

**CITY OF SUGAR HILL, GEORGIA
FINANCIAL STATEMENTS**

For the fiscal year ended December 31, 2015

WALKER, PIERCE & TUCK, CPA'S, PC

**CITY OF SUGAR HILL, GEORGIA
FISCAL YEAR ENDED DECEMBER 31, 2015
TABLE OF CONTENTS**

FINANCIAL SECTION

Independent Auditor's Report.....	1-2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	3
Statement of Activities	4
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position	8
Proprietary Fund Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12-24
Required Supplementary Information (other than MD&A)	
Budgetary Comparison Schedules	
General Fund	25
Notes to Required Supplementary Information on Budgetary Accounting and Control	26
Combining and Individual Fund Statements	
Combining Statement of Net Position - Nonmajor Proprietary Funds	27
Combining Statement of Revenues, Expenditures, and Changes in Net Position - Nonmajor Proprietary Funds..	28
Combining Statement of Cash Flow - Nonmajor Proprietary Funds	29

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30-31
Schedule of Findings and Responses	32-35
Schedule of Special Purpose Local Option Sales Tax Estimated Cost and Expenditure Summary	36



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, 2015, 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, 2015, 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 on pages 25 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sugar Hill, Georgia's basic financial statements. The Combining Non-major Fund Financial Statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.G.A. 48-8-121 as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Non-major Fund Financial Statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Non-major Fund Financial Statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2016, on our consideration of the City of Sugar Hill, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sugar Hill, Georgia's internal control over financial reporting and compliance.

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

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

Gainesville, Georgia

June 13, 2016

CITY OF SUGAR HILL, GEORGIA

Statement of Net Position

December 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing Authority	Down Town Dev. Auth.
Assets					
Current Assets					
Cash and cash equivalents	\$ 10,052,487	\$ 2,100	\$ 10,054,587	\$ 30,620	\$ 112,071
Restricted cash	347,303	662,376	1,009,679	-	-
Investments	-	-	-	176,072	-
Receivables (net)	821,686	697,467	1,519,153	-	-
Intergovernmental receivable	530,424	-	530,424	-	-
Interfund balances	(621,625)	621,625	-	-	-
Due from component unit	1,155,975	-	1,155,975	-	-
Prepaid expenses	28,723	-	28,723	-	-
Supplies / inventory	-	81,071	81,071	-	-
Total Current Assets	12,314,973	2,064,639	14,379,612	206,692	112,071
Non-current Assets					
Capital assets					
Nondepreciable	17,848,900	4,893,321	22,742,221	-	2,301,287
Depreciable, net	52,030,158	4,445,128	56,475,286	-	15,612
Total Non-current Assets	69,879,058	9,338,449	79,217,507	-	2,316,899
Total Assests	82,194,031	11,403,088	93,597,119	206,692	2,428,970
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	82,194,031	11,403,088	93,597,119	206,692	2,428,970
Liabilities					
Current Liabilities					
Accounts payable	1,726,452	559,554	2,286,006	-	987,571
Accrued expenses	30,168	17,587	47,755	-	-
Retainage payable	147,935	-	147,935	-	-
Unearned revenue	-	9,599	9,599	-	-
Due to primary government	-	-	-	-	1,155,975
Landfill closure/postclosure cost	144,986	-	144,986	-	-
Total Current Liabilities	2,049,541	586,740	2,636,281	-	2,143,546
Long-term Liabilities					
Amounts held in trust	347,303	661,023	1,008,326	-	1,500
Compensated absences	140,702	56,261	196,963	-	-
Landfill closure/postclosure cost	1,449,865	-	1,449,865	-	-
Total Long-term Liabilities	1,937,870	717,284	2,655,154	-	1,500
Total Liabilities	3,987,411	1,304,024	5,291,435	-	2,145,046
Deferred Inflows of Resources	-	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	3,987,411	1,304,024	5,291,435	-	2,145,046
Net Position					
Net Investment in Capital Assets	69,879,058	9,338,449	79,217,507	-	2,316,899
Restricted for:					
Capital projects	5,088,986	-	5,088,986	-	-
Stormwater activities	(621,625)	-	(621,625)	-	-
Unrestricted	3,860,201	760,615	4,620,816	206,692	(2,032,975)
Total Net Position	\$ 78,206,620	\$ 10,099,064	\$ 88,305,684	\$ 206,692	\$ 283,924

CITY OF SUGAR HILL, GEORGIA

Statement of Activities

For the Year Ended December 31, 2015

	<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>Primary Government</u>			<u>Housing Authority</u>	<u>Downtown Dev. Authority</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>		
Primary government:									
Governmental activities									
General government	\$ 2,520,301	\$ 907,069	\$ -	\$ 478,987	\$ (1,134,245)	\$ -	\$ (1,134,245)	\$ -	\$ -
Judicial	2,686	8,976	-	-	6,290	-	6,290	-	-
Public safety	134,604	-	-	-	(134,604)	-	(134,604)	-	-
Public works	2,116,456	-	-	849,297	(1,267,159)	-	(1,267,159)	-	-
Health and welfare	18,198	-	-	-	(18,198)	-	(18,198)	-	-
Recreation and culture	1,248,499	456,365	-	2,148,274	1,356,140	-	1,356,140	-	-
Housing and development	1,669,096	-	-	-	(1,669,096)	-	(1,669,096)	-	-
Total governmental activities	7,709,840	1,372,410	-	3,476,558	(2,860,872)	-	(2,860,872)	-	-
Business-type activities									
Gas	4,984,851	6,356,667	-	-	-	1,371,816	1,371,816		
Golf	1,117,463	759,241	-	-	-	(358,222)	(358,222)		
Stormwater utility	272,206	633,298	-	-	-	361,092	361,092		
Car wash	39,683	66,872	-	-	-	27,189	27,189		
Total business-type activities	6,414,203	7,816,078	-	-	-	1,401,875	1,401,875		
Total primary government	\$ 14,124,043	\$ 9,188,488	\$ -	\$ 3,476,558	(2,860,872)	1,401,875	(1,458,997)		
Component units:									
City of Sugar Hill Housing Authority	12,660	18,288	-	-				5,628	
Downtown Development Authority	131,999	112,950	248,955	-					229,906
Total component units	\$ 144,659	\$ 131,238	\$ 248,955	\$ -				\$ 5,628	\$ 229,906
General revenues:									
Taxes:									
Property taxes, levied for general purposes					2,989,570	-	2,989,570	-	-
Franchise fees					927,315	-	927,315	-	-
Excise taxes					174,997	-	174,997	-	-
Business tax					1,398,455	-	1,398,455	-	-
Alcoholic beverage tax					51,750	-	51,750	-	-
Interest and investment earnings					17,838	-	17,838	677	-
Miscellaneous					31,056	1,800	32,856	-	-
Gain on disposition of assets					1,187	-	1,187	-	-
Transfers					1,417,312	(1,417,312)	-	-	-
Total general revenues and transfers					7,009,480	(1,415,512)	5,593,968	677	-
Change in net position					4,148,608	(13,637)	4,134,971	6,305	229,906
Net Position Beginning of Year					74,058,012	10,112,701	84,170,713	200,387	54,018
Ending Net Position					\$ 78,206,620	\$ 10,099,064	\$ 88,305,684	\$ 206,692	\$ 283,924

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

CITY OF SUGAR HILL, GEORGIA

Balance Sheet
Governmental Funds
December 31, 2015

	General	Capital	SPLOST	SPLOST	SPLOST	Total
	Fund	Improvements	2005	2009	2014	Governmental
Assets	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Cash and cash equivalents	\$ 5,494,025	\$ -	\$ 454,998	\$ 166,595	\$ 3,936,869	\$ 10,052,487
Restricted cash	347,303	-	-	-	-	347,303
Intergovernmental receivable	-	-	-	-	530,424	530,424
Receivables (net)	821,686	-	-	-	-	821,686
Prepaid expenditures	28,723	-	-	-	-	28,723
Due from other funds	1,032,573	-	-	-	-	1,032,573
Due from component unit	1,003,909	152,066	-	-	-	1,155,975
Total Assets	<hr/> 8,728,219	152,066	454,998	166,595	4,467,293	13,969,171
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 8,728,219</u>	<u>\$ 152,066</u>	<u>\$ 454,998</u>	<u>\$ 166,595</u>	<u>\$ 4,467,293</u>	<u>\$ 13,969,171</u>
Liabilities						
Accounts payable	\$ 149,379	\$ 1,577,073	\$ -	\$ -	\$ -	1,726,452
Retainage payable	-	147,935	-	-	-	147,935
Accrued expenses	30,168	-	-	-	-	30,168
Due to other funds	621,625	-	-	-	1,032,573	1,654,198
Bonds held	347,303	-	-	-	-	347,303
Total Liabilities	<hr/> 1,148,475	1,725,008	-	-	1,032,573	3,906,056
Deferred Inflows of Resources	71,155	-	-	-	-	71,155
Total Liabilities and Deferred Inflows of Resources	<hr/> 1,219,630	1,725,008	-	-	1,032,573	3,977,211
Fund Balances						
Nonspendable:						
Prepaid expenditures	28,723	-	-	-	-	28,723
Restricted for:						
Capital projects	-	(1,572,942)	454,998	166,595	3,434,720	2,483,371
Stormwater activities	-	-	-	-	-	-
Tourism	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-
Unassigned	7,479,866	-	-	-	-	7,479,866
Total Fund Balances	<hr/> 7,508,589	(1,572,942)	454,998	166,595	3,434,720	9,991,960
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,728,219</u>	<u>\$ 152,066</u>	<u>\$ 454,998</u>	<u>\$ 166,595</u>	<u>\$ 4,467,293</u>	<u>\$ 13,969,171</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, 2015

Total Governmental Fund Balances \$ 9,991,960

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	\$	93,734,428	
Less: Accumulated depreciation		<u>(23,855,370)</u>	
Total capital assets			69,879,058

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	(140,702)
Landfill Closure/Postclosure costs	<u>(1,594,851)</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.

71,155

Net Position of Governmental Activities \$ 78,206,620

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

CITY OF SUGAR HILL, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General Fund	Capital Improvements Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	SPLOST 2014 Fund	Total Governmental Funds
Revenues						
Taxes	\$ 5,489,451	\$ -	\$ -	\$ -	\$ -	\$ 5,489,451
Intergovernmental	133,897	476,206	-	-	2,864,365	3,474,468
Licenses and permits	461,383	-	-	-	-	461,383
Fines and forfeitures	15,076	-	-	-	-	15,076
Charges for services	972,908	-	-	-	-	972,908
Interest	17,838	-	682	166	1,933	20,619
Miscellaneous	12,340	-	-	-	-	12,340
Total Revenue	<u>7,102,893</u>	<u>476,206</u>	<u>682</u>	<u>166</u>	<u>2,866,298</u>	<u>10,446,245</u>
Expenditures						
Current:						
General government	10,409,686	-	-	-	-	10,409,686
Judicial	2,686	-	-	-	-	2,686
Public safety	134,604	-	-	-	-	134,604
Public works	1,109,727	411	-	-	-	1,110,138
Recreation and culture	669,491	-	-	-	-	669,491
Housing and development	1,583,057	-	-	-	-	1,583,057
Capital Outlay	-	2,171,439	-	-	1,032,673	3,204,112
Total Expenditures	<u>13,909,251</u>	<u>2,171,850</u>	<u>-</u>	<u>-</u>	<u>1,032,673</u>	<u>17,113,774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,806,358)	(1,695,644)	682	166	1,833,625	(6,667,529)
Other Financing Sources (Uses)						
Transfers in	1,630,208	122,702	-	-	-	1,752,910
Transfers out	(335,598)	-	-	-	-	(335,598)
Total Other Financing Sources (Uses)	<u>1,294,610</u>	<u>122,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,417,312</u>
Net Change in Fund Balances	(5,511,748)	(1,572,942)	682	166	1,833,625	(5,250,217)
Fund Balances Beginning of Year	13,020,337	-	454,316	166,429	1,601,095	15,242,177
Fund Balances End of Year	<u>\$ 7,508,589</u>	<u>\$ (1,572,942)</u>	<u>\$ 454,998</u>	<u>\$ 166,595</u>	<u>\$ 3,434,720</u>	<u>\$ 9,991,960</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, 2015

Net Changes in Fund Balances-Total Governmental Funds \$ (5,250,217)

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	11,700,993	
Less: Current year depreciation	<u>(2,340,617)</u>	
		9,360,376

The book value of capital assets disposed are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement less accumulated depreciation. These assets were transferred to the Downtown Development Authority. (73,955)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Landfill Closure / Postclosure Costs		144,986
--------------------------------------	--	---------

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

Compensated absence liability at December 31, 2014	113,229	
Compensated absence liability at December 31, 2015	<u>(140,702)</u>	
		(27,473)

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, 2014	(76,264)	
Deferred revenue at December 31, 2015	<u>71,155</u>	
		<u>(5,109)</u>

Change in Net Position of Governmental Activities \$ 4,148,608

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

CITY OF SUGAR HILL, GEORGIA

Statement of Net Position

Proprietary Funds

December 31, 2015

Assets	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	
Current Assets				
Cash and cash equivalents	\$ 800	\$ 1,300	\$ -	2,100
Restricted cash and cash equivalents	662,376	-	-	662,376
Accounts receivable (net)	658,647	-	38,820	697,467
Supplies / inventory	68,274	12,797	-	81,071
Due from other funds	-	-	621,625	621,625
Total Current Assets	<u>1,390,097</u>	<u>14,097</u>	<u>660,445</u>	<u>2,064,639</u>
Noncurrent Assets				
Capital assets				
Non-depreciable	10,900	4,247,948	634,473	4,893,321
Depreciable, net	3,062,982	1,265,617	116,529	4,445,128
Total Noncurrent Assets	<u>3,073,882</u>	<u>5,513,565</u>	<u>751,002</u>	<u>9,338,449</u>
Total Assets	<u>4,463,979</u>	<u>5,527,662</u>	<u>1,411,447</u>	<u>11,403,088</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>4,463,979</u>	<u>5,527,662</u>	<u>1,411,447</u>	<u>11,403,088</u>
Liabilities				
Current Liabilities				
Accounts payable	548,337	9,885	1,332	559,554
Accrued expenses	8,845	6,366	2,376	17,587
Unearned revenue	1,353	8,246	-	9,599
Total Current Liabilities	<u>558,535</u>	<u>24,497</u>	<u>3,708</u>	<u>586,740</u>
Long-term Liabilities				
Compensated absences	24,330	24,815	7,116	56,261
Customer deposits	661,023	-	-	661,023
Total Long-term Liabilities	<u>685,353</u>	<u>24,815</u>	<u>7,116</u>	<u>717,284</u>
Total Liabilities	<u>1,243,888</u>	<u>49,312</u>	<u>10,824</u>	<u>1,304,024</u>
Deferred Inflows of Resources	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>1,243,888</u>	<u>49,312</u>	<u>10,824</u>	<u>1,304,024</u>
Net Position				
Net investment in capital assets	3,073,882	5,513,565	751,002	9,338,449
Unrestricted	146,209	(35,215)	649,621	760,615
Total Net Position	<u>\$ 3,220,091</u>	<u>\$ 5,478,350</u>	<u>\$ 1,400,623</u>	<u>\$ 10,099,064</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, 2015

	<u>Gas</u> <u>Fund</u>	<u>Golf</u> <u>Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
Operating Revenue				
Sales	\$ 6,168,132	\$ -	\$ 66,872	\$ 6,235,004
Tap-on fees	47,950	-	-	47,950
Green and cart fees	-	561,296	-	561,296
Rentals	-	35,821	-	35,821
Concessions and merchandise	-	161,136	-	161,136
User fees and charges	-	-	626,654	626,654
Penalties and interest	112,461	-	6,644	119,105
Miscellaneous income	29,924	988	-	30,912
Total Operating revenue	<u>6,358,467</u>	<u>759,241</u>	<u>700,170</u>	<u>7,817,878</u>
Operating Expenses				
Personnel services:				
Salaries and wages	527,594	398,903	126,079	1,052,576
Employment Taxes	41,330	31,537	9,385	82,252
Benefits	247,469	133,566	56,896	437,931
Total Personnel Services	<u>816,393</u>	<u>564,006</u>	<u>192,360</u>	<u>1,572,759</u>
Purchased / contracted services:				
Professional and technical	146,982	2,664	18,162	167,808
Purchased property services	18,417	46,669	4,746	69,832
Rentals	61	975	35	1,071
Other purchased services	100,173	138,857	45,517	284,547
Total Purchased / contracted services	<u>265,633</u>	<u>189,165</u>	<u>68,460</u>	<u>523,258</u>
Supplies	235,904	104,588	22,088	362,580
Purchases for resale	3,518,707	85,758	-	3,604,465
Depreciation	148,214	173,638	28,981	350,833
Total Operating Expenses	<u>4,984,851</u>	<u>1,117,155</u>	<u>311,889</u>	<u>6,413,895</u>
Operating Income (Loss)	<u>1,373,616</u>	<u>(357,914)</u>	<u>388,281</u>	<u>1,403,983</u>
Nonoperating Revenues (Expenses)				
Interest expense	-	(308)	-	(308)
Total Nonoperating Revenues and (Expenses)	<u>-</u>	<u>(308)</u>	<u>-</u>	<u>(308)</u>
Transfer in	-	212,896	-	212,896
Transfer (out)	(1,600,254)	-	(29,954)	(1,630,208)
Change in Net Position	<u>(226,638)</u>	<u>(145,326)</u>	<u>358,327</u>	<u>-13,637</u>
Net Position Beginning of Year	3,446,729	5,623,676	1,042,296	10,112,701
Net Position End of Year	<u>\$ 3,220,091</u>	<u>\$ 5,478,350</u>	<u>\$ 1,400,623</u>	<u>\$ 10,099,064</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, 2015

	<u>Gas</u> <u>Fund</u>	<u>Golf</u> <u>Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 6,665,607	\$ 755,059	\$ 306,299	\$ 7,726,965
Payments to suppliers	(4,180,247)	(392,854)	(89,451)	(4,662,552)
Payments to employees	(814,529)	(560,318)	(186,894)	(1,561,741)
Net cash provided (used) by operating activities	1,670,831	(198,113)	29,954	1,502,672
Cash flows from noncapital financing activities:				
Transfer from other funds	-	212,896	-	212,896
Transfer to other funds	(1,600,254)	-	(29,954)	(1,630,208)
Net cash provided (used) by noncapital financing activities	(1,600,254)	212,896	(29,954)	(1,417,312)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(44,490)	-	-	(44,490)
Debt payments, principal and interest	-	(23,134)	-	(23,134)
Net cash provided (used) by capital and related financing activities	(44,490)	(23,134)	-	(67,624)
Net increase (decrease) in cash and cash equivalents	26,087	(8,351)	-	17,736
Cash and cash equivalents, December 31, 2014	637,088	9,651	-	646,739
Cash and cash equivalents, December 31, 2015	\$ 663,175	\$ 1,300	\$ -	\$ 664,475
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,373,616	\$ (357,914)	\$ 388,281	\$ 1,403,983
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	148,214	173,638	28,981	350,833
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	281,051	0	4,658	285,709
(Increase) decrease in supplies/inventory	21,486	(658)	0	20,828
Increase (decrease) in due from other funds	0	0	(398,529)	(398,529)
Increase (decrease) in accounts payable	(181,489)	(12,685)	1,097	(193,077)
Increase (decrease) in accrued expenses	2,328	2,445	1,114	5,887
Increase (decrease) in compensated absences	(464)	1,243	4,352	5,131
Increase (decrease) in deferred revenue	(127)	(4,182)	0	(4,309)
Increase (decrease) in customer deposits	26,216	0	0	26,216
Net cash provided (used) by operating activities	\$ 1,670,831	\$ (198,113)	\$ 29,954	\$ 1,502,672

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

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2015

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 2015, 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, 2015

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, 2015

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 governmental funds:

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

SPLOST 2005, SPLOST 2009, & SPLOST 2014. These funds account for Special Purpose Local Option Sales Tax financial resources expended for capital purposes approved by referendum.

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

The City reports the following major proprietary funds:

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

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

The City reports the following nonmajor proprietary funds:

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

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

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

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

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus

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

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

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

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

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

1-D Assets, Liabilities, and Equity

Cash and Cash Equivalents

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

Investments

The City does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2015, 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.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables

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

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

All trade and property tax receivables, including those for the City of Sugar Hill, are shown net of an allowance for uncollectibles. Trade accounts receivable for the City are the balances in the proprietary fund resulting from the sale of gas utility services. Balances due for utility services in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles, which was \$60,000 at December 31, 2015. 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 \$3,154 in the Stormwater Fund as of December 31, 2015.

Property Tax Calendar

The City set its millage rate for the 2015 fiscal year on July 6, 2015 at 3.800 mills. Property tax bills were mailed on August 15, 2015 by the Gwinnett County Tax Commissioner and were due October 15, 2015. Penalties and interest are due on all accounts not paid by the due date.

Inventories and Prepaid Items

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

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

Capital Assets

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

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

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Governmental	Gas	Golf	Car Wash	Stormwater
	Funds	Fund	Fund	Fund	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. Any amounts of personal leave over the maximum of 240 hours are either paid to the employee or contributed to the employee's 401k policy, at the employees' discretion at the end of the year. Upon termination, employees are paid full value for any accrued leave earned. Employees may not elect to apply accumulated personal leave to their time of service at their retirement.

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

Deferred Outflows/Inflows of Resources

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

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 fees.

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2015

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, 2015, 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.

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, 2015 for the City's major governmental and proprietary funds are as follows:

Governmental Funds:	
Property taxes receivable - net	\$ 97,611
Due from other governments - SPLOST	530,424
Franchise fees receivable	724,075
Total Governmental Receivables:	<u>\$ 1,352,110</u>
Business-type Funds:	
Stormwater utility fees receivable - net	\$ 38,820
Accounts receivable, net - Gas customers	658,647
Total Business-type Receivables:	<u>\$ 697,467</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, 2015

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Retirements	Reclassification:	Ending Balance
Primary Government:					
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 6,880,715	\$ 7,703,681	\$ -	\$ -	\$ 14,584,396
Construction in progress	188,592	3,149,867	73,955	-	3,264,504
Total non-depreciable capital assets	7,069,307	10,853,548	73,955	-	17,848,900
Depreciable Assets:					
Buildings and improvements	14,088,250	750,000	-	-	14,838,250
Machinery and equipment	1,456,586	53,398	-	-	1,509,984
Furniture and fixtures	-	-	-	-	-
Vehicles	885,591	-	-	-	885,591
Infrastructure	41,969,992	44,047	-	-	42,014,039
Sprayfield	226,914	-	-	-	226,914
Recreational upgrades	16,410,750	-	-	-	16,410,750
Total depreciable capital assets	75,038,083	847,445	-	-	75,885,528
Accumulated Depreciation:					
Buildings and improvements	1,331,113	468,543	-	-	1,799,656
Machinery and equipment	814,074	97,510	-	-	911,584
Furniture and fixtures	-	-	-	-	-
Vehicles	644,243	66,158	-	-	710,401
Infrastructure	15,920,763	1,136,695	-	-	17,057,458
Sprayfield	64,929	6,376	-	-	71,305
Recreational upgrades	2,739,631	565,335	-	-	3,304,966
Total accumulated depreciation	21,514,753	2,340,617	-	-	23,855,370
Total depreciable capital assets, net	53,523,330	(1,493,172)	-	-	52,030,158
Governmental activities capital assets, net	60,592,637	9,360,376	73,955	-	69,879,058
Business-type Activities:					
Non-Depreciable Assets:					
Land	4,893,321	-	-	-	4,893,321
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	4,893,321	-	-	-	4,893,321
Depreciable Assets:					
Buildings and improvements	2,343,049	-	-	-	2,343,049
Machinery and equipment	1,791,212	5,350	-	-	1,796,562
Furniture and fixtures	80,932	-	-	-	80,932
Vehicles	428,973	39,140	-	-	468,113
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	10,284,683	44,490	-	-	10,329,173
Accumulated Depreciation:					
Buildings and improvements	1,430,632	87,681	-	-	1,518,313
Machinery and equipment	1,352,548	77,814	-	-	1,430,362
Furniture and fixtures	76,581	2,305	-	-	78,886
Vehicles	331,588	27,115	-	-	358,703
Sprayfield	306,431	19,455	-	-	325,886
Gas distribution system	1,582,523	106,418	-	-	1,688,941
Golf course renovations	452,909	30,045	-	-	482,954
Total accumulated depreciation	5,533,212	350,833	-	-	5,884,045
Total depreciable capital assets, net	4,751,471	(306,343)	-	-	4,445,128
Business-type activities capital assets, net	\$ 9,644,792	\$ (306,343)	\$ -	\$ -	\$ 9,338,449

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 5. CAPITAL ASSETS (CONTINUED)

Retirements of governmental activities capital assets for the fiscal year ending December 31, 2015 consists of \$73,955 construction-in-progress transferred to the discretely presented component unit, Development Authority.

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

Governmental Activities:	
General government	\$ 578,422
Public works	1,145,752
Health and welfare	18,198
Culture and recreation	591,640
Housing and development	6,605
Total depreciation expense - governmental activities	\$ 2,340,617
 Business-type Activities:	
Gas	\$ 148,214
Golf	173,638
Stormwater	27,148
Car wash	1,833
Total depreciation expense - business-type activities	\$ 350,833

NOTE 6. RISK MANAGEMENT

The City purchased general liability insurance from Selective Insurance Company in 2014 and Georgia Interlocal Risk Management Agency in 2015. The City's policy starts May 1st and ends April 30th of each year. The premium for the City's fiscal year of 2015 was \$132,763. The City purchased Workers Compensation Insurance through Selective Insurance Company in 2014 and Georgia Municipal Association Workers' Compensation Self-Insurance Fund in 2015. The City's policy year for Selective Insurance started on May 1st and ends on April 30th of each year. The City's policy period for Georgia Municipal Association carry a six month term which started on May 1st and ended December 31st. The premium for the City's fiscal year of 2015 was \$51,308.

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

NOTE 7. DEFERRED INFLOWS OF RESOURCES

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

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

Governmental Fund Financial Statements:	
Franchise fees	\$ 15,882
Property taxes	55,273
Total Deferred Inflows of Resources	\$71,155

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2015

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, 2015, the City has recorded a liability for the landfill of \$1,594,851 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 2015. 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.

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:

	Balance as of 12/31/2014	Additions	Reductions	Balance as of 12/31/2015	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 113,229	\$ 147,839	\$ (120,366)	\$ 140,702	\$ -
Landfill closure/postclosure	1,739,837	-	(144,986)	1,594,851	144,986
Total governmental activities	\$ 1,853,066	\$ 147,839	\$ (265,352)	\$ 1,735,553	\$ 144,986
Business-Type Activities:					
Capital leases	\$ 22,825	\$ -	\$ (22,825)	\$ -	\$ -
Compensated absences	51,130	82,459	(77,328)	56,261	-
Total business-type activities	\$ 73,955	\$ 82,459	\$ (100,153)	\$ 56,261	\$ -

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 \$308 was paid in the year ending December 31, 2015. 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.

Because the lease matured during the year, there are no future minimum lease obligations as of December 31, 2015.

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.

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2015

NOTE 11. BONDS HELD

As of December 31, 2015, four companies posted multiple 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 2015, no erosion bonds were called due to noncompliance. The outstanding balance of the erosion bonds as of December 31, 2015 is \$347,303.

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, 2015, the interfund receivables and payables were as follows:

Interfund Balances:

<u>Due To:</u>	<u>Due From:</u>		Total
	General Fund	SPLOST 2014 Fund	
General Fund	\$ -	\$ 1,032,573	\$ 1,032,573
Stormwater Fund	621,625	-	621,625
	<u>\$ 621,625</u>	<u>\$ 1,032,573</u>	<u>\$ 1,654,198</u>

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

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During 2015, the transfers were as follows:

Transfers:

<u>Transfer to:</u>	<u>Transfer from:</u>			Total
	General Fund	Gas Fund	Car Wash Fund	
General Fund	\$ -	\$ 1,600,254	\$ 29,954	\$ 1,630,208
Capital Improvements Fund	122,702	-	-	122,702
Golf Fund	212,896	-	-	212,896
	<u>\$ 335,598</u>	<u>\$ 1,600,254</u>	<u>\$ 29,954</u>	<u>\$ 1,965,806</u>

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2015

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)
General Fund			
General government	\$ 10,867,573	\$ 10,409,686	\$ (457,887)
Judicial	11,750	2,686	(9,064)
Public safety	150,000	134,604	(15,396)
Public works	1,574,800	1,109,727	(465,073)
Recreation and culture	838,400	669,491	(168,909)
Housing and development	1,642,789	1,583,057	(59,732)
Transfers Out	335,600	335,598	(2)
	<u>\$ 15,420,912</u>	<u>\$ 14,244,849</u>	<u>\$ (1,176,063)</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 month of service to be eligible for participation in the plan. The City's contribution requirements can be amended by majority vote of the City Council. For Fiscal Year 2015, 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, 2015, the city contributed \$108,292.

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, 2015, the employees contributed \$128,555 to the plan and the city contributed \$52,277.

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, 2015

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 \$282,645,000 as of December 31, 2015, with the City’s pro-rata share being 1.92%, or \$5,436,394.

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, 2015, the City’s dues were paid by Gwinnett County, which did not request reimbursement from the City. According to the ARC, all dues are billed to the County and the management of the County determined if each municipality within the County should be billed for their pro-rata share of the dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The ARC’s Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from:

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

NOTE 19. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 13, 2016

On February 19, 2016, the City entered into a contract, as lessee, with the Development Authority to issue \$24,375,000 in revenue bonds, Series 2016A, and \$3,855,000 in taxable revenue bonds, Series 2016B. The Series 2016A bonds carry a rate of ranging from 2.5% to 4.0% per annum and mature on December 1, 2035. The Series 2016B bonds carry a rate ranging from 1.25% to 2.0% per annum and mature on December 31, 2021. The bonds were issued to construct the Epicenter. Under the contract, the City will fund the bond payments as rent for the portion of the facilities rented by the City along with commercial lease tenants until the bond principal, premium, and interest have been fully paid. The Epicenter building will be owned and managed by the Development Authority. The City is committed to contribute a total of \$7 million in SPLOST 2014 funds to the Epic Center Construction project. \$3.25 million of the committed SPLOST 2014 funds were contributed at the time of bond closing on February 19, 2016.

CITY OF SUGAR HILL, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Differences Over / (Under)	GAAP Basis	Final Budget Over / (Under)
Revenues						
Taxes	\$ 4,564,500	\$ 4,564,500	\$ 5,489,451	\$ -	\$ 5,489,451	\$ 924,951
Intergovernmental	133,690	133,690	133,897	-	133,897	207
Licenses and permits	332,600	332,600	461,383	-	461,383	128,783
Fines and forfeitures	24,750	24,750	15,076	-	15,076	(9,674)
Charges for services	669,700	669,700	972,908	-	972,908	303,208
Investment earnings	10,000	10,000	17,838	-	17,838	7,838
Contributions and donations	-	-	-	-	-	-
Miscellaneous	15,000	15,000	12,340	-	12,340	(2,660)
Total Revenues	5,750,240	5,750,240	7,102,893	-	7,102,893	1,352,653
Expenditures						
Current Operating:						
General government	2,593,301	10,867,573	10,409,686	-	10,409,686	(457,887)
Judicial	11,750	11,750	2,686	-	2,686	(9,064)
Public safety	150,000	150,000	134,604	-	134,604	(15,396)
Public works	1,574,800	1,574,800	1,109,727	-	1,109,727	(465,073)
Recreation and culture	838,400	838,400	669,491	-	669,491	(168,909)
Housing and development	1,642,789	1,642,789	1,583,057	-	1,583,057	(59,732)
Total Expenditures	6,811,040	15,085,312	13,909,251	-	13,909,251	(1,176,061)
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(1,060,800)	(9,335,072)	(6,806,358)	-	(6,806,358)	2,528,714
Other Financing Sources (Uses)						
Transfers in	1,235,000	1,235,000	1,630,208	-	1,630,208	395,208
Transfers out	(174,200)	(335,600)	(335,598)	-	(335,598)	(2)
Budgeted Fund Balance	-	8,435,672	-	-	-	(8,435,672)
Total Other Financing Sources (Uses)	1,060,800	9,335,072	1,294,610	-	1,294,610	(8,040,466)
Net Change in Fund Balances	\$ -	\$ -	(5,511,748)	\$ -	(5,511,748)	(5,511,752)
Fund Balance Beginning of Year			13,020,337		13,020,337	
Fund Balance End of Year			\$ 7,508,589		\$ 7,508,589	

City of Sugar Hill, Georgia
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended December 31, 2015

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

- (a). Prior to December 1, the City Finance Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (b). Public hearings are conducted in November or December to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.
- (c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council at the normal council meeting in December.

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

Budgetary Accounting

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

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

Budget Requirements

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

<u>Department</u>	<u>Original Budget</u>	<u>Supplemental Appropriations</u>	<u>Supplemental Decreases</u>	<u>Revised Appropriations</u>
General Fund				
General government	\$ 2,593,301	\$ 8,274,272	\$ -	\$ 10,867,573
Transfers Out	174,200	161,400	\$ -	335,600
	<u>\$ 6,985,240</u>	<u>\$ 8,435,672</u>	<u>\$ -</u>	<u>\$ 15,420,912</u>

CITY OF SUGAR HILL, GEORGIA

Combining Statement of Net Position

Nonmajor Proprietary Funds

December 31, 2015

	<u>Stormwater Utility Fund</u>	<u>Car Wash Fund</u>	<u>Total Nonmajor Proprietary Funds</u>
Assets			
Current Assets			
Accounts receivable (net)	\$ 38,820	\$ -	\$ 38,820
Due from other funds	621,625	-	621,625
Total Current Assets	<u>660,445</u>	<u>-</u>	<u>660,445</u>
Noncurrent Assets:			
Capital assets			
Non-depreciable	-	634,473	634,473
Depreciable, net	68,253	48,276	116,529
Total Long-term Assets	<u>68,253</u>	<u>682,749</u>	<u>751,002</u>
Total Assets	<u>728,698</u>	<u>682,749</u>	<u>1,411,447</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>728,698</u>	<u>682,749</u>	<u>1,411,447</u>
Liabilities			
Current Liabilities:			
Accounts payable	400	932	1,332
Accrued expenses	2,376	-	2,376
Total Current Liabilities	<u>2,776</u>	<u>932</u>	<u>3,708</u>
Long-term Liabilities:			
Compensated absences	7,116	-	7,116
Total Long-term Liabilities	<u>7,116</u>	<u>-</u>	<u>7,116</u>
Total Liabilities	<u>9,892</u>	<u>932</u>	<u>10,824</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>9,892</u>	<u>932</u>	<u>10,824</u>
Net Position			
Net investment in capital assets	68,253	682,749	751,002
Unrestricted	650,553	(932)	649,621
Total Net Position	<u>\$ 718,806</u>	<u>\$ 681,817</u>	<u>\$ 1,400,623</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, 2015

	Stormwater <u>Utility Fund</u>	Car Wash <u>Fund</u>	Total Nonmajor Nonmajor Proprietary <u>Funds</u>
Operating Revenue:			
Sales	\$ -	\$ 66,872	\$ 66,872
User fees and charges	626,654	-	626,654
Penalties and interest	6,644	-	6,644
Total Operating Revenue	<u>633,298</u>	<u>66,872</u>	<u>700,170</u>
Operating Expenses:			
Personnel services:			
Salaries and wages	126,079	-	126,079
Employment taxes	9,385	-	9,385
Benefits	56,896	-	56,896
Total Personnel services	<u>192,360</u>	<u>-</u>	<u>192,360</u>
Purchased / contracted services:			
Professional and technical	6,462	11,700	18,162
Purchased property services	3,982	764	4,746
Rentals	35	-	35
Other purchased services	26,946	18,571	45,517
Total Purchased / contracted services	<u>37,425</u>	<u>31,035</u>	<u>68,460</u>
Supplies	15,273	6,815	22,088
Depreciation	27,148	1,833	28,981
Total Operating Expenses	<u>272,206</u>	<u>39,683</u>	<u>311,889</u>
Operating Income (Loss)	<u>361,092</u>	<u>27,189</u>	<u>388,281</u>
Transfer Out	-	(29,954)	(29,954)
Change in Net Position	<u>361,092</u>	<u>(2,765)</u>	<u>358,327</u>
Net Position Beginning of Year	357,714	684,582	1,042,296
Net Position End of Year	<u>\$ 718,806</u>	<u>\$ 681,817</u>	<u>\$ 1,400,623</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, 2015

	Stormwater Fund	Car Wash Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities:			
Receipts from customers	\$ 239,427	\$ 66,872	\$ 306,299
Payments to suppliers	(52,533)	(36,918)	(89,451)
Payments to employees	(186,894)	-	(186,894)
Net cash provided (used) by operating activities	<u>-</u>	<u>29,954</u>	<u>29,954</u>
Cash flows from noncapital financing activities:			
Transfer to other funds	-	(29,954)	(29,954)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(29,954)</u>	<u>(29,954)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, December 31, 2014	-	-	-
Cash and cash equivalents, December 31, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 361,092	\$ (2,765)	\$ 358,327
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	27,148	1,833	28,981
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	4,658	-	4,658
(Increase) decrease in due from other funds	(398,529)	-	(398,529)
Increase (decrease) in accounts payable	165	932	1,097
Increase (decrease) in accrued expenses	1,114	-	1,114
Increase (decrease) in compensated absences	4,352	-	4,352
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



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

To the City Council
Sugar Hill, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Sugar Hill, Georgia's basic financial statements and have issued our report thereon dated June 13, 2016.

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.

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: 2015-1 – 2015-7.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sugar Hill, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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

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

Purpose of this Report

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

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

Walker, Pierce & Tuck, CPA's, P.C.
Gainesville, Georgia
June 13, 2016



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

City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2015

Findings – Financial Statement Audit

INTERNAL CONTROL

2015 -1

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

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

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

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

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

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

2015 -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. A third finance department staff member has been hired in April 2016. The staff has been cross trained in the areas of accounts payable, cash receipts and deposits, budgeting, payroll, journal vouchers, and bank reconciliation. The Finance Manager oversees and assigns tasks weekly to the staff. One person is not in charge of any particular area, rather, tasks are rotated as determined by the finance manager.

City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2015

INTERNAL CONTROL (CONTINUED):

2015 -3

- Condition:** The City did not perform monthly reconciliations of liability and asset accounts accurately and in a timely manner.
- 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 balance sheet accounts during the audit period in a timely manner and reconciling items were not properly resolved.
- Effect:** The reconciling adjustments discovered during the reconciliation process were routinely recorded by the City to revenue and expense accounts without properly researching the underlying cause and resulted in amounts being recorded to improper accounts.
- Recommendation:** The City should implement policies and procedures to insure a monthly reconciliation is performed on all asset and liability accounts accurately and timely. In addition, all variances discovered during the reconciliation process should be researched and resolved appropriately to prevent misstatements and recurrence.
- Response:** The City agrees with this finding. With the addition of another staff member in the finance department, duties have been shifted, allowing for more time to perform monthly reconciliations.

2015 -4

- Condition:** The City does not accurately 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 accurately reconcile 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. With the addition of another staff member in the finance department, duties have been shifted, allowing for more time to perform monthly reconciliations.

City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2015

INTERNAL CONTROL (CONTINUED):

2015 -5

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 on a monthly basis.

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. With the addition of another staff member in the finance department, duties have been shifted, allowing for more time to perform monthly reconciliations.

2015 -6

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. With the addition of another staff member in the finance department, duties have been shifted, allowing for more time to perform monthly reconciliations.

City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2015

INTERNAL CONTROL (CONTINUED):

2015 -7

- 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. Although employee files for new hires are accurate and complete, employee files for senior employees may not be. An employee file audit and review will be performed to confirm completeness of the older files.

CITY OF SUGAR HILL, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended December 31, 2015

<u>Project Description</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
SPLOST 2005:					
Roads, streets and bridges	\$ 4,000,000	\$ 4,000,000	\$ 4,358,000	\$ -	4,358,000
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>\$ 9,016,785</u>	<u>\$ -</u>	<u>9,016,785</u>
SPLOST 2009:					
Roads, streets and bridges	\$ 3,000,000	\$ 3,000,000	\$ 661,527	\$ -	661,527
Recreational facilities	3,000,000	3,000,000	2,613,213	-	2,613,213
Administrative facilities	8,458,245	8,458,245	8,270,887	-	8,270,887
Total:	<u>\$ 14,458,245</u>	<u>\$ 14,458,245</u>	<u>\$ 11,545,627</u>	<u>\$ -</u>	<u>11,545,627</u>
SPLOST 2014:					
Roads, streets and bridges	\$ 2,433,164	\$ 2,433,164	\$ -	\$ 1,032,673	1,032,673
Recreational facilities	7,299,492	7,299,492	543,706	-	543,706
Total:	<u>\$ 9,732,656</u>	<u>\$ 9,732,656</u>	<u>\$ 543,706</u>	<u>\$ 1,032,673</u>	<u>1,576,379</u>