,868
Accumulated Depreciation:					
Buildings and improvements	1,277,355	87,759	111,219	(2)	1,253,893
Machinery and equipment	1,134,634	134,106	2,565	(71,674)	1,194,501
Furniture and fixtures	-	3,777	-	67,171	70,948
Vehicles	287,208	47,610	115,119	(7,391)	212,308
Sprayfield	248,062	19,457	-	-	267,519
Gas distribution system	1,263,272	106,417	-	(2)	1,369,687
Golf course renovations	309,687	47,898	-	8,455	366,040
Total accumulated depreciation	4,520,218	447,024	228,903	(3,443)	4,734,896
Total depreciable capital assets, net	5,866,427	(392,027)	-	1,571	5,475,972
Business-type activities capital assets, net	\$ 10,133,731	\$ 466,006	\$ 223,560	\$ (6,885)	\$ 10,369,293

The construction in progress additions above includes additions purchased during the previous year recorded as a prior period adjustment in the current year totaling \$190,953. See Note 17. The accumulated depreciation additions above includes previous year depreciation recorded as a prior period adjustment in the current year totaling \$179,605. See Note 17.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2012

NOTE 5. Capital assets [Primary government] – (continued)

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

Governmental Activities:	
General Fund	<u>\$ 1,570,657</u>
 Business-type Activities:	
Gas	\$ 172,456
Golf	232,560
Stormwater	32,334
Car Wash	<u>1,222</u>
Total depreciation expense - business-type activities	<u>\$ 438,572</u>

NOTE 5. Risk management [Primary government]

The City purchased general liability insurance from Selective Insurance Company. The City's policy starts May 1st and ends April 30th of each year. The premium for the year ending June 30, 2013 was \$103,147. The City purchases Workers Compensation Insurance through Selective Insurance Company. The City's policy year starts on May 1st and ends on April 30th of each year. The premium for the City's fiscal year of 2012 was \$68,914.

NOTE 6. Deferred Inflows of Resources (Primary Government)

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:

Governmental fund financial statements

Property Taxes	<u>\$ 97,655</u>
----------------	------------------

NOTE 7. 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 waster 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, 2012, the City has recorded a liability for the landfill of \$2,029,809 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 2012. The estimates 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.

NOTE 8. Long-term Debt (Primary Government)

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

City of Sugar Hill, Georgia

Notes to Financial Statements
December 31, 2012

NOTE 8. Long-term Debt (Primary Government)-(continued)

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
	January 1, 2012	Additions	Reductions	December 31, 2012	One Year	
Governmental Activities:						
Compensated absences	\$ 107,612	\$ 102,421	\$ (127,208)	\$ 82,825	\$	-
Landfill closure/postclosure	2,174,795	-	(144,986)	2,029,809		144,986
Total governmental activities	<u>\$ 2,282,407</u>	<u>\$ 66,008</u>	<u>\$ (90,795)</u>	<u>\$ 2,257,620</u>	<u>\$</u>	<u>2,257,620</u>
Business-Type Activities:						
Capital Leases	\$ 189,365	\$ -	\$ (74,609)	\$ 114,756	\$	47,945
Compensated absences	56,731	66,008	(70,433)	52,306		-
Total business-type activities	<u>\$ 97,136</u>	<u>\$ 102,421</u>	<u>\$ (21,989)</u>	<u>\$ 177,568</u>	<u>\$</u>	<u>177,568</u>

On February 11, 2008 the City entered into a capital lease with National City Commercial Capital Company for the acquisition of turf equipment. The lease calls for 60 monthly payments in the amount of \$2,978 with the maturity date of February 1, 2013. The lease bears imputed interest rate of 4.9% per annum. The total cost of the equipment at the inception of the lease was \$158,077. As of December 31, 2012, accumulated amortization for the turf equipment was recorded in the amount of \$101,621 and is included in accumulated depreciation. Amortization expense in the amount of \$22,582 was recorded in 2012 and was included in depreciation expense. Interest in the amount of \$1,412 was paid in the year ending December 31, 2012. The golf carts and corresponding capital lease obligation are recorded by the City in the Golf Fund. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded as the present value of the future minimum lease payments as of the inception date. The lease with National City Commercial Capital Company was repaid from the Golf Fund. The lease is secured by the equipment.

On July 15, 2011 the City entered into a capital lease with Yamaha for the acquisition of 66 golf carts. The lease calls for 48 monthly payments in the amount of \$3,845 with the maturity date of June 15, 2015. The lease bears imputed interest rate of 3.82% per annum. The total cost of the golf carts at the inception of the lease was \$168,348. The cost of each golf cart was below the City's capitalization threshold and was expensed in the year of acquisition. Interest in the amount of \$6,000 was paid in the year ending December 31, 2012. The golf carts and corresponding capital lease obligation are recorded by the City in the Golf Fund. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded as the present value of the future minimum lease payments as of the inception date. The lease with Yamaha was repaid from the Golf Fund. The lease is secured by the equipment.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012 were as follows:

Year			
Ending	Total Payments	Principal	Interest
2013	\$ 52,091	\$ 47,946	\$ 4,145
2014	46,134	43,985	2,149
2015	23,067	22,825	242
Totals:	<u>\$ 121,292</u>	<u>\$ 114,756</u>	<u>\$ 6,536</u>

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.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2012

NOTE 8. Long-term Debt (Primary Government)-(continued)

Prior Year Defeased Debt

On December 29, 1995, the City defeased \$7,660,000 of the 1996 series utility revenue bonds by placing cash in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust accounts assets and the liability for the defeased bonds are not included in the government's financial statements. At December 31, 2012, \$1,195,000 of defeased bonds were still outstanding.

NOTE 9. Conduit Debt of Component Unit

On May 7, 1998, the Housing Authority of the City of Sugar Hill issued Multifamily Housing Revenue Bonds in the amount of \$12,790,000. The proceeds of the bonds were used to build apartment units. Contemporaneously, with the issuance of revenue bonds, a note was issued to the Housing Authority by Level Creek Partners, L.P. for \$12,790,000. In addition, the apartment units are pledged against the note as collateral. As the revenue bonds become due, Level Creek Partners, L.P. pledged to deposit sufficient funds in a trust account for payment of principal and interest. The bonds do not constitute a debt or pledge of the full faith and credit of the Housing Authority or the City. Accordingly, they have not been reported in the accompanying financial statements; the aforementioned debt is merely conduit debt.

NOTE 10. Erosion Bonds – Escrow Deposit

As of December 31, 2012, seven companies posted erosion bonds with the City against any damages that might occur during construction. Once these construction projects are successfully completed, the monies posted will be returned to the appropriate company. The outstanding balance of the erosion bonds as of December 31, 2012 is \$ 218,606.

NOTE 11. 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 12. Interfund receivables, payables and transfers

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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.

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2012

NOTE 12. Interfund receivables, payables and transfers (continued)

Internal Balances:

<u>Due To:</u>	<u>Due From:</u>	
	SPLOST 2009	
	Fund	Total
General Fund	\$ 1,182,846	\$ 1,182,846
	\$ 1,182,846	\$ 1,182,846

Transfers:

<u>Transfer To:</u>	<u>Transfer From:</u>				Total
	General Fund	Gas Fund	Stormwater Fund	Car Wash Fund	
General Fund	\$ -	\$ 418,544	\$ 227,643	\$ 247,167	\$ 893,354
Golf Fund	242,708				242,708
Car Wash Fund	913,030	-			913,030
	\$ 1,155,738	\$ 418,544	\$ 227,643	\$ 247,167	\$ 2,049,092

NOTE 13. Budgets (Primary government)

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)
General Fund			
General government	\$ 10,578,125	\$ 5,862,125	\$ (4,716,000)
Judicial	16,860	3,283	(13,577)
Public safety	150,500	137,750	(12,750)
Public works	2,783,675	2,765,131	(18,544)
Public health and welfare	9,200	4,928	(4,272)
Recreation and culture	1,337,675	791,253	(546,422)
Housing and development	570,521	530,991	(39,530)
Transfers out	1,160,000	1,155,738	(4,262)
	\$ 29,098,947	\$ 17,644,283	\$ (11,454,664)

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

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2012

NOTE 14. Retirement Plan

Defined Contribution Plan

The City has adopted a Defined Contribution Money Purchase Plan, which 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 year 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 2012, the contribution requirement of the City was 3% of eligible employees' salaries as a base contribution. Employees are fully vested after 4 years of continuous service. For the year ending December 31, 2012, the city contributed \$76,203

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 \$16,500 per year. The City matches 50% of the employee contribution up to 7.5% of the employees' gross pay. For employees over 50 years of age, the ceiling is \$22,000 per year with a catch-up provision. For the year ending December 31, 2012, the employees contributed \$74,832 to the plan and the city contributed \$29,153.

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 15. Special 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.

NOTE 16. 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, 2012, 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 is 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 17. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year.

Business-Type Activities:

During the current year, it was determined that certain prior year accounts receivable and revenues in the Stormwater Fund were understated due to a failure to record the amount receivable in the amount of \$81,208. As a result of the adjustment, the current year beginning net position for business-type activities, beginning fund balance, and change in net position for 2011 were increased by \$81,208.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2012

NOTE 17. Prior Period Adjustments (continued)

During the current year, it was determined that certain prior year accounts receivable and utility revenues in the Gas Fund were understated due to a failure to record the proper amount receivable. As a result of the adjustment, the current year beginning net position for business-type activities, beginning fund balance, and change in net position for 2011 were increased by \$242,379.

During the current year, it was determined that certain prior year accounts payable and expenses related to the gas purchases in the Gas Fund were overstated. As a result of the adjustment, the current year beginning net position for business-type activities, beginning fund balance, and change in net position for 2011 were increased in the amount of \$175,685.

During the current year, it was determined that the amount held for customer deposits in the Gas Fund in prior year was understated. As a result of the adjustment, the current year beginning net position for business-type activities, beginning fund balance, and change in net position for 2011 were decreased in the amount of \$71,054.

In the Golf Fund, an adjustment was recorded to correct prior year depreciation in the amount of \$8,452. The adjustment to correct prior year depreciation reduced the current year net book value of the golf carts and decreased beginning net position for business-type activities, beginning fund balance, and change in net position for 2011 in the amount of \$8,452.

In the Golf Fund, the capital lease payable was understated due to the failure to record the Yamaha lease for Golf carts as such. Because the golf carts are below the capitalization threshold, they are treated as being expensed in the previous year. The effect of the adjustment was an increase in capital lease payable in the amount of \$148,960 and a corresponding decrease to the current year beginning net position for business-type activities, beginning fund balance, and change in net position for 2011.

Governmental-Type Activities:

In the General Fund, an adjustment was recorded to correct prior year accumulated depreciation in the amount of \$179,605. The adjustment to correct prior year accumulated depreciation reduced beginning net position and decreased beginning accumulated depreciation for governmental activities in the amount of \$179,605.

In the General Fund, retainage payable was accrued in 2011 in the General Fund. However, it should have been accrued in the SPLOST-2009 fund. As a result, a prior period adjustment was recorded to increase the General Fund balance and decrease the SPLOST-2009 fund balance by \$190,953. The adjustment had a corresponding effect on the change in net position in 2011 for each fund respectively.

During the current year, it was determined that certain prior year accounts receivable and revenues in the SPLOST-2009 Fund were understated due to a failure to record the amount receivable in the amount of \$344,589. As a result of the adjustment, the current year beginning net position for governmental activities, beginning fund balance, and change in net position for 2011 were increased by \$344,589.

In the General Fund, franchise tax revenue was overstated due to the failure to record the franchise tax receivable in 2011 and the corresponding franchise tax revenue. The effect of the adjustment was an increase in the change in net position for 2011 in the amount of \$647,869 and a corresponding increase to the current year beginning net position for governmental activities and beginning fund balance.

NOTE 18. Subsequent Events

Subsequent events have been evaluated through June 24, 2015.

- On May 12, 2015 the City purchased from the Gwinnett County Board of Education the former Sugar Hill Elementary school building and land for 2.5 million dollars.

City of Sugar Hill, Georgia
Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over/(Under)	Actual Amounts GAAP Basis	Variance with Final Budget Over/(Under)
	Original	Final				
Revenues						
Taxes	\$ 3,798,000	\$ 3,798,000	\$ 4,377,328	\$ -	\$ 4,377,328	\$ 579,328
Licenses and permits	92,600	92,600	395,037	-	395,037	302,437
Intergovernmental	2,040,690	2,040,690	271,478	-	271,478	(1,769,212)
Charges for services	421,600	421,600	452,873	-	452,873	31,273
Fines and forfeitures	34,310	34,310	34,519	-	34,519	209
Investment earnings	10,050	10,050	18,175	-	18,175	8,125
Miscellaneous	-	-	271,522	-	271,522	271,522
Total Revenues	<u>6,397,250</u>	<u>6,397,250</u>	<u>5,820,932</u>	<u>-</u>	<u>5,820,932</u>	<u>(576,318)</u>
Expenditures						
Current Operating:						
General Government	11,738,125	10,578,125	5,862,093	-	5,862,093	(4,716,032)
Judicial	16,860	16,860	3,283	-	3,283	(13,577)
Public safety	150,500	150,500	137,750	-	137,750	(12,750)
Public works	2,783,675	2,783,675	2,765,131	-	2,765,131	(18,544)
Health and welfare	9,200	9,200	4,928	-	4,928	(4,272)
Culture and recreation	1,337,675	1,337,675	791,253	-	791,253	(546,422)
Housing and development	570,521	570,521	530,991	-	530,991	(39,530)
Total Expenditures	<u>16,606,556</u>	<u>15,446,556</u>	<u>10,095,429</u>	<u>-</u>	<u>10,095,429</u>	<u>(5,351,127)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,209,306)</u>	<u>(9,049,306)</u>	<u>(4,274,497)</u>	<u>-</u>	<u>(4,274,497)</u>	<u>4,774,809</u>
Other Financing Sources (Uses)						
Transfers In	10,209,306	10,209,306	893,354	-	893,354	(9,315,952)
Transfers Out	-	(1,160,000)	(1,155,738)	-	(1,155,738)	(4,262)
Total Other Financing Sources (Uses)	<u>10,209,306</u>	<u>9,049,306</u>	<u>(262,384)</u>	<u>-</u>	<u>(262,384)</u>	<u>(9,320,214)</u>
Net Change in fund Balances	<u>-</u>	<u>-</u>	<u>(4,536,881)</u>	<u>-</u>	<u>(4,536,881)</u>	<u>(4,545,405)</u>
Fund Balance - Beginning			12,283,548		12,283,548	
Prior Period Adjustment			838,822		838,822	
Fund Balance - Ending		<u>\$ 8,585,489</u>	<u>\$ 8,585,489</u>		<u>\$ 8,585,489</u>	

City of Sugar Hill, Georgia
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended December 31, 2012

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 Finance Officer 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.

<u>Department</u>	<u>Original Budget</u>	<u>Supplemental Appropriations</u>	<u>Supplemental Decreases</u>	<u>Revised Appropriations</u>
General Fund				
General Government	\$ 11,738,125	\$ -	\$ 1,160,000	\$ 10,578,125
Transfer Out	\$ -	\$ 1,160,000	\$ -	\$ 1,160,000
	<u>\$ 11,738,125</u>	<u>\$ 1,160,000</u>	<u>\$ 1,160,000</u>	<u>\$ 11,738,125</u>

City of Sugar Hill, Georgia
Combining Statement of Net Position
Nonmajor Proprietary Funds
December 31, 2012

	Stormwater Utility Fund	Car Wash Fund	Total Nonmajor Proprietary Funds
Assets			
Current assets			
Accounts receivable (net)	\$ 34,461	\$ -	\$ 34,461
Total Current assets	<u>34,461</u>	<u>-</u>	<u>34,461</u>
Long-term assets:			
Capital assets			
Non-depreciable	-	634,473	634,473
Depreciable, net	<u>152,936</u>	<u>53,775</u>	<u>206,711</u>
Total Long-term assets	<u>152,936</u>	<u>688,248</u>	<u>841,184</u>
Total assets	<u>187,397</u>	<u>688,248</u>	<u>875,645</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	<u>127</u>	<u>531</u>	<u>658</u>
Total Current liabilities	<u>127</u>	<u>531</u>	<u>658</u>
Long-term liabilities:			
Compensated absences	<u>5,507</u>	<u>-</u>	<u>5,507</u>
Total long-term liabilities	<u>5,507</u>	<u>-</u>	<u>5,507</u>
Total liabilities	<u>5,634</u>	<u>531</u>	<u>6,165</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net investment in capital assets	152,936	688,248	841,184
Unrestricted	<u>28,827</u>	<u>(531)</u>	<u>28,296</u>
Total net position	<u>\$ 181,763</u>	<u>\$ 687,717</u>	<u>\$ 869,480</u>

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

City of Sugar Hill, Georgia

Combining Statement of Revenues, Expenses, and Changes in Net Position

Nonmajor Proprietary Funds

For the Year Ended December 31, 2012

	Stormwater Utility Fund	Car Wash Fund	Total Nonmajor Proprietary Funds
Operating revenue:			
Sales	\$ -	\$ 49,279	\$ 49,279
User fees and charges	568,206	-	568,206
Penalties and interest	10,749	-	10,749
	<u>578,955</u>	<u>49,279</u>	<u>628,234</u>
Operating expenses:			
Personal services			
Personnel services & benefits	112,733	-	112,733
Employment Taxes	25,558	-	25,558
Benefits	46,645	-	46,645
Total Personal Services	<u>184,936</u>	<u>-</u>	<u>184,936</u>
Purchased / contracted services			
Professional and technical	1,860	6,975	8,835
Purchased property services	3,160	-	3,160
Other purchased services	164,592	3,147	167,739
Supplies	44,310	16,081	60,391
Depreciation	32,334	1,222	33,556
	<u>431,192</u>	<u>27,425</u>	<u>458,617</u>
Operating Income(loss)	<u>147,763</u>	<u>21,854</u>	<u>169,617</u>
Nonoperating revenues (expenses)			
Total Nonoperating revenues			
Transfer In	-	913,030	913,030
Transfer (Out)	<u>(227,643)</u>	<u>(247,167)</u>	<u>(474,810)</u>
Change in net position	(79,880)	687,717	607,837
Net position - beginning, before restatement	180,435	-	180,435
Prior Period Adjustment	81,208	-	81,208
Net position-beginning, as restated	<u>261,643</u>	<u>-</u>	<u>261,643</u>
Total net position - ending	<u>\$ 181,763</u>	<u>\$ 687,717</u>	<u>\$ 869,480</u>

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

City of Sugar Hill, Georgia
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For The Year Ended December 31, 2012

	Stormwater Fund	Car Wash Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities:			
Receipts from customers	\$ 625,703	\$ 49,279	\$ 674,982
Payments to suppliers	(209,265)	(25,672)	(234,937)
Payments to employees	(188,795)	-	(188,795)
Net cash provided (used) by operating activities	<u>227,643</u>	<u>23,607</u>	<u>251,250</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	-	913,030	913,030
Transfer to other funds	(227,643)	(247,167)	(474,810)
Net cash provided (used) by noncapital financing activities	<u>(227,643)</u>	<u>665,863</u>	<u>438,220</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(689,470)	(689,470)
Net cash provided (used) by capital and related financing activities	-	(689,470)	(689,470)
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, December 31, 2011	-	-	-
Cash and cash equivalents, December 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 147,763	\$ 21,854	\$ 169,617
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	32,334	1,222	33,556
Prior Period Adjustment	81,208	0	81,208
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(34,460)	-	(34,460)
(Increase) decrease in prepaid expenses	4,530	-	4,530
Increase (decrease) in accounts payable	127	531	658
Increase (decrease) in accrued expenses	(4,657)	-	(4,657)
Increase (decrease) in compensated absences	798	-	798
Net cash provided by operating activities	<u>\$ 227,643</u>	<u>\$ 23,607</u>	<u>\$ 251,250</u>

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



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 funds, the aggregate discretely presented component unit, and each major fund of the City of Sugar Hill, Georgia, as of and for the year ended December 31, 2012, 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 24, 2015.

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 a 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. 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 deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness: 2012-1 – 2012-7.

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 disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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

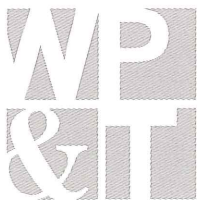
The City of Sugar Hill, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Sugar Hill, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, 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 24, 2015



770.534.8597 TEL | 770.534.9069 FAX | P.O. Box 385 Gainesville, Georgia 30503 www.wptcpa.com

City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2012

Findings – Financial Statement Audit

Internal Control

2012-1

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 that 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. The finance department was under-staffed and under-qualified for the expectations and importance of the position and functions. During Q2 2014, in consultation with the incoming city manager, a new Finance Manager and Accounting & Finance Specialist were hired. The new City Manager and Assistant City Manager started Q3 2014. Since these hires, management and the finance department have implemented measures to ensure finance staff has the required training in governmental accounting. The Accounting and Finance Specialist received her local government finance certifications while serving in other cities. The Finance Manager began last summer taking required course work to obtain the Local Government Finance Officer Certification through the Carl Vinson Institute of Government.

2012-2

Condition: There is insufficient internal controls which is due to a lack of segregation of assigned duties within the City's accounting department staff. Overlapping of duties exist in all areas including cash receipt and disbursement, asset and liability account reconciliations and payroll processing.

Criteria: An individual employee's duties should not include all aspects of a transaction.

Cause: The limited size of the City's finance department precluded the implementation of certain internal controls that would be preferred in optimum conditions.

Effect: Inadequate segregation of duties presents a risk of unauthorized or incorrect transactions occurring and not being detected within a timely period.

Recommendation: Compensating controls should be established to reduce the inherent risks created by the lack of segregation of duties due to limited staff. These controls may include items such as continual supervision of employees, rotation of duties and periodic internal review by others not directly involved in the daily operations. Additional accounting staff would also allow for increased segregation of duties and additional internal control in the department

Response: The City agrees with this finding. The finance department was under-staffed and under-qualified for the expectations and importance of the position and functions. During Q2 2014, in consultation with the incoming city manager, a new Finance Manager and Accounting & Finance Specialist were hired. The new City Manager and Assistant City Manager started Q3 2014. Since these hires, management and the finance department have implemented policies, procedures and internal controls to ensure segregation of duties and fiscal accountability.

City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2012

Internal Control (continued):

2012-3

- Condition: The City did not provide adequate supervision and oversight of the accounting department.
- Cause: Management failed to oversee the accounting staff's work to insure required monthly accounting tasks and close out processes were completed in a timely manner.
- Effect: Management was unaware basic monthly accounting tasks such as preparing bank account reconciliations and liability reconciliation were not performed for the final 8 months of the audit period.
- Recommendation: Policies and procedures should be implemented to require management to review and approve the monthly repetitive accounting tasks such as bank account and liability reconciliations.
- Response: The City agrees with this finding. The finance department was under-staffed and under-qualified for the expectations and importance of the position and functions. During Q2 2014, in consultation with the incoming city manager, a new Finance Manager and Accounting & Finance Specialist were hired. The new City Manager and Assistant City Manager started Q3 2014. Since these hires, management and the finance department have implemented policies and procedures to ensure fiscal accountability and to provide management controls.

2012-4

- Condition: The City did not timely deposit funds collected for services
- Criteria: Funds collected from customers for fees and services should be deposited on a daily basis to ensure proper safeguarding of assets
- Cause: On a regular basis the golf course and recreation departments held collected funds for in excess of 5 business days before submitting funds to the accounting department for recording and deposit.
- Effect: The risk of loss or misuse of City funds increase greatly when cash funds are not timely deposited.
- Recommendations: Policies and procedures should be implemented to insure receipted funds are deposited no later than the next business day.
- Response: The City agrees with this finding. The finance department was under-staffed and under-qualified for the expectations and importance of the position and functions. During Q2 2014, in consultation with the incoming city manager, a new Finance Manager and Accounting & Finance Specialist were hired. The new City Manager and Assistant City Manager started Q3 2014. Since these hires, management and the finance department have implemented policies and procedures to ensure fiscal accountability and to provide management controls. As per the new policies and procedures, City Hall deposits are made daily. Off-site departments such as Recreation, Golf and the Car Wash, have scheduled dates and specific procedures for deposits to be delivered to the Finance Department. Cash Reconciliation Forms were implemented for use by all departments.

City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2012

Internal Control (continued):

2012-5

- Condition:** The City has not maintained proper records concerning capital assets previously purchased nor has it maintained appropriate documentation over depreciation schedules related to those assets.
- Criteria:** An accurate depreciation schedule should be maintained and updated annually for each governmental and proprietary fund that possesses capital assets.
- Cause:** The City relied upon the prior external auditor to keep and maintain the depreciation schedules and did not maintain a copy of these schedules in the accounting department. In addition, the City was unaware many of the individual assets were not being properly depreciated due to a failure to properly oversee and review the previous external auditor's work.
- Effect:** The City was unable to obtain copies of all depreciation schedules. In addition, many assets listed on the schedules had not been depreciated appropriately resulting in a prior period adjustment in the current audit period.
- Recommendations:** The City should develop policies and procedures to insure the depreciation schedules are maintained and kept current in accordance with general accepted accounting principles. The City should also consider having a trained accounting staff member maintain the schedules in future years.
- Response:** The City agrees with this finding. The finance department was under-staffed and under-qualified for the expectations and importance of the position and functions. During Q2 2014, in consultation with the incoming city manager, a new Finance Manager and Accounting & Finance Specialist were hired. The new City Manager and Assistant City Manager started Q3 2014. Since these hires, management and the finance department have implemented policies and procedures and management controls to keep and update capital asset records.

2012-6

- Condition:** The City did not perform a monthly reconciliation of liability and asset accounts.
- Criteria:** All balance sheet accounts should have a monthly reconciliation performed to insure the balance of all asset and liability accounts are maintained.
- Cause:** The City did not reconciled any balance sheet accounts during the audit period.
- Effect:** The City's balance in many of these asset and liability accounts required significant adjustments by the auditor to report the appropriate balances at December 31, 2012.
- Recommendations:** The City should implement policies and procedures to ensure a monthly reconciliation is performed on all asset and liability accounts.
- Response:** The City agrees with this finding. The finance department was under-staffed and under-qualified for the expectations and importance of the position and functions. During Q2 2014, in consultation with the incoming city manager, a new Finance Manager and Accounting & Finance Specialist were hired. The new City Manager and Assistant City Manager started Q3 2014. Since these hires, management and the finance department have implemented policies and procedures and management controls to ensure all bank statements and balance sheet accounts are reconciled monthly.

City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2012

Internal Control (continued):

2012-7

- Condition:** The City does not reconcile Gas fund revenues recorded in the general ledger to the amounts reported from its utility billing software.
- Criteria:** The City should perform a monthly reconciliation of Gas fund revenue recorded in the general ledger to confirm the accuracy of amounts reported.
- Cause:** The City had not reconciled Gas Fund revenues during the audit period.
- Effect:** The City is unable to determine if revenues related to the Gas fund are being properly recorded and reported on a monthly basis. Reconciling Gas Fund revenues provides an internal control to detect and prevent revenue recording errors and potential fraud.
- Recommendation:** The City should implement policies and procedures to ensure the Gas Fund revenue is reconciled to reports from the utility billing software.
- Response:** The City agrees with this finding. The finance department was under-staffed and under-qualified for the expectations and importance of the position and functions. During Q2 2014, in consultation with the incoming city manager, a new Finance Manager and Accounting & Finance Specialist were hired. The new City Manager and Assistant City Manager started Q3 2014. Since these hires, management and the finance department have implemented management controls to ensure all Gas Fund Revenues are reconciled to the General Ledger monthly.

City of Sugar Hill, Georgia
 Schedule of Special Purpose Local Option Sales Tax
 Estimated Cost and Expenditure Summary
 For the Year Ended December 31, 2012

<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>	
SPLOST 2005:					
Roads, streets and bridges	\$ 4,000,000	\$ 4,000,000	\$4,358,005	\$ -	\$4,358,005
Recreational facilities	3,896,581	3,896,581	4,576,631	-	4,576,631
Administrative facilities	500,000	500,000	-	-	-
Total:	<u>\$ 8,396,581</u>	<u>\$ 8,396,581</u>	<u>\$8,934,636</u>	<u>\$ -</u>	<u>\$8,934,636</u>
SPLOST 2009:					
Roads, streets and bridges	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ -
Recreational facilities	3,000,000	3,000,000	1,748,881	-	1,748,881
Administrative facilities	8,458,245	8,458,245	-	6,336,905	6,336,905
Total:	<u>\$14,458,245</u>	<u>\$14,458,245</u>	<u>\$1,748,881</u>	<u>\$6,336,905</u>	<u>\$8,085,786</u>