

**CITY OF SUGAR HILL, GEORGIA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

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

**CITY OF SUGAR HILL, GEORGIA  
FISCAL YEAR ENDED DECEMBER 31, 2013  
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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
Sugar Hill, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component 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, 2013, 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, 2013, 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 September 8, 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

September 8, 2015

## City of Sugar Hill, Georgia

### Statement of Net Position

December 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 12,614,612	\$ 9,936	\$ 12,624,548	\$ 199,930
Restricted cash	249,327	591,251	840,578	-
Receivables (net)	1,182,404	1,165,875	2,348,279	-
Intergovernmental receivable	46,117	-	46,117	-
Prepaid expenses	30,866	-	30,866	-
Supplies / inventory	-	83,366	83,366	-
<b>Total Current Assets</b>	<u>14,123,326</u>	<u>1,850,428</u>	<u>15,973,754</u>	<u>199,930</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Non-current Assets</b>				
<b>Capital assets</b>				
Nondepreciable	4,780,609	4,893,321	9,673,930	-
Depreciable, net	54,564,557	5,110,810	59,675,367	-
<b>Total Non-current Assets</b>	<u>59,345,166</u>	<u>10,004,131</u>	<u>69,349,297</u>	<u>-</u>
<b>Total Assets</b>	<u>73,468,492</u>	<u>11,854,559</u>	<u>85,323,051</u>	<u>199,930</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	93,110	939,496	1,032,606	-
Accrued expenses	256,369	19,180	275,549	-
Lease payable	-	43,985	43,985	-
Deferred revenue	-	1,844	1,844	-
Landfill closure/postclosure cost	144,986	-	144,986	-
<b>Total Current Liabilities</b>	<u>494,465</u>	<u>1,004,505</u>	<u>1,498,970</u>	<u>-</u>
<b>Long-term Liabilities</b>				
Lease payable	-	22,826	22,826	-
Customer deposits	249,327	589,407	838,734	-
Compensated absences	100,979	49,392	150,371	-
Landfill closure/postclosure cost	1,739,837	-	1,739,837	-
<b>Total Long-term Liabilities</b>	<u>2,090,143</u>	<u>661,625</u>	<u>2,751,768</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>	-	-	-	-
<b>Total Liabilities</b>	<u>2,584,608</u>	<u>1,666,130</u>	<u>4,250,738</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in Capital Assets	59,345,166	9,937,320	69,282,486	-
Restricted for:				
Capital projects	1,906,562	-	1,906,562	-
Unrestricted	9,632,156	251,109	9,883,265	199,930
<b>Total Net Position</b>	<u>\$ 70,883,884</u>	<u>\$ 10,188,429</u>	<u>\$ 81,072,313</u>	<u>\$ 199,930</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, 2013

	<u>Program Revenues</u>				<u>Governmental Activities</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Business-Type Activities</u>	<u>Primary Government Total</u>	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 1,880,030	\$ 682,525	\$ -	\$ 1,500,825	\$ 303,320	\$ -	\$ 303,320	
Judicial	2,911	5,165	-	-	2,254	-	2,254	
Public safety	130,542	-	-	-	(130,542)	-	(130,542)	
Public works	2,131,430	527	72,282	619,517	(1,439,104)	-	(1,439,104)	
Health and welfare	23,667	-	-	-	(23,667)	-	(23,667)	
Recreation and culture	1,328,106	290,355	-	487,115	(550,636)	-	(550,636)	
Housing and development	573,789	-	-	-	(573,789)	-	(573,789)	
<b>Total Governmental Activities</b>	<u>6,070,475</u>	<u>978,572</u>	<u>72,282</u>	<u>2,607,457</u>	<u>(2,412,164)</u>	<u>-</u>	<u>(2,412,164)</u>	<u>-</u>
<b>Business-type Activities</b>								
Gas	5,925,803	7,362,071	-	-	-	1,436,268	1,436,268	
Golf	1,227,449	709,117	-	-	-	(518,332)	(518,332)	
Stormwater utility	250,640	573,849	-	-	-	323,209	323,209	
Car wash	37,238	69,575	-	-	-	32,337	32,337	
<b>Total Business-type Activities</b>	<u>7,441,130</u>	<u>8,714,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,273,482</u>	<u>1,273,482</u>	
<b>Total Primary Government</b>	<u>\$ 13,511,605</u>	<u>\$ 9,693,184</u>	<u>\$ 72,282</u>	<u>\$ 2,607,457</u>	<u>(2,412,164)</u>	<u>1,273,482</u>	<u>(1,138,682)</u>	
<b>Component Units</b>								
City of Sugarhill Housing Authority	17,238	-	-	-				\$ (17,238)
<b>Total Component Units</b>	<u>\$ 17,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(17,238)</u>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes, levied for general purposes					2,547,501	-	2,547,501	
Franchise tax					801,136	-	801,136	
Sales taxes					150,697	-	150,697	
Business tax					1,232,466	-	1,232,466	
Alcoholic beverage tax					34,500	-	34,500	
Interest and investment earnings					14,783	-	14,783	1,068
Miscellaneous					77,212	-	77,212	
Gain on disposition of miscellaneous assets					31,100	-	31,100	
<b>Total General Revenues</b>					<u>4,889,395</u>	<u>-</u>	<u>4,889,395</u>	<u>1,068</u>
Transfers					1,479,372	(1,479,372)	-	-
<b>Total General Revenues and Transfers</b>					<u>6,368,767</u>	<u>(1,479,372)</u>	<u>4,889,395</u>	<u>1,068</u>
<b>Change in Net Position</b>					3,956,603	(205,890)	3,750,713	(16,170)
<b>Net Position Beginning of Year</b>					66,927,281	10,394,319	77,321,600	216,100
<b>Net Position End of Year</b>					<u>\$ 70,883,884</u>	<u>\$ 10,188,429</u>	<u>\$ 81,072,313</u>	<u>\$ 199,930</u>

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

**City of Sugar Hill, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2013**

	<u>General Fund</u>	<u>SPLOST 2005 Fund</u>	<u>SPLOST 2009 Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 10,876,727	\$ 453,635	\$ 1,284,250	\$ 12,614,612
Restricted cash	249,327	-	-	249,327
Intergovernmental receivable	46,117	-	437,601	483,718
Receivables (net)	744,803	-	-	744,803
Prepaid expenditures	30,866	-	-	30,866
Due from other funds	<u>211,000</u>	<u>-</u>	<u>-</u>	<u>211,000</u>
<b>Total Assets</b>	12,158,840	453,635	1,721,851	14,334,326
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 12,158,840</u>	<u>\$ 453,635</u>	<u>\$ 1,721,851</u>	<u>\$ 14,334,326</u>
<b>Liabilities</b>				
Accounts payable	\$ 93,110	\$ -	\$ -	\$ 93,110
Accrued expenses	256,369	-	-	256,369
Due to other funds	-	-	211,000	211,000
Erosion bonds - escrow deposits	<u>249,327</u>	<u>-</u>	<u>-</u>	<u>249,327</u>
<b>Total Liabilities</b>	598,806	-	211,000	809,806
<b>Deferred Inflows of Resources</b>	<u>68,060</u>	<u>-</u>	<u>-</u>	<u>68,060</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>666,866</u>	<u>-</u>	<u>211,000</u>	<u>877,866</u>
<b>Fund balances</b>				
Nonspendable:				
Prepaid expenditures	30,866	-	-	30,866
Restricted for:				
Capital projects	-	453,635	1,510,851	1,964,486
Unassigned	<u>11,461,108</u>	<u>-</u>	<u>-</u>	<u>11,461,108</u>
<b>Total Fund Balances</b>	<u>11,491,974</u>	<u>453,635</u>	<u>1,510,851</u>	<u>13,456,460</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 12,158,840</u>	<u>\$ 453,635</u>	<u>\$ 1,721,851</u>	<u>\$ 14,334,326</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, 2013

**Total Governmental Fund Balances** **\$ 13,456,460**

**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	\$ 78,543,901	
Less: Accumulated depreciation	<u>(19,198,735)</u>	
Total capital assets		59,345,166

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	(100,979)
Landfill Closure/Postclosure costs	(1,884,823)

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.

68,060

**Net Position of Governmental Activities**

**\$ 70,883,884**

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



**City of Sugar Hill, Georgia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 4,752,508	\$ -	\$ -	\$ 4,752,508
Intergovernmental	323,802	-	2,353,214	2,677,016
Licenses and permits	457,467	-	-	457,467
Fines and forfeitures	14,122	-	-	14,122
Charges for services	627,582	-	-	627,582
Interest	14,783	864	1,859	17,506
Miscellaneous	31,100	-	-	31,100
<b>Total Revenue</b>	<u>6,221,364</u>	<u>864</u>	<u>2,355,073</u>	<u>8,577,301</u>
<b>Expenditures</b>				
Current:				
General government	1,555,426	-	-	1,555,426
Judicial	2,911	-	-	2,911
Public safety	130,542	-	-	130,542
Public works	1,571,864	-	57,924	1,629,788
Health and welfare	4,722	-	-	4,722
Recreation and culture	859,887	-	-	859,887
Housing and development	549,236	-	-	549,236
Capital Outlay	-	82,154	1,499,902	1,582,056
<b>Total Expenditures</b>	<u>4,674,588</u>	<u>82,154</u>	<u>1,557,826</u>	<u>6,314,568</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	1,546,776	(81,290)	797,247	2,262,733
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,682,415	-	119,663	1,802,078
Transfers out	(322,706)	-	-	(322,706)
<b>Total Other Financing Sources (Uses)</b>	<u>1,359,709</u>	<u>-</u>	<u>119,663</u>	<u>1,479,372</u>
<b>Net Change in Fund Balances</b>	2,906,485	(81,290)	916,910	3,742,105
<b>Fund Balances Beginning of Year</b>	<u>8,585,489</u>	<u>534,925</u>	<u>593,941</u>	<u>9,714,355</u>
<b>Fund Balances End of Year</b>	<u>\$11,491,974</u>	<u>\$ 453,635</u>	<u>\$ 1,510,851</u>	<u>\$ 13,456,460</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, 2013

**Net Changes in Fund Balances-Total Governmental Funds** **\$ 3,742,105**

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

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	2,322,941	
Less: Current year depreciation	<u>(2,205,680)</u>	117,261

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
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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, 2012	82,825	
Compensated absence liability at December 31, 2013	<u>(100,979)</u>	(18,154)

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, 2012	(97,655)	
Deferred revenue at December 31, 2013	<u>68,060</u>	<u>(29,595)</u>

<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ 3,956,603</u></b>
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The accompanying notes are an integral part of these financial statements.

## City of Sugar Hill, Georgia

### Statement of Net Position

#### Proprietary Funds

December 31, 2013

	<u>Gas Fund</u>	<u>Golf Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 800	\$ 9,136	\$ -	\$ 9,936
Restricted cash and cash equivalents	591,251	-	-	591,251
Accounts receivable (net)	1,135,493	-	30,382	1,165,875
Supplies / inventory	<u>72,949</u>	<u>10,417</u>	<u>-</u>	<u>83,366</u>
<b>Total Current Assets</b>	<u>1,800,493</u>	<u>19,553</u>	<u>30,382</u>	<u>1,850,428</u>
<b>Noncurrent Assets:</b>				
<b>Capital assets</b>				
Non-depreciable	10,900	4,247,948	634,473	4,893,321
Depreciable, net	<u>3,294,557</u>	<u>1,633,655</u>	<u>182,598</u>	<u>5,110,810</u>
<b>Total Noncurrent Assets</b>	<u>3,305,457</u>	<u>5,881,603</u>	<u>817,071</u>	<u>10,004,131</u>
<b>Total Assets</b>	<u>5,105,950</u>	<u>5,901,156</u>	<u>847,453</u>	<u>11,854,559</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	919,101	19,603	792	939,496
Accrued expenses	4,231	14,136	813	19,180
Deferred revenue	1,844	-	-	1,844
Capital lease payable	<u>-</u>	<u>43,985</u>	<u>-</u>	<u>43,985</u>
<b>Total Current Liabilities</b>	<u>925,176</u>	<u>77,724</u>	<u>1,605</u>	<u>1,004,505</u>
<b>Long-term Liabilities:</b>				
Compensated absences	23,305	24,565	1,522	49,392
Customer deposits	589,407	-	-	589,407
Capital lease payable	<u>-</u>	<u>22,826</u>	<u>-</u>	<u>22,826</u>
<b>Total Long-term Liabilities</b>	<u>612,712</u>	<u>47,391</u>	<u>1,522</u>	<u>661,625</u>
<b>Total Liabilities</b>	<u>1,537,888</u>	<u>125,115</u>	<u>3,127</u>	<u>1,666,130</u>
<b>Net Position</b>				
Net investment in capital assets	3,305,457	5,814,792	817,071	9,937,320
Unrestricted	<u>262,605</u>	<u>(38,751)</u>	<u>27,255</u>	<u>251,109</u>
<b>Total Net Position</b>	<u>\$ 3,568,062</u>	<u>\$ 5,776,041</u>	<u>\$ 844,326</u>	<u>\$ 10,188,429</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, 2013

	<u>Gas</u> <u>Fund</u>	<u>Golf</u> <u>Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
<b>Operating Revenue</b>				
Sales	\$7,163,849	\$ -	\$ 69,575	\$ 7,233,424
Tap-on fees	72,198	-	-	72,198
Green and cart fees	-	537,335	-	537,335
Rentals	-	37,269	-	37,269
Concessions and merchandise	-	128,940	-	128,940
User fees and charges	-	-	571,540	571,540
Penalties and interest	123,001	-	2,309	125,310
Miscellaneous income	<u>3,023</u>	<u>5,573</u>	<u>-</u>	<u>8,596</u>
<b>Total Operating Revenue</b>	<b>7,362,071</b>	<b>709,117</b>	<b>643,424</b>	<b>8,714,612</b>
<b>Operating Expenses</b>				
Personal services:				
Personnel services & benefits	475,593	380,025	107,786	963,404
Employment taxes	38,034	31,637	8,885	78,556
Benefits	<u>200,714</u>	<u>137,920</u>	<u>38,771</u>	<u>377,405</u>
Total Personal services	714,341	549,582	155,442	1,419,365
Purchased / contracted services:				
Professional and technical	97,703	43,175	12,330	153,208
Purchased property services	16,302	94,213	4,733	115,248
Rentals	102	1,534	32	1,668
Other purchased services	<u>58,069</u>	<u>42,410</u>	<u>39,490</u>	<u>139,969</u>
Total Purchased / contracted services	172,176	181,332	56,585	410,093
Supplies	208,473	190,071	41,338	439,882
Purchases for resale	4,673,849	85,838	-	4,759,687
Depreciation	<u>156,898</u>	<u>216,480</u>	<u>34,513</u>	<u>407,891</u>
<b>Total Operating Expenses</b>	<b><u>5,925,737</u></b>	<b><u>1,223,303</u></b>	<b><u>287,878</u></b>	<b><u>7,436,918</u></b>
<b>Operating Income (Loss)</b>	<b><u>1,436,334</u></b>	<b><u>(514,186)</u></b>	<b><u>355,546</u></b>	<b><u>1,277,694</u></b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest expense	<u>(66)</u>	<u>(4,146)</u>	<u>-</u>	<u>(4,212)</u>
<b>Total Nonoperating Revenues and (Expenses)</b>	<b><u>(66)</u></b>	<b><u>(4,146)</u></b>	<b><u>-</u></b>	<b><u>(4,212)</u></b>
Transfer in	-	322,706	-	322,706
Transfer (out)	<u>(1,421,378)</u>	<u>-</u>	<u>(380,700)</u>	<u>(1,802,078)</u>
<b>Change in Net Position</b>	<b>14,890</b>	<b>(195,626)</b>	<b>(25,154)</b>	<b>(205,890)</b>
<b>Net Position Beginning of Year</b>	<b><u>3,553,172</u></b>	<b><u>5,971,667</u></b>	<b><u>869,480</u></b>	<b><u>10,394,319</u></b>
<b>Net Position End of Year</b>	<b><u>\$3,568,062</u></b>	<b><u>\$5,776,041</u></b>	<b><u>\$844,326</u></b>	<b><u>\$10,188,429</u></b>

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, 2013**

	Gas <u>Fund</u>	Golf <u>Fund</u>	Nonmajor <u>Funds</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 7,111,959	\$ 709,117	\$ 647,503	\$ 8,468,579
Payments to suppliers	(4,909,336)	(444,046)	(97,789)	(5,451,171)
Payments to employees	<u>(709,445)</u>	<u>(535,040)</u>	<u>(158,614)</u>	<u>(1,403,099)</u>
Net cash provided (used) by operating activities	1,493,178	(269,969)	391,100	1,614,309
<b>Cash flows from noncapital financing activities:</b>				
Transfer from other funds	-	322,706	-	322,706
Transfer to other funds	<u>(1,421,378)</u>	<u>-</u>	<u>(380,700)</u>	<u>(1,802,078)</u>
Net cash provided (used) by noncapital financing activities	(1,421,378)	322,706	(380,700)	(1,479,372)
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(32,329)	-	(10,400)	(42,729)
Debt payments, principal and interest	<u>(66)</u>	<u>(52,091)</u>	<u>-</u>	<u>(52,157)</u>
Net cash provided (used) by capital and related financing activities	(32,395)	(52,091)	(10,400)	(94,886)
<b>Net increase (decrease) in cash and cash equivalents</b>	39,405	646	-	40,051
Cash and cash equivalents, December 31, 2012	<u>552,646</u>	<u>8,490</u>	<u>-</u>	<u>561,136</u>
Cash and cash equivalents, December 31, 2013	<u>\$ 592,051</u>	<u>\$ 9,136</u>	<u>\$ -</u>	<u>\$ 601,187</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 1,436,334	\$ (514,186)	\$ 355,546	\$ 1,277,694
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	156,898	216,480	34,513	407,891
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(289,517)	-	4,079	(285,438)
(Increase) decrease in prepaid expenses	-	4,530	-	4,530
(Increase) decrease in supplies/inventory	(9,319)	(7,699)	-	(17,018)
Increase (decrease) in accounts payable	154,481	16,364	134	170,979
Increase (decrease) in accrued expenses	4,231	14,136	813	19,180
Increase (decrease) in compensated absences	665	406	(3,985)	(2,914)
Increase (decrease) in deferred revenue	1,844	-	-	1,844
Increase (decrease) in customer deposits	<u>37,561</u>	<u>-</u>	<u>-</u>	<u>37,561</u>
Net cash provided (used) by operating activities	<u>\$ 1,493,178</u>	<u>\$ (269,969)</u>	<u>\$ 391,100</u>	<u>\$ 1,614,309</u>

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

# City of Sugar Hill, Georgia

## Notes to Financial Statements

December 31, 2013

### **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 appointed by the Mayor and Council and is a separate legal, public body created and existing under instrumentality of the City of Sugar Hill, Georgia for the purpose of providing safe and sanitary dwelling accommodations to persons of low income.

The 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.

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 and Basis of Accounting**

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

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

# City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2013

## **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, 2013

**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.

**Basis of Accounting – Measurement Focus**

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year end except for property taxes for which sixty days after year end applies. Property taxes, sales taxes, franchise 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, 2013

## **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**

#### **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, 2013, 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, 2013

**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 \$60,708 at December 31, 2013. The collection rate for property taxes in the General Fund and stormwater fees in the Stormwater Fund is in excess of 99%, consequently the City has chosen to make a conservative judgmental estimate for uncollectible property tax accounts in the amount of \$22,000 in the General Fund and \$2,000 in the Stormwater Fund as of December 31, 2013.

**Property Tax Calendar**

The City set its millage rate for the 2013 fiscal year on July 8, 2013 at 3.800 mills. Property tax bills were mailed on August 15, 2013 by Gwinnett County and were due October 15, 2013. 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, 2013

**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>	<u>Governmental Funds</u> <u>Years</u>	<u>Gas Fund</u> <u>Years</u>	<u>Golf Fund</u> <u>Years</u>
Buildings and improvements	5-50	20-40	10-40
Machinery and equipment	5-30	7-20	5-10
Furniture and 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, 2013

**NOTE 2. DEPOSITS AND INVESTMENTS**

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

The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have a foreign credit risk. At December 31, 2013, 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**

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**

Receivables as of December 31, 2013 for the City's major governmental and proprietary funds are as follows:

Governmental Funds:	
Property taxes receivable - net	\$ 128,482
Due from other governments - SPLOST	437,601
Due from other governments - DNR	46,117
Franchise taxes receivable	616,321
Total Governmental Receivables:	<u>\$ 1,228,521</u>
Business-type Funds:	
Stormwater utility fees receivable - net	\$ 30,382
Accounts receivable, net - Gas customers	1,135,493
Total Business-type Receivables:	<u>\$ 1,165,875</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, 2013

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 4,770,609	\$ 10,000	\$ -	\$ -	\$ 4,780,609
Construction in progress	11,937,476	197,887	-	(12,135,363)	-
<b>Total non-depreciable capital assets</b>	<b>16,708,085</b>	<b>207,887</b>	<b>-</b>	<b>(12,135,363)</b>	<b>4,780,609</b>
<b>Depreciable Assets:</b>					
Buildings and improvements	1,652,560	-	-	12,135,363	13,787,923
Machinery and equipment	1,276,858	79,204	-	-	1,356,062
Furniture and fixtures	-	-	-	-	-
Vehicles	851,303	26,888	-	-	878,191
Infrastructure	40,217,038	1,220,907	-	-	41,437,945
Sprayfield	226,915	-	-	-	226,915
Recreational upgrades	15,288,201	788,055	-	-	16,076,256
<b>Total depreciable capital assets</b>	<b>59,512,875</b>	<b>2,115,054</b>	<b>-</b>	<b>12,135,363</b>	<b>73,763,292</b>
<b>Accumulated Depreciation:</b>					
Buildings and improvements	475,638	408,737	-	-	884,375
Machinery and equipment	623,289	93,220	-	-	716,509
Vehicles	499,798	71,747	-	-	571,545
Infrastructure	13,694,004	1,096,681	-	-	14,790,685
Sprayfield	52,177	6,376	-	-	58,553
Recreational upgrades	1,648,149	528,919	-	-	2,177,068
<b>Total accumulated depreciation</b>	<b>16,993,055</b>	<b>2,205,680</b>	<b>-</b>	<b>-</b>	<b>19,198,735</b>
<b>Total depreciable capital assets, net</b>	<b>42,519,820</b>	<b>(90,626)</b>	<b>-</b>	<b>12,135,363</b>	<b>54,564,557</b>
<b>Governmental activities capital assets, net</b>	<b>59,227,905</b>	<b>117,261</b>	<b>-</b>	<b>-</b>	<b>59,345,166</b>
<b>Business-type Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	4,893,321	-	-	-	4,893,321
<b>Total non-depreciable capital assets</b>	<b>4,893,321</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,893,321</b>
<b>Depreciable Assets:</b>					
Buildings and improvements	2,343,049	-	-	-	2,343,049
Machinery and equipment	1,815,388	15,500	-	33,459	1,864,347
Furniture and fixtures	80,932	-	-	-	80,932
Vehicles	330,982	27,229	-	(33,459)	324,752
Sprayfield	583,676	-	-	-	583,676
Gas distribution system	4,337,510	-	-	-	4,337,510
Golf course renovations	719,331	-	-	-	719,331
<b>Total depreciable capital assets</b>	<b>10,210,868</b>	<b>42,729</b>	<b>-</b>	<b>-</b>	<b>10,253,597</b>
<b>Accumulated Depreciation:</b>					
Buildings and improvements	1,253,893	88,370	-	-	1,342,263
Machinery and equipment	1,194,501	106,892	-	-	1,301,393
Furniture and fixtures	70,948	3,195	-	-	74,143
Vehicles	212,308	35,662	-	-	247,970
Sprayfield	267,519	19,456	-	-	286,975
Gas distribution system	1,369,687	106,418	-	-	1,476,105
Golf course renovations	366,040	47,898	-	-	413,938
<b>Total accumulated depreciation</b>	<b>4,734,896</b>	<b>407,891</b>	<b>-</b>	<b>-</b>	<b>5,142,787</b>
<b>Total depreciable capital assets, net</b>	<b>5,475,972</b>	<b>(365,162)</b>	<b>-</b>	<b>-</b>	<b>5,110,810</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 10,369,293</b>	<b>\$ (365,162)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,004,131</b>

**City of Sugar Hill, Georgia**

Notes to Financial Statements

December 31, 2013

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities:</b>	
General government	\$ 519,796
Public works	1,107,805
Health and welfare	18,945
Recreation and culture	551,350
Housing and development	7,784
General Fund	<u>\$ 2,205,680</u>
<b>Total depreciation expense - governmental activities</b>	
<b>Business-type Activities:</b>	
Gas	\$ 156,898
Golf	216,480
Stormwater	32,680
Car Wash	1,833
<b>Total depreciation expense - business-type activities</b>	<u>\$ 407,891</u>

**NOTE 6. RISK MANAGEMENT**

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 City's fiscal year of 2013 was \$140,841. 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 2013 was \$69,568.

**NOTE 7. DEFERRED INFLOWS OF RESOURCES**

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

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

Governmental Fund Financial Statements

Property Taxes	<u>\$ 68,060</u>
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**NOTE 8. LANDFILL CLOSURE/POSTCLOSURE**

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

As of December 31, 2013, the City has recorded a liability for the landfill of \$1,884,823 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 2013. 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.

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2013

**NOTE 9. LONG-TERM DEBT**

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

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

**Changes in long-term debt:**

	Balance as of January 1, 2013	Additions	Reductions	Balance as of December 31, 2013	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 82,825	\$ 109,703	\$ (91,549)	\$ 100,979	\$ -
Landfill closure/postclosure	2,029,809	-	(144,986)	1,884,823	144,986
<b>Total governmental activities</b>	<b>\$ 2,112,634</b>	<b>\$ 109,703</b>	<b>\$ (236,535)</b>	<b>\$ 1,985,802</b>	<b>\$ 144,986</b>
<b>Business-Type Activities:</b>					
Capital leases	\$ 114,756	-	\$ (47,945)	\$ 66,811	\$ 43,985
Compensated absences	52,306	63,409	(66,323)	49,392	-
<b>Total business-type activities</b>	<b>\$ 167,062</b>	<b>\$ 63,409</b>	<b>\$ (114,268)</b>	<b>\$ 116,203</b>	<b>\$ 43,985</b>

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 qualified 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 called for 60 monthly payments in the amount of \$2,978 and matured on February 1, 2013. The lease bore an imputed interest rate of 4.9% per annum. The total cost of the equipment at the inception of the lease was \$158,077. Interest in the amount of \$38 was paid in the year ending December 31, 2013. The golf carts and interest expense are recorded by the City in the Golf Fund. The lease with National City Commercial Capital Company was repaid from the Golf Fund.

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 \$4,108 was paid in the year ending December 31, 2013. 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, 2013 were as follows:

Year Ending	Total Payments	Principal	Interest
2014	\$ 46,134	\$ 43,985	\$ 2,149
2015	23,067	22,826	241
<b>Totals:</b>	<b>\$ 69,201</b>	<b>\$ 66,811</b>	<b>\$ 2,390</b>

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

***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, 2013, \$510,000 of defeased bonds were still outstanding.

**City of Sugar Hill, Georgia**

Notes to Financial Statements

December 31, 2013

**NOTE 10. 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 11. EROSION BONDS – ESCROW DEPOSIT**

As of December 31, 2013, eight 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. During 2013, one erosion bond was called due to noncompliance in the amount of \$84,007 and is included in governmental revenues in the general fund. The outstanding balance of the erosion bonds as of December 31, 2013 is \$ 249,327.

**NOTE 12. CONTINGENT LIABILITIES**

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

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

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.

**Internal Balances:**

<u>Due To:</u>	<u>Due From:</u>	
	SPLOST 2009	
	<u>Fund</u>	<u>Total</u>
General Fund	\$ 211,000	\$ 211,000
	<u>\$ 211,000</u>	<u>\$ 211,000</u>



**City of Sugar Hill, Georgia**

Notes to Financial Statements

December 31, 2013

**NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

**Transfers:**

<b>Transfer To:</b>	<b>Transfer From:</b>				<b>Total</b>
	<b>General Fund</b>	<b>Gas Fund</b>	<b>Stormwater Fund</b>	<b>Car Wash Fund</b>	
General Fund	\$ -	\$ 1,421,378	\$ 226,805	\$ 34,232	\$ 1,682,415
SPLOST 2009 Fund	-	-	119,663	-	\$ 119,663
Golf Fund	322,706	-	-	-	322,706
	<u>\$ 322,706</u>	<u>\$ 1,421,378</u>	<u>\$ 346,468</u>	<u>\$ 34,232</u>	<u>\$ 2,124,784</u>

**NOTE 14. BUDGETS**

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

<b>Department</b>	<b>Budgeted Expenditures and Other Financing Uses</b>	<b>Actual Expenditures and Other Financing Uses</b>	<b>Variance with Final Budget Over (Under)</b>
<b>General Fund</b>			
General government	\$ 5,066,875	\$ 1,555,426	\$ (3,511,449)
Judicial	14,860	2,911	(11,949)
Public safety	400,500	130,542	(269,958)
Public works	2,584,250	1,571,864	(1,012,386)
Public health and welfare	53,250	4,722	(48,528)
Recreation and culture	1,618,330	859,887	(758,443)
Housing and development	633,485	549,236	(84,249)
Transfers out	325,000	322,706	(2,294)
	<u>\$ 10,696,550</u>	<u>\$ 4,997,294</u>	<u>\$ (5,699,256)</u>

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

**NOTE 15. RETIREMENT 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 2013, 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, 2013, the city contributed \$76,780.

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2013

**NOTE 15. RETIREMENT PLAN (CONTINUED)**

*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, 2013, the employees contributed \$82,121 to the plan and the city contributed \$32,830.

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

**NOTE 16. SPECIAL 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 17. 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, 2013, the City's dues were paid by Gwinnett County, which did not request reimbursement from the City. According to the ARC, all dues are billed to the County and the management of the County determined if each municipality within the County should be billed for their pro-rata share of the dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The ARC's Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from:

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

**NOTE 18. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 8, 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, 2013**

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Differences Over / (Under)	GAAP Basis	Final Budget Over / (Under)
<b>Revenues</b>						
Taxes	\$ 3,657,500	\$ 3,982,500	\$ 4,752,508	\$ -	\$ 4,752,508	\$ 770,008
Intergovernmental	990,690	990,690	323,802	-	323,802	(666,888)
Licenses and permits	139,100	139,100	457,467	-	457,467	318,367
Fines and forfeitures	26,000	26,000	14,122	-	14,122	(11,878)
Charges for services	462,000	462,000	627,582	-	627,582	165,582
Investment earnings	10,000	10,000	14,783	-	14,783	4,783
Miscellaneous	-	-	31,100	-	31,100	31,100
<b>Total Revenues</b>	<u>5,285,290</u>	<u>5,610,290</u>	<u>6,221,364</u>	<u>-</u>	<u>6,221,364</u>	<u>611,074</u>
<b>Expenditures</b>						
<b>Current Operating:</b>						
General government	5,066,875	5,066,875	1,555,426	-	1,555,426	(3,511,449)
Judicial	14,860	14,860	2,911	-	2,911	(11,949)
Public safety	400,500	400,500	130,542	-	130,542	(269,958)
Public works	2,609,850	2,584,250	1,571,864	-	1,571,864	(1,012,386)
Health and welfare	53,250	53,250	4,722	-	4,722	(48,528)
Culture and recreation	1,639,080	1,618,330	859,887	-	859,887	(758,443)
Housing and development	633,485	633,485	549,236	-	549,236	(84,249)
<b>Total Expenditures</b>	<u>10,417,900</u>	<u>10,371,550</u>	<u>4,674,588</u>	<u>-</u>	<u>4,674,588</u>	<u>(5,696,962)</u>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over (Under) Expenditures</b>	<u>(5,132,610)</u>	<u>(4,761,260)</u>	<u>1,546,776</u>	<u>-</u>	<u>1,546,776</u>	<u>6,308,036</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	5,109,960	5,109,960	1,682,415	-	1,682,415	(3,427,545)
Transfers out	-	(325,000)	(322,706)	-	(322,706)	(2,294)
Budgeted Fund Balance	22,650	(23,700)	-	-	-	(23,700)
<b>Total Other Financing Sources (Uses)</b>	<u>5,132,610</u>	<u>4,761,260</u>	<u>1,359,709</u>	<u>-</u>	<u>1,359,709</u>	<u>(3,453,539)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>2,906,485</u>	<u>\$ -</u>	<u>2,906,485</u>	<u>\$ 2,854,497</u>
<b>Fund Balance Beginning of Year</b>			<u>8,585,489</u>		<u>8,585,489</u>	
<b>Fund Balance End of Year</b>			<u>\$ 11,491,974</u>		<u>\$ 11,491,974</u>	

**City of Sugar Hill, Georgia**  
Notes to Required Supplementary Information  
on Budgetary Accounting and Control  
Year Ended December 31, 2013

**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.

Department	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
<b>General Fund</b>				
General government	\$ 5,066,875	\$ -	\$ -	\$ 5,066,875
Public works	2,609,850	-	25,600	2,584,250
Recreation and culture	1,639,080	-	20,750	1,618,330
Transfers out	-	325,000	-	325,000
	<u>\$ 9,315,805</u>	<u>\$ 325,000</u>	<u>\$ 46,350</u>	<u>\$ 9,594,455</u>

**City of Sugar Hill, Georgia**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**December 31, 2013**

	<u>Stormwater Utility Fund</u>	<u>Car Wash Fund</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Assets</b>			
<b>Current Assets</b>			
Accounts receivable (net)	\$ 30,382	\$ -	\$ 30,382
<b>Total Current Assets</b>	<u>30,382</u>	<u>-</u>	<u>30,382</u>
<b>Long-term Assets:</b>			
Capital assets			
Non-depreciable	-	634,473	634,473
Depreciable, net	<u>130,656</u>	<u>51,942</u>	<u>182,598</u>
<b>Total Long-term Assets</b>	<u>130,656</u>	<u>686,415</u>	<u>817,071</u>
<b>Total Assets</b>	<u>161,038</u>	<u>686,415</u>	<u>847,453</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	199	593	792
Accrued expenses	<u>813</u>	<u>-</u>	<u>813</u>
<b>Total Current Liabilities</b>	<u>1,012</u>	<u>593</u>	<u>1,605</u>
<b>Long-term Liabilities:</b>			
Compensated absences	<u>1,522</u>	<u>-</u>	<u>1,522</u>
<b>Total Long-term Liabilities</b>	<u>1,522</u>	<u>-</u>	<u>1,522</u>
<b>Total Liabilities</b>	<u>2,534</u>	<u>593</u>	<u>3,127</u>
<b>Net Position</b>			
Net investment in capital assets	130,656	686,415	817,071
Unrestricted	<u>27,848</u>	<u>(593)</u>	<u>27,255</u>
<b>Total Net Position</b>	<u>\$ 158,504</u>	<u>\$ 685,822</u>	<u>\$ 844,326</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, 2013

	<u>Stormwater Utility Fund</u>	<u>Car Wash Fund</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Operating Revenue:</b>			
Sales	\$ -	\$ 69,575	\$ 69,575
User fees and charges	571,540	-	571,540
Penalties and interest	<u>2,309</u>	<u>-</u>	<u>2,309</u>
<b>Total Operating Revenue</b>	<b>573,849</b>	<b>69,575</b>	<b>643,424</b>
<b>Operating Expenses:</b>			
Personal services:			
Personnel services & benefits	107,786	-	107,786
Employment taxes	8,885	-	8,885
Benefits	<u>38,771</u>	<u>-</u>	<u>38,771</u>
Total Personal services	155,442	-	155,442
Purchased / contracted services:			
Professional and technical	630	11,700	12,330
Purchased property services	4,733	-	4,733
Rentals	32	-	32
Other purchased services	<u>32,931</u>	<u>6,559</u>	<u>39,490</u>
Total Purchased / contracted services	38,326	18,259	56,585
Supplies	24,192	17,146	41,338
Depreciation	<u>32,680</u>	<u>1,833</u>	<u>34,513</u>
<b>Total Operating Expenses</b>	<b>250,640</b>	<b>37,238</b>	<b>287,878</b>
<b>Transfer Out</b>	<u>(346,468)</u>	<u>(34,232)</u>	<u>(380,700)</u>
<b>Change in Net Position</b>	<b>(23,259)</b>	<b>(1,895)</b>	<b>(25,154)</b>
<b>Net Position Beginning of Year</b>	<u>181,763</u>	<u>687,717</u>	<u>869,480</u>
<b>Net Position End of Year</b>	<u><u>\$ 158,504</u></u>	<u><u>\$ 685,822</u></u>	<u><u>\$ 844,326</u></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, 2013

	Stormwater Fund	Car Wash Fund	Total Nonmajor Proprietary Funds
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 577,928	\$ 69,575	\$ 647,503
Payments to suppliers	(62,446)	(35,343)	(97,789)
Payments to employees	<u>(158,614)</u>	<u>-</u>	<u>(158,614)</u>
Net cash provided (used) by operating activities	356,868	34,232	391,100
<b>Cash flows from noncapital financing activities:</b>			
Transfer to other funds	<u>(346,468)</u>	<u>(34,232)</u>	<u>(380,700)</u>
Net cash provided (used) by noncapital financing activities	(346,468)	(34,232)	(380,700)
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	<u>(10,400)</u>	<u>-</u>	<u>(10,400)</u>
Net cash provided (used) by capital and related financing activities	<u>(10,400)</u>	<u>-</u>	<u>(10,400)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	-	-	-
Cash and cash equivalents, December 31, 2012	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, December 31, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 323,209	\$ 32,337	\$ 355,546
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	32,680	1,833	34,513
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	4,079	-	4,079
Increase (decrease) in accounts payable	72	62	134
Increase (decrease) in accrued expenses	813	-	813
Increase (decrease) in compensated absences	<u>(3,985)</u>	<u>-</u>	<u>(3,985)</u>
Net cash provided by operating activities	<u><u>\$ 356,868</u></u>	<u><u>\$ 34,232</u></u>	<u><u>\$ 391,100</u></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, 2013, 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 September 8, 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 material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2013-1 – 2013-8.

**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  
September 8, 2015



**City of Sugar Hill, Georgia**  
Schedule of Findings and Responses  
For the Year Ended December 31, 2013

**Findings – Financial Statement Audit**

**INTERNAL CONTROL**

**2013-1**

- 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.

**2013-2**

- 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. During Q2 2014 a new Finance Manager and Accounting & Finance Specialist were hired. The new City Manager and Assistant City Manager started Q3 2014 and immediately put in place policies and 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, 2013

**INTERNAL CONTROL (CONTINUED):**

**2013-3**

- 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 that basic monthly accounting tasks such as preparing bank account reconciliations were not performed during 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 & procedures to ensure fiscal accountability and to provide management controls.

**2013-4**

- 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. During Q2 2014, in consultation with the incoming city manager, a new Finance Manager and Accounting & Finance Specialist were hired. Since these hires, management and the finance department have implemented policies & procedures to ensure fiscal accountability and to provide enhanced money-management controls.
- As per the new policies & 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, 2013

**INTERNAL CONTROL (CONTINUED):**

**2013-5**

- 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 reconcile 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, 2013.
- 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.

**2013-6**

- Condition:** The City does not reconcile Golf Fund revenues recorded in the general ledger to the amounts reported from its receipting software.
- Criteria:** The City should perform a monthly reconciliation of Golf Fund revenue recorded in the general ledger to confirm the accuracy of amounts reported.
- Cause:** The City had not reconciled Golf Fund revenues during the audit period.
- Effect:** The City is unable to determine if revenues related to the Golf fund are being properly recorded and reported on a monthly basis. Reconciling Golf 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 Golf Fund revenue is reconciled to reports from the receipting software.
- Response:** The City agrees with this finding. 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 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, 2013

**INTERNAL CONTROL (CONTINUED):**

**2013-7**

- Condition:** The City does not have any reconciliation procedures in place to reconcile park and recreation revenues to amounts that should have been received.
- Criteria:** The City should have procedures in place to reconcile revenues to the amounts received. In addition, a procedure of properly documenting receipts should be implemented to ensure that all receipts are properly documented and reconciliation of revenues to receipts can be performed.
- Cause:** The City had not reconciled park and recreation department revenues during the audit period.
- Effect:** The City is unable to determine if revenues related to the park and recreation department are being properly recorded. Reconciling park and recreation department 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 park and recreation department revenue is reconciled to receipting documentation.
- Response:** The City agrees with this finding. In 2014, financial policies were implemented to assure deposits were made timely, cash reconciliation sheets were used, deposits were verified by a second employee, and rental agreements were included with all deposits. Additional policies and procedures will be put in place during 2015 to assure detailed record keeping of all payments, deposits, refunds, etc. are kept at the time of payment. This will include the use of receipt books, transaction logs and possibly new software to track all reservations.

**2013-8**

- Condition:** The City did not maintain complete documentation in employee files for tax and benefit withholding.
- Criteria:** The City should have procedures in place to properly maintain employee files with all required employment documentation on all employees including, but not limiting to the I-9, W-4, pay rate information, and authorization for any payroll changes. In addition, these documents should be completed and properly executed.
- Cause:** The City did not take the proper steps to ensure that all employee files were properly documented and maintained.
- Effect:** The City is unable provide proper documentation of the authorization of pay rate information, proof of employee eligibility, or employee election of tax and benefit withholdings.
- Recommendation:** The City should implement policies and procedures to ensure employee files are properly maintained and all documents are fully executed.
- Response:** The City agrees with this finding. The employee files were not current, as much paperwork had not been filed at the time of the auditor's testing. The City will implement procedures to file employee paperwork on a timely basis. In 2014, an internal management audit of benefits was performed and is now being maintained monthly to ensure that insurance billing matches employee deductions. This will expand in 2015 to include employee intake and exit audit procedures.

**City of Sugar Hill, Georgia**  
**Schedule of Special Purpose Local Option Sales Tax**  
**Estimated Cost and Expenditure Summary**  
**For the Year Ended December 31, 2013**

<u>Project Description</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
<b>SPLOST 2005:</b>					
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	-	82,154	82,154
Total:	<u>\$ 8,396,581</u>	<u>\$ 8,396,581</u>	<u>\$8,934,636</u>	<u>\$ 82,154</u>	<u>\$9,016,790</u>
<b>SPLOST 2009:</b>					
Roads, streets and bridges	\$ 3,000,000	\$ 3,000,000	\$ -	\$ 57,924	\$ 57,924
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	1,499,902	7,836,807
Total:	<u>\$14,458,245</u>	<u>\$14,458,245</u>	<u>\$8,085,786</u>	<u>\$1,557,826</u>	<u>\$9,643,612</u>