

**CITY OF SUGAR HILL, GEORGIA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

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

**CITY OF SUGAR HILL, GEORGIA  
FISCAL YEAR ENDED DECEMBER 31, 2014  
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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
Sugar Hill, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

## **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 November 12, 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

November 12, 2015

**City of Sugar Hill, Georgia**

Statement of Net Position

December 31, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing Authority	Down Town Dev. Authority
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 14,437,464	\$ 10,451	\$ 14,447,915	\$ 200,387	\$ 51,889
Restricted cash	134,033	636,288	770,321	-	3,329
Receivables (net)	801,027	983,176	1,784,203	-	-
Intergovernmental receivable	581,322	-	581,322	-	-
Interfund balances	(223,096)	223,096	-	-	-
Prepaid expenses	21,030	-	21,030	-	-
Supplies / inventory	-	101,899	101,899	-	-
<b>Total Current Assets</b>	<u>15,751,780</u>	<u>1,954,910</u>	<u>17,706,690</u>	<u>200,387</u>	<u>55,218</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-
<b>Non-current Assets</b>					
Capital assets					
Nondepreciable	7,069,307	4,893,321	11,962,628	-	-
Depreciable, net	53,523,330	4,751,471	58,274,801	-	-
<b>Total Non-current Assets</b>	<u>60,592,637</u>	<u>9,644,792</u>	<u>70,237,429</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u>76,344,417</u>	<u>11,599,702</u>	<u>87,944,119</u>	<u>200,387</u>	<u>55,218</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	260,196	752,631	1,012,827	-	-
Accrued expenses	39,110	24,128	63,238	-	-
Lease payable	-	22,825	22,825	-	-
Unearned revenue	-	1,480	1,480	-	-
Landfill closure/postclosure cost	144,986	-	144,986	-	-
<b>Total Current Liabilities</b>	<u>444,292</u>	<u>801,064</u>	<u>1,245,356</u>	<u>-</u>	<u>-</u>
<b>Long-term Liabilities</b>					
Amounts held in trust	134,033	634,807	768,840	-	1,200
Compensated absences	113,229	51,130	164,359	-	-
Landfill closure/postclosure cost	1,594,851	-	1,594,851	-	-
<b>Total Long-term Liabilities</b>	<u>1,842,113</u>	<u>685,937</u>	<u>2,528,050</u>	<u>-</u>	<u>1,200</u>
<b>Deferred Inflows of Resources</b>	-	-	-	-	-
<b>Total Liabilities</b>	<u>2,286,405</u>	<u>1,487,001</u>	<u>3,773,406</u>	<u>-</u>	<u>1,200</u>
<b>Net Position</b>					
Net Investment in Capital Assets	60,592,637	9,621,967	70,214,604	-	-
Restricted for:					
Capital projects	2,221,840	-	2,221,840	-	-
Stormwater activities	223,096	-	223,096	-	-
Unrestricted	11,020,439	490,734	11,511,173	200,387	54,018
<b>Total Net Position</b>	<u>\$ 74,058,012</u>	<u>\$ 10,112,701</u>	<u>\$ 84,170,713</u>	<u>\$ 200,387</u>	<u>\$ 54,018</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, 2014

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>			<u>Component Units</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Housing Authority</u>	<u>Downtown Dev. Authority</u>
<b>Primary government:</b>									
<b>Governmental activities</b>									
General government	\$ 3,162,991	\$ 803,259	\$ -	\$ 513,280	\$ (1,846,452)	\$ -	\$ (1,846,452)	\$ -	\$ -
Judicial	4,335	9,514	-	-	5,179	-	5,179	-	-
Public safety	128,994	-	-	-	(128,994)	-	(128,994)	-	-
Public works	2,231,999	300	19,640	737,474	(1,474,585)	-	(1,474,585)	-	-
Health and welfare	30,781	-	-	-	(30,781)	-	(30,781)	-	-
Recreation and culture	1,354,585	303,382	-	1,722,793	671,590	-	671,590	-	-
Housing and development	605,988	-	-	-	(605,988)	-	(605,988)	-	-
Total governmental activities	<u>7,519,673</u>	<u>1,116,455</u>	<u>19,640</u>	<u>2,973,547</u>	<u>(3,410,031)</u>	<u>-</u>	<u>(3,410,031)</u>	<u>-</u>	<u>-</u>
<b>Business-type activities</b>									
Gas	6,480,242	7,967,799	-	-	-	1,487,557	1,487,557	-	-
Golf	1,112,370	681,763	-	-	-	(430,607)	(430,607)	-	-
Stormwater utility	374,228	573,438	-	-	-	199,210	199,210	-	-
Car wash	41,260	77,499	-	-	-	36,239	36,239	-	-
Total business-type activities	<u>8,008,100</u>	<u>9,300,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,292,399</u>	<u>1,292,399</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,527,773</u>	<u>\$ 10,416,954</u>	<u>\$ 19,640</u>	<u>\$ 2,973,547</u>	<u>\$ (3,410,031)</u>	<u>\$ 1,292,399</u>	<u>\$ (2,117,632)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Component units:</b>									
City of Sugar Hill Housing Authority	15,807	15,328	-	-				(479)	-
Downtown Development Authority	50,603	11,574	93,047	-				-	54,018
Total component units	<u>\$ 66,410</u>	<u>\$ 26,902</u>	<u>\$ 93,047</u>	<u>\$ -</u>				<u>\$ (479)</u>	<u>\$ 54,018</u>
<b>General revenues:</b>									
Taxes:									
Property taxes, levied for general purposes					2,795,975	-	2,795,975	-	-
Franchise tax					871,268	-	871,268	-	-
Sales taxes					166,633	-	166,633	-	-
Business Tax					1,300,128	-	1,300,128	-	-
Alcoholic Beverage Tax					39,535	-	39,535	-	-
Interest and investment earnings					12,714	-	12,714	936	-
Miscellaneous					26,479	3,300	29,779	-	-
Transfers					1,371,427	(1,371,427)	-	-	-
Total general revenues and transfers					<u>6,584,159</u>	<u>(1,368,127)</u>	<u>5,216,032</u>	<u>936</u>	<u>-</u>
Change in net position					3,174,128	(75,728)	3,098,400	457	54,018
Net Position Beginning of Year					70,883,884	10,188,429	81,072,313	199,930	-
Ending net position					<u>\$ 74,058,012</u>	<u>\$ 10,112,701</u>	<u>\$ 84,170,713</u>	<u>\$ 200,387</u>	<u>\$ 54,018</u>

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

## City of Sugar Hill, Georgia

### Balance Sheet Governmental Funds December 31, 2014

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	SPLOST 2014 Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 12,748,580	\$ 454,316	\$ 166,429	\$ 1,068,139	\$ 14,437,464
Restricted cash	134,033	-	-	-	134,033
Intergovernmental receivable	48,366	-	-	532,956	581,322
Receivables (net)	801,027	-	-	-	801,027
Prepaid expenditures	21,030	-	-	-	21,030
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	13,753,036	454,316	166,429	1,601,095	15,974,876
<b>Deferred Outflows of Resources</b>	<hr/> -	<hr/> -	<hr/> -	<hr/> -	<hr/> -
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 13,753,036</u>	<u>\$ 454,316</u>	<u>\$ 166,429</u>	<u>\$ 1,601,095</u>	<u>\$ 15,974,876</u>
<b>Liabilities</b>					
Accounts payable	\$ 260,196	\$ -	\$ -	\$ -	\$ 260,196
Accrued expenses	39,110	-	-	-	39,110
Due to other funds	223,096	-	-	-	223,096
Bonds held	134,033	-	-	-	134,033
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	656,435	-	-	-	656,435
<b>Deferred Inflows of Resources</b>	<hr/> 76,264	<hr/> -	<hr/> -	<hr/> -	<hr/> 76,264
<b>Total Liabilities and Deferred Inflows of Resources</b>	<hr/> 732,699	<hr/> -	<hr/> -	<hr/> -	<hr/> 732,699
<b>Fund Balances</b>					
Nonspendable:					
Prepaid expenditures	21,030	-	-	-	21,030
Restricted for:					
Capital projects	-	454,316	166,429	1,601,095	2,221,840
Stormwater activities	223,096	-	-	-	223,096
Unassigned	12,776,211	-	-	-	12,776,211
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	13,020,337	454,316	166,429	1,601,095	15,242,177
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 13,753,036</u>	<u>\$ 454,316</u>	<u>\$ 166,429</u>	<u>\$ 1,601,095</u>	<u>\$ 15,974,876</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, 2014

**Total Governmental Fund Balances** \$ 15,242,177

**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	\$ 82,107,390	
Less: Accumulated depreciation	<u>(21,514,753)</u>	
Total capital assets		60,592,637

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	(113,229)
Landfill Closure/Postclosure costs	<u>(1,739,837)</u>

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.

76,264

**Net Position of Governmental Activities** \$ 74,058,012



**City of Sugar Hill, Georgia**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2014

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	SPLOST 2014 Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 5,094,149	\$ -	\$ -	\$ -	\$ 5,094,149
Intergovernmental	228,303	-	557,013	2,143,323	2,928,639
Licenses and permits	553,707	-	-	-	553,707
Fines and forfeitures	44,770	-	-	-	44,770
Charges for services	600,135	-	-	-	600,135
Interest	12,714	681	580	1,478	15,453
Miscellaneous	14,817	-	-	-	14,817
<b>Total Revenue</b>	<u>6,548,595</u>	<u>681</u>	<u>557,593</u>	<u>2,144,801</u>	<u>9,251,670</u>
<b>Expenditures</b>					
Current:					
General government	3,640,460	-	-	-	3,640,460
Judicial	4,335	-	-	-	4,335
Public safety	128,994	-	-	-	128,994
Public works	1,308,785	-	93,807	-	1,402,592
Health and welfare	11,701	-	-	-	11,701
Recreation and culture	787,973	-	-	-	787,973
Housing and development	601,213	-	-	-	601,213
Capital Outlay	-	-	1,716,406	543,706	2,260,112
<b>Total Expenditures</b>	<u>6,483,461</u>	<u>-</u>	<u>1,810,213</u>	<u>543,706</u>	<u>8,837,380</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	65,134	681	(1,252,620)	1,601,095	414,290
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,649,669	-	-	-	1,649,669
Transfers out	(278,242)	-	-	-	(278,242)
<b>Total Other Financing Sources (Uses)</b>	<u>1,371,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,371,427</u>
<b>Net Change in Fund Balances</b>	1,436,561	681	(1,252,620)	1,601,095	1,785,717
<b>Fund Balances Beginning of Year</b>	11,491,974	453,635	1,510,851	-	13,456,460
<b>Prior Period Adjustment</b>	91,802	-	(91,802)	-	-
<b>Fund Balances End of Year</b>	<u>\$ 13,020,337</u>	<u>\$ 454,316</u>	<u>\$ 166,429</u>	<u>\$ 1,601,095</u>	<u>\$ 15,242,177</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, 2014

**Net Changes in Fund Balances-Total Governmental Funds** \$ 1,785,717

**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	3,500,989	
Less: Current year depreciation	<u>(2,316,018)</u>	1,184,971

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, 2013	100,979	
Compensated absence liability at December 31, 2014	<u>(113,229)</u>	(12,250)

Revenues from donated assets in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		62,500
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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, 2013	(68,060)	
Deferred revenue at December 31, 2014	<u>76,264</u>	<u>8,204</u>

<b>Change in Net Position of Governmental Activities</b>		<u><u>\$ 3,174,128</u></u>
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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, 2014**

	<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	\$ 9,651	\$ -	\$ 10,451
Restricted cash and cash equivalents	636,288	-	-	636,288
Accounts receivable (net)	939,698	-	43,478	983,176
Supplies / inventory	89,760	12,139	-	101,899
Due from other funds	-	-	223,096	223,096
<b>Total Current Assets</b>	<u>1,666,546</u>	<u>21,790</u>	<u>266,574</u>	<u>1,954,910</u>
<b>Noncurrent Assets:</b>				
Capital assets				
Non-depreciable	10,900	4,247,948	634,473	4,893,321
Depreciable, net	3,166,707	1,439,254	145,510	4,751,471
<b>Total Noncurrent Assets</b>	<u>3,177,607</u>	<u>5,687,202</u>	<u>779,983</u>	<u>9,644,792</u>
<b>Total Assets</b>	<u>4,844,153</u>	<u>5,708,992</u>	<u>1,046,557</u>	<u>11,599,702</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	729,826	22,570	235	752,631
Accrued expenses	6,517	16,349	1,262	24,128
Unearned revenue	1,480	-	-	1,480
Capital lease payable	-	22,825	-	22,825
<b>Total Current Liabilities</b>	<u>737,823</u>	<u>61,744</u>	<u>1,497</u>	<u>801,064</u>
<b>Long-term Liabilities:</b>				
Compensated absences	24,794	23,572	2,764	51,130
Customer deposits	634,807	-	-	634,807
<b>Total Long-term Liabilities</b>	<u>659,601</u>	<u>23,572</u>	<u>2,764</u>	<u>685,937</u>
<b>Total Liabilities</b>	<u>1,397,424</u>	<u>85,316</u>	<u>4,261</u>	<u>1,487,001</u>
<b>Net Position</b>				
Net investment in capital assets	3,177,607	5,664,377	779,983	9,621,967
Unrestricted	269,122	(40,701)	262,313	490,734
<b>Total Net Position</b>	<u>\$ 3,446,729</u>	<u>\$ 5,623,676</u>	<u>\$ 1,042,296</u>	<u>\$ 10,112,701</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, 2014

	<u>Gas Fund</u>	<u>Golf Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Operating Revenue</b>				
Sales	\$ 7,763,895	\$ -	\$ 77,499	\$ 7,841,394
Tap-on fees	67,800	-	-	67,800
Green and cart fees	-	501,098	-	501,098
Rentals	-	32,712	-	32,712
Concessions and merchandise	-	146,597	-	146,597
User fees and charges	-	-	568,505	568,505
Penalties and interest	134,751	-	4,933	139,684
Miscellaneous income	4,653	1,356	-	6,009
	<u>7,971,099</u>	<u>681,763</u>	<u>650,937</u>	<u>9,303,799</u>
<b>Total Operating Revenue</b>				
<b>Operating Expenses</b>				
Personal services:				
Personnel services	510,387	388,070	97,848	996,305
Employment Taxes	40,636	30,698	7,642	78,976
Benefits	244,951	129,744	47,419	422,114
Total Personal Services	<u>795,974</u>	<u>548,512</u>	<u>152,909</u>	<u>1,497,395</u>
Purchased / contracted services:				
Professional and technical	107,688	42,033	16,324	166,045
Purchased property services	17,607	60,834	3,053	81,494
Rentals	-	1,550	130	1,680
Other purchased services	75,310	42,602	164,699	282,611
Total Purchased / contracted services	<u>200,605</u>	<u>147,019</u>	<u>184,206</u>	<u>531,830</u>
Supplies	243,447	124,628	41,285	409,360
Purchases for resale	5,089,366	87,575	-	5,176,941
Depreciation	150,850	202,487	37,088	390,425
	<u>6,480,242</u>	<u>1,110,221</u>	<u>415,488</u>	<u>8,005,951</u>
<b>Total Operating Expenses</b>				
<b>Operating Income (Loss)</b>	<u>1,490,857</u>	<u>(428,458)</u>	<u>235,449</u>	<u>1,297,848</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest expense	-	(2,149)	-	(2,149)
	<u>-</u>	<u>(2,149)</u>	<u>-</u>	<u>(2,149)</u>
<b>Total Nonoperating Revenues and (Expenses)</b>				
Transfer in	-	278,242	-	278,242
Transfer out	(1,612,190)	-	(37,479)	(1,649,669)
	<u>(1,612,190)</u>	<u>-</u>	<u>(37,479)</u>	<u>(1,649,669)</u>
<b>Change in Net Position</b>	<u>(121,333)</u>	<u>(152,365)</u>	<u>197,970</u>	<u>(75,728)</u>
<b>Net Position Beginning of Year</b>				
	<u>3,568,062</u>	<u>5,776,041</u>	<u>844,326</u>	<u>10,188,429</u>
<b>Net Position End of Year</b>	<u>\$ 3,446,729</u>	<u>\$ 5,623,676</u>	<u>\$ 1,042,296</u>	<u>\$ 10,112,701</u>

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

**City of Sugar Hill, Georgia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2014**

	<u>Gas</u> <u>Fund</u>	<u>Golf</u> <u>Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 8,211,930	\$ 681,763	\$ 414,745	\$ 9,308,438
Payments to suppliers	(5,739,504)	(357,977)	(226,048)	(6,323,529)
Payments to employees	<u>(792,199)</u>	<u>(547,273)</u>	<u>(151,218)</u>	<u>(1,490,690)</u>
Net cash provided (used) by operating activities	1,680,227	(223,487)	37,479	1,494,219
<b>Cash flows from noncapital financing activities:</b>				
Transfer from other funds	-	278,242	-	278,242
Transfer to other funds	<u>(1,612,190)</u>	<u>-</u>	<u>(37,479)</u>	<u>(1,649,669)</u>
Net cash provided (used) by noncapital financing activities	(1,612,190)	278,242	(37,479)	(1,371,427)
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(23,000)	(8,086)	-	(31,086)
Debt payments, principal and interest	<u>-</u>	<u>(46,154)</u>	<u>-</u>	<u>(46,154)</u>
Net cash provided (used) by capital and related financing activities	(23,000)	(54,240)	-	(77,240)
<b>Net increase (decrease) in cash and cash equivalents</b>	45,037	515	-	45,552
Cash and cash equivalents, December 31, 2013	<u>592,051</u>	<u>9,136</u>	<u>-</u>	<u>601,187</u>
Cash and cash equivalents, December 31, 2014	<u>\$ 637,088</u>	<u>\$ 9,651</u>	<u>\$ -</u>	<u>\$ 646,739</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,490,857	\$ (428,458)	\$ 235,449	\$ 1,297,848
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	150,850	202,487	37,088	390,425
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	195,795	-	(13,096)	182,699
(Increase) decrease in supplies/inventory	(16,811)	(1,722)	-	(18,533)
Increase (decrease) in due from other funds	-	-	(223,096)	(223,096)
Increase (decrease) in accounts payable	(189,275)	2,967	(557)	(186,865)
Increase (decrease) in accrued expenses	2,286	2,232	449	4,967
Increase (decrease) in compensated absences	1,489	(993)	1,242	1,738
Increase (decrease) in deferred revenue	(364)	-	-	(364)
Increase (decrease) in customer deposits	45,400	-	-	45,400
Net cash provided (used) by operating activities	<u>\$ 1,680,227</u>	<u>\$ (223,487)</u>	<u>\$ 37,479</u>	<u>\$ 1,494,219</u>

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

## City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2014

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

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

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

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

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

#### **Discretely presented component units**

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

The Downtown Development Authority (Development Authority) was created for the purpose of revitalization and redevelopment of the central business district of the City of Sugar Hill and to develop and promote for the public good and general welfare trade, commerce, industry, and employment opportunities. The Development Authority is governed by a separate board appointed by the Mayor and Council and is a separate legal, public body created and existing under instrumentality of the City of Sugar Hill, Georgia. The Development Authority utilizes City employees to conduct daily operations including finance activities. The Development Authority leases property from the city for \$10 annually and is responsible for maintaining the property and entering into subleases for the rental and occupancy of the building which are approved by the City. The Development Authority does not issue separate financial statements

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

Resource flows (except those that affect the statement of net position/balance sheet only) between a primary government and its discretely presented component units are reported as external transactions—that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as interfund transactions in the financial statements. During 2014, there were no blended component units.

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

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

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

**1-C Fund Equity**

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

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

**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.

# City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2014

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Committed  
Assigned  
Unassigned

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

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

The City reports the following major 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.

*Development Authority Fund.* This fund accounts for the operations of the Downtown Development Authority responsible for the revitalization and redevelopment of the central business district of the City of Sugar Hill.

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.



**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

*Budgets.* Formal budgetary accounting is employed as a management control device for the General Fund, SPLOST, Stormwater Utility, Gas, Car Wash, Golf, and Development Authority 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.

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

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

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

**Cash and Cash Equivalents**

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

**Investments**

The City does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2014, 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 “interfund balances.”

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

All trade and property tax receivables, including those for the City of Sugar Hill, are shown net of an allowance for uncollectibles. Trade accounts receivable for the City are the balances in the proprietary fund resulting from the sale of gas utility services. Balances due for utility services in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles, which was \$60,000 at December 31, 2014. 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 \$24,300 in the General Fund and \$2,750 in the Stormwater Fund as of December 31, 2014.

**Property Tax Calendar**

The City set its millage rate for the 2014 fiscal year on July 8, 2014 at 3.800 mills. Property tax bills were mailed on August 15, 2014 by the Gwinnett County Tax Commissioner and were due October 15, 2014. 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, 2014

**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:

	Governmental Funds	Gas Fund	Golf Fund	Car Wash Fund	Stormwater Fund
<u>Assets</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>
Buildings and improvement:	5-50	20-40	10-40	30	-
Machinery and equipment	5-30	7-20	5-10	-	5-10
Furniture and fixtures	5-15	7-10	7-20	-	-
Vehicles	5-15	5	5-6	-	5
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. Beginning in 2014, any amounts over the maximum of 240 hours are either paid to the employee or contributed to the employee's 401k policy, at the employees' discretion at the end of the year. Upon termination, employees are paid full value for any accrued leave earned. Employees may not elect to apply accumulated 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 two sources in 2015: property taxes and franchise taxes.

# City of Sugar Hill, Georgia

## Notes to Financial Statements

December 31, 2014

### **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, 2014, 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, 2014 for the City's major governmental and proprietary funds are as follows:

Governmental Funds:	
Property taxes receivable - net	\$ 120,475
Due from other governments - SPLOST	532,956
Due from other governments - Gwinnett County	28,726
Due from other governments - DNR	19,640
Franchise taxes receivable	680,552
Total Governmental Receivables:	<u>\$ 1,382,349</u>
Business-type Funds:	
Stormwater utility fees receivable - net	\$ 43,478
Accounts receivable, net - Gas customers	939,698
Total Business-type Receivables:	<u>\$ 983,176</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, 2014

**NOTE 5. CAPITAL ASSETS**

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

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 4,780,609	\$ 2,100,106	\$ -	\$ -	\$ 6,880,715
Construction in progress	-	188,592	-	-	188,592
Total non-depreciable capital assets	4,780,609	2,288,698	-	-	7,069,307
<b>Depreciable Assets:</b>					
Buildings and improvements	13,787,923	300,327	-	-	14,088,250
Machinery and equipment	1,356,062	100,524	-	-	1,456,586
Furniture and fixtures	-	-	-	-	-
Vehicles	878,191	7,400	-	-	885,591
Infrastructure	41,437,945	532,436	-	-	41,970,381
Sprayfield	226,915	-	-	-	226,915
Recreational upgrades	16,076,256	334,104	-	-	16,410,360
Total depreciable capital assets	73,763,292	1,274,791	-	-	75,038,083
<b>Accumulated Depreciation:</b>					
Buildings and improvements	884,375	446,738	-	-	1,331,113
Machinery and equipment	716,509	97,565	-	-	814,074
Vehicles	571,545	72,698	-	-	644,243
Infrastructure	14,790,685	1,130,078	-	-	15,920,763
Sprayfield	58,553	6,376	-	-	64,929
Recreational upgrades	2,177,068	562,563	-	-	2,739,631
Total accumulated depreciation	19,198,735	2,316,018	-	-	21,514,753
Total depreciable capital assets, net	54,564,557	(1,041,227)	-	-	53,523,330
<b>Governmental activities capital assets, net</b>	<b>59,345,166</b>	<b>1,247,471</b>	<b>-</b>	<b>-</b>	<b>60,592,637</b>
<b>Business-type Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	4,893,321	-	-	-	4,893,321
Total non-depreciable capital assets	4,893,321	-	-	-	4,893,321
<b>Depreciable Assets:</b>					
Buildings and improvements	2,343,049	-	-	-	2,343,049
Machinery and equipment	1,864,347	31,086	-	(104,221)	1,791,212
Furniture and fixtures	80,932	-	-	-	80,932
Vehicles	324,752	-	-	104,221	428,973
Sprayfield	583,676	-	-	-	583,676
Gas distribution system	4,337,510	-	-	-	4,337,510
Golf course renovations	719,331	-	-	-	719,331
Total depreciable capital assets	10,253,597	31,086	-	-	10,284,683
<b>Accumulated Depreciation:</b>					
Buildings and improvements	1,342,263	88,369	-	-	1,430,632
Machinery and equipment	1,301,393	96,614	-	(45,459)	1,352,548
Furniture and fixtures	74,143	2,438	-	-	76,581
Vehicles	247,970	38,159	-	45,459	331,588
Sprayfield	286,975	19,456	-	-	306,431
Gas distribution system	1,476,105	106,418	-	-	1,582,523
Golf course renovations	413,938	38,971	-	-	452,909
Total accumulated depreciation	5,142,787	390,425	-	-	5,533,212
Total depreciable capital assets, net	5,110,810	(359,339)	-	-	4,751,471
<b>Business-type activities capital assets, net</b>	<b>\$ 10,004,131</b>	<b>\$ (359,339)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,644,792</b>

Additions to governmental activities capital assets for the fiscal year ending December 31, 2014 consists of \$62,500 in donated land and \$3,500,989 in capital outlay.

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2014

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

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

<b>Governmental Activities:</b>	
General government	\$ 555,993
Public works	1,146,524
Health and welfare	19,080
Recreation and culture	586,680
Housing and development	7,741
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,316,018</b>
<b>Business-type Activities:</b>	
Gas	\$ 150,850
Golf	202,487
Stormwater	35,255
Car Wash	1,833
<b>Total depreciation expense - business-type activities</b>	<b>\$ 390,425</b>

**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 2014 was \$133,351. The City purchased 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 2014 was \$61,646.

**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	
Franchise Taxes	\$15,537
Property Taxes	60,727
<b>Total Deferred Inflows of Resources</b>	<b>\$76,264</b>

**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, 2014, the City has recorded a liability for the landfill of \$1,739,837 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 2014. The estimated costs are subject to changes resulting from inflation, technology, or changes in applicable laws or regulations. The revised estimated liability for the postclosure care costs have been estimated by the City's Public Works Department.

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2014

**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, 2014	Additions	Reductions	Balance as of December 31, 2014	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 100,979	\$ 121,033	\$ (108,783)	\$ 113,229	\$ -
Landfill closure/postclosure	1,884,823	-	(144,986)	1,739,837	144,986
<b>Total governmental activities</b>	<b>\$ 1,985,802</b>	<b>\$ 121,033</b>	<b>\$ (253,769)</b>	<b>\$ 1,853,066</b>	<b>\$ 144,986</b>
<b>Business-Type Activities:</b>					
Capital leases	\$ 66,811	-	\$ (43,986)	\$ 22,825	\$ 22,825
Compensated absences	49,392	69,466	(67,728)	51,130	-
<b>Total business-type activities</b>	<b>\$ 116,203</b>	<b>\$ 69,466</b>	<b>\$ (111,714)</b>	<b>\$ 73,955</b>	<b>\$ 22,825</b>

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 \$2,149 was paid in the year ending December 31, 2014. 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, 2014 were as follows:

Year Ending	Total Payments	Principal	Interest
2015	\$ 23,067	\$ 22,825	\$ 242

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.

**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. BONDS HELD**

As of December 31, 2014, nine 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 2014, one erosion bond was called due to noncompliance in the amount of \$7,920 and is included in governmental revenues in the general fund. The outstanding balance of the erosion bonds as of December 31, 2014 is \$ 126,670. Municipal court bonds in the amount of \$7,363 were held at December 31, 2014.

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2014

**NOTE 12. CONTINGENT LIABILITIES**

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

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

Interfund receivable and payable balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. As of December 31, 2014, the interfund receivables and payables were as follows:

<u>Due To:</u>	<u>Due From:</u>	
	General Fund	Total
Stormwater Fund	\$ 223,096	\$ 223,096
	\$ 223,096	\$ 223,096

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

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During 2014, the transfers were as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>			Total
	General Fund	Gas Fund	Car Wash Fund	
General Fund	\$ -	\$ 1,612,190	\$ 37,479	\$ 1,649,669
Golf Fund	278,242	-	-	278,242
	\$ 278,242	\$ 1,612,190	\$ 37,479	\$ 1,927,911



**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2014

**NOTE 14. BUDGETS**

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

Department	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Variance with Final Budget Over (Under)
<b>General Fund</b>			
General government	\$ 5,787,467	\$ 3,640,460	\$ (2,147,007)
Judicial	11,864	4,335	(7,529)
Public safety	150,000	128,994	(21,006)
Public works	2,063,574	1,308,785	(754,789)
Public health and welfare	76,700	11,701	(64,999)
Recreation and culture	1,521,175	787,973	(733,202)
Housing and development	727,100	601,213	(125,887)
Transfers out	278,242	278,242	-
	<u>\$ 10,616,122</u>	<u>\$ 6,761,703</u>	<u>\$ (3,854,419)</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 2014, 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, 2014, the city contributed \$83,948.

*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, 2014, the employees contributed \$100,436 to the plan and the city contributed \$36,897.

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

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

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

**City of Sugar Hill, Georgia**  
Notes to Financial Statements  
December 31, 2014

**NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES**

The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Municipal Gas Authority of Georgia (“MGAG”) under which the City buys natural gas for resale to its customers. Under such contracts with MGAG, the City is obligated to purchase from MGAG, and MGAG is obligated to provide, all of the City’s natural gas requirements. The price paid by the City to MGAG under its contracts is intended to cover the City’s share of all the costs of MGAG including scheduled debt service. Such payments are required to be made by the City whether or not MGAG’s facilities or natural gas properties or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under the gas supply or transportation contracts with MGAG. To the extent the required payments are not made from revenues of the System of other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City is contingently liable for its pro-rata share of MGAG’s obligations in the amount of \$34,647,475 as of December 31, 2014, with the City’s pro-rata share being 1.956%, or \$730,644.

**NOTE 18. JOINT VENTURES**

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During its year ended December 31, 2014, the City’s dues were paid by Gwinnett County, which did not request reimbursement from the City. According to the ARC, all dues are billed to the County and the management of the County determined if each municipality within the County should be billed for their pro-rata share of the dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The ARC’s Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from:

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

**NOTE 19. PRIOR PERIOD ADJUSTMENTS**

*Governmental-Type Activities:*

During the current year, it was determined that certain prior year expenses in the SPLOST-2009 Fund were understated and General Fund expenses were overstated due to a failure to record the movement of expenses from the General Fund to the SPLOST-2009 fund related to monies transferred from the SPLOST-2009 fund to the General Fund in the amount of \$91,802. As a result of the adjustment, the current year beginning fund balance in the General fund was increased, and change in fund balance in the General Fund for 2013 was increased by \$91,802. In addition, the current year beginning fund balance in the SPLOST-2009 fund was decreased, and change in fund balance in the SPLOST-2009 fund for 2013 was decreased by \$91,802.

**NOTE 20. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 30, 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 2.75 million dollars.

**City of Sugar Hill, Georgia**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2014**

	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	\$ 3,935,742	\$ 5,094,149	\$ -	\$ 5,094,149	\$ 1,158,407
Intergovernmental	960,690	120,690	228,303	-	228,303	107,613
Licenses and permits	139,100	139,100	553,707	-	553,707	414,607
Fines and forfeitures	29,864	29,864	44,770	-	44,770	14,906
Charges for services	462,000	462,000	600,135	-	600,135	138,135
Investment earnings	10,000	10,000	12,714	-	12,714	2,714
Miscellaneous	-	-	14,817	-	14,817	14,817
<b>Total Revenues</b>	<u>5,259,154</u>	<u>4,697,396</u>	<u>6,548,595</u>	<u>-</u>	<u>6,548,595</u>	<u>1,851,199</u>
<b>Expenditures</b>						
Current Operating:						
General government	3,205,417	5,787,467	3,640,460	-	3,640,460	(2,147,007)
Judicial	11,864	11,864	4,335	-	4,335	(7,529)
Public safety	150,000	150,000	128,994	-	128,994	(21,006)
Public works	2,233,574	2,063,574	1,308,785	-	1,308,785	(754,789)
Health and welfare	2,700	76,700	11,701	-	11,701	(64,999)
Recreation and culture	2,044,180	1,521,175	787,973	-	787,973	(733,202)
Housing and development	718,600	727,100	601,213	-	601,213	(125,887)
<b>Total Expenditures</b>	<u>8,366,335</u>	<u>10,337,880</u>	<u>6,483,461</u>	<u>-</u>	<u>6,483,461</u>	<u>(3,854,419)</u>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over (Under) Expenditures</b>	<u>(3,107,181)</u>	<u>(5,640,484)</u>	<u>65,134</u>	<u>-</u>	<u>65,134</u>	<u>5,705,618</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	3,107,181	5,918,726	1,649,669	-	1,649,669	(4,269,057)
Transfers out	-	(278,242)	(278,242)	-	(278,242)	-
<b>Total Other Financing Sources (Uses)</b>	<u>3,107,181</u>	<u>5,640,484</u>	<u>1,371,427</u>	<u>-</u>	<u>1,371,427</u>	<u>(4,269,057)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,436,561</u>	<u>\$ -</u>	<u>1,436,561</u>	<u>\$ 1,436,561</u>
<b>Fund Balance Beginning of Year</b>			11,491,974		11,491,974	
<b>Prior Period Adjustment</b>			91,802		91,802	
<b>Fund Balance End of Year</b>			<u>\$ 13,020,337</u>		<u>\$ 13,020,337</u>	

**City of Sugar Hill, Georgia**  
Notes to Required Supplementary Information  
on Budgetary Accounting and Control  
Year Ended December 31, 2014

**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 Appropriation s	Supplemental Decreases	Revised Appropriations
<b>General Fund</b>				
General government	\$ 3,205,417	\$ 2,582,050	\$ -	\$ 5,787,467
Public works	2,233,574	-	170,000	2,063,574
Health and welfare	2,700	74,000	-	76,700
Recreation and culture	2,044,180	-	523,005	1,521,175
Housing and development	718,600	8,500	-	727,100
Transfers out	-	278,242	-	278,242
	<u>\$ 8,366,335</u>	<u>\$ 2,942,792</u>	<u>\$ 693,005</u>	<u>\$ 10,616,122</u>

**City of Sugar Hill, Georgia**  
Combining Statement of Net Position  
Nonmajor Proprietary Funds  
December 31, 2014

	<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)	43,478	-	43,478
Due from other funds	<u>223,096</u>	<u>-</u>	<u>223,096</u>
<b>Total Current Assets</b>	<u>266,574</u>	<u>-</u>	<u>266,574</u>
<b>Long-term Assets:</b>			
Capital assets			
Non-depreciable	-	634,473	634,473
Depreciable, net	<u>95,401</u>	<u>50,109</u>	<u>145,510</u>
<b>Total Long-term Assets</b>	<u>95,401</u>	<u>684,582</u>	<u>779,983</u>
<b>Total Assets</b>	<u>361,975</u>	<u>684,582</u>	<u>1,046,557</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	235	-	235
Accrued expenses	<u>1,262</u>	<u>-</u>	<u>1,262</u>
<b>Total Current Liabilities</b>	<u>1,497</u>	<u>-</u>	<u>1,497</u>
<b>Long-term Liabilities:</b>			
Compensated absences	<u>2,764</u>	<u>-</u>	<u>2,764</u>
<b>Total Long-term Liabilities</b>	<u>2,764</u>	<u>-</u>	<u>2,764</u>
<b>Total Liabilities</b>	<u>4,261</u>	<u>-</u>	<u>4,261</u>
<b>Net Position</b>			
Net investment in capital assets	95,401	684,582	779,983
Unrestricted	<u>262,313</u>	<u>-</u>	<u>262,313</u>
<b>Total Net Position</b>	<u>\$ 357,714</u>	<u>\$ 684,582</u>	<u>\$ 1,042,296</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, 2014

	<u>Stormwater Utility Fund</u>	<u>Car Wash Fund</u>	Total Nonmajor Proprietary <u>Funds</u>
<b>Operating Revenue:</b>			
Sales	\$ -	\$ 77,499	\$ 77,499
User fees and charges	568,505	-	568,505
Penalties and interest	<u>4,933</u>	<u>-</u>	<u>4,933</u>
<b>Total Operating Revenue</b>	573,438	77,499	650,937
<b>Operating Expenses:</b>			
Personal services:			
Personnel services	97,848	-	97,848
Employment taxes	7,642	-	7,642
Benefits	<u>47,419</u>	<u>-</u>	<u>47,419</u>
Total Personal services	152,909	-	152,909
Purchased / contracted services:			
Professional and technical	4,174	12,150	16,324
Purchased property services	3,053	-	3,053
Rentals	130	-	130
Other purchased services	<u>160,718</u>	<u>3,981</u>	<u>164,699</u>
Total Purchased / contracted services	168,075	16,131	184,206
Supplies	17,989	23,296	41,285
Depreciation	<u>35,255</u>	<u>1,833</u>	<u>37,088</u>
<b>Total Operating Expenses</b>	374,228	41,260	415,488
<b>Operating Income (Loss)</b>	<u>199,210</u>	<u>36,239</u>	<u>235,449</u>
<b>Transfer Out</b>	<u>-</u>	<u>(37,479)</u>	<u>(37,479)</u>
<b>Change in Net Position</b>	199,210	(1,240)	197,970
<b>Net Position Beginning of Year</b>	<u>158,504</u>	<u>685,822</u>	<u>844,326</u>
<b>Net Position End of Year</b>	<u>\$ 357,714</u>	<u>\$ 684,582</u>	<u>\$1,042,296</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, 2014

	<u>Stormwater Utility Fund</u>	<u>Car Wash Fund</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 337,246	\$ 77,499	\$ 414,745
Payments to suppliers	(186,028)	(40,020)	(226,048)
Payments to employees	<u>(151,218)</u>	<u>-</u>	<u>(151,218)</u>
Net cash provided (used) by operating activities	-	37,479	37,479
<b>Cash flows from noncapital financing activities:</b>			
Transfer to other funds	<u>-</u>	<u>(37,479)</u>	<u>(37,479)</u>
Net cash provided (used) by noncapital financing activities	-	(37,479)	(37,479)
<b>Net increase (decrease) in cash and cash equivalents</b>	-	-	-
Cash and cash equivalents, December 31, 2013	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, December 31, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 199,210	\$ 36,239	\$ 235,449
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	35,255	1,833	37,088
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(13,096)	-	(13,096)
Increase (decrease) in due from other funds	(223,096)	-	(223,096)
Increase (decrease) in accounts payable	36	(593)	(557)
Increase (decrease) in accrued expenses	449	-	449
Increase (decrease) in compensated absences	<u>1,242</u>	<u>-</u>	<u>1,242</u>
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 37,479</u>	<u>\$ 37,479</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 activities, the aggregate discretely presented component units, and 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, 2014, 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 November 12, 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: 2014-1 – 2014-9.

**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  
November 12, 2015



**City of Sugar Hill, Georgia**  
Schedule of Findings and Responses  
For the Year Ended December 31, 2014

**Findings – Financial Statement Audit**

**INTERNAL CONTROL**

**2014-1**

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

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

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

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

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

**Response:** The City agrees with this finding. 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 insure the 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.

**2014-2**

**Condition:** There are 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 insure segregation of duties and fiscal accountability.

**City of Sugar Hill, Georgia**  
Schedule of Findings and Responses  
For the Year Ended December 31, 2014

**INTERNAL CONTROL (CONTINUED):**

**2014-3**

- 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 insure fiscal accountability and to provide management controls.

**2014-4**

- 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 insure proper safeguarding of assets.
- Cause:** On a regular basis the golf course and recreation departments held collected funds 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.
- Recommendation:** 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 insure 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.

**2014-5**

- 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 balances in many of these asset and liability accounts required significant adjustments to report the appropriate balances at December 31, 2014.
- Recommendation:** The City should implement policies and procedures to insure 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 insure 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, 2014

**INTERNAL CONTROL (CONTINUED):**

**2014-6**

- 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 insure 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 insure all bank statements and balance sheet accounts are reconciled monthly.

**2014-7**

- Condition:** The City does not reconcile gas fund revenues recorded in the general ledger to the amounts reported from its receipting software on a monthly basis.
- Criteria:** The City should have documented internal control procedures in place to reconcile gas fund revenues on a monthly basis to confirm the accuracy of the amounts reported.
- Cause:** The City had not been reconciling gas fund revenues during the audit period.
- Effect:** The City should implement policies and procedures to insure the gas fund revenue is reconciled to reports from the receipting software. Reconciling gas fund revenues provides an internal control to detect and prevent revenue recording errors and potential fraud.
- Recommendation:** The City should implement documented policies and procedures to insure the gas fund revenue is reconciled on a monthly basis.
- 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 insure 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, 2014

**INTERNAL CONTROL (CONTINUED):**

**2014-8**

**Condition:** The City does not reconcile park and recreation department revenues to amounts that should have been received on a monthly basis.

**Criteria:** The City should have procedures in place to reconcile revenues to the amounts received. In addition, a procedure for properly documenting receipts should be implemented to insure 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 insure 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.

**2014-9**

**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 limited 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 insure that all employee files were properly documented and maintained.

**Effect:** The City is unable to 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 insure 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 insure 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, 2014

<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>\$9,016,790</u>	<u>\$ -</u>	<u>\$ 9,016,790</u>
<b>SPLOST 2009:</b>					
Roads, streets and bridges	\$ 3,000,000	\$ 3,000,000	\$ 57,924	\$ 603,603	\$ 661,527
Recreational facilities	3,000,000	3,000,000	1,748,881	864,332	2,613,213
Administrative facilities	8,458,245	8,458,245	7,928,609	342,278	8,270,887
Total:	<u>\$14,458,245</u>	<u>\$14,458,245</u>	<u>\$9,735,414</u>	<u>\$1,810,213</u>	<u>\$11,545,627</u>
<b>SPLOST 2014:</b>					
Roads, streets and bridges	\$ 2,433,164	\$ 2,526,068	\$ -	\$ -	\$ -
Recreational facilities	7,299,492	7,299,492	-	543,706	543,706
Total:	<u>\$ 9,732,656</u>	<u>\$ 9,825,560</u>	<u>\$ -</u>	<u>\$ 543,706</u>	<u>\$ 543,706</u>

Note: SPLOST 2009 Prior Year Totals includes the \$91,802 Prior Period Adjustment