

CITY OF SUGAR HILL, GEORGIA

FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2017

WALKER, PIERCE & TUCK, CPA'S, PC

**CITY OF SUGAR HILL, GEORGIA
FISCAL YEAR ENDED DECEMBER 31, 2017
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INDEPENDENT AUDITOR'S REPORT

To the City Council
Sugar Hill, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sugar Hill, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Sugar Hill, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sugar Hill, Georgia, as of December 31, 2017, 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 26 and 27 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 28, 2018, 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 28, 2018

CITY OF SUGAR HILL, GEORGIA

Statement of Net Position

December 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Dev. Authority	Housing Authority
Assets					
Current Assets					
Cash and cash equivalents	\$ 8,294,114	\$ 2,100	\$ 8,296,214	\$ 28,655	\$ 29,549
Restricted cash	306,783	700,925	1,007,708	15,576,011	-
Investments	-	-	-	-	177,310
Accounts receivables (net)	857,161	944,773	1,801,934	-	-
Intergovernmental receivable	711,398	52,390	763,788	-	-
Other receivables	-	-	-	89,750	-
Prepaid expenditures	44,413	9,685	54,098	-	-
Interfund balances	(1,027,171)	1,027,171	-	-	-
Due from component unit	2,733,351	-	2,733,351	-	-
Supplies / inventory	-	189,690	189,690	-	-
Total Current Assets	11,920,049	2,926,734	14,846,783	15,694,416	206,859
Noncurrent Assets					
Capital assets					
Nondepreciable	22,259,223	4,258,848	26,518,071	31,489,863	-
Depreciable, net	51,957,413	3,885,443	55,842,856	15,772	-
Total Noncurrent Assets	74,216,636	8,144,291	82,360,927	31,505,635	-
Total Assets	86,136,685	11,071,025	97,207,710	47,200,051	206,859
Deferred Outflows of Resources					
	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	86,136,685	11,071,025	97,207,710	47,200,051	206,859
Liabilities					
Current Liabilities					
Accounts payable	317,713	767,737	1,085,450	5,575,987	-
Accrued expenses	52,026	22,734	74,760	77,644	-
Retainage Payable	27,369	-	27,369	2,250,000	-
Revenue bond payable	-	-	-	133,826	-
Unearned revenue	-	11,025	11,025	-	-
Due to primary government	-	-	-	2,733,351	-
Landfill closure/postclosure cost	144,987	-	144,987	-	-
Total Current Liabilities	542,095	801,496	1,343,591	10,770,808	-
Long-term Liabilities					
Revenue bonds payable	-	-	-	29,234,621	-
Amounts held in trust	306,782	696,450	1,003,232	500	-
Compensated absences	157,299	66,772	224,071	-	-
Landfill closure/postclosure cost	1,159,893	-	1,159,893	-	-
Total Long-term Liabilities	1,623,974	763,222	2,387,196	29,235,121	-
Total Liabilities	2,166,069	1,564,718	3,730,787	40,005,929	-
Deferred Inflows of Resources					
	-	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	2,166,069	1,564,718	3,730,787	40,005,929	-
Net Position					
Net Investment in Capital Assets	74,216,636	8,144,291	82,360,927	2,137,188	-
Restricted for:					
Capital projects	1,630,806	-	1,630,806	3,252,114	-
Debt service	-	-	-	1,640,164	-
Unrestricted	8,123,174	1,362,016	9,485,190	164,656	206,859
Total Net Position	\$ 83,970,616	\$ 9,506,307	\$ 93,476,923	\$ 7,194,122	\$ 206,859

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

CITY OF SUGAR HILL, GEORGIA

Statement of Activities

For the Year Ended December 31, 2017

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>			<u>Component Units</u>	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Government</u>			Downtown Dev. Authority	Housing Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental Activities:									
General government	\$ 2,688,874	\$ 1,123,322	\$ 19,667	\$ 3,139,615	\$ 1,593,730	\$ -	\$ 1,593,730	\$ -	-
Judicial	4,035	9,350	-	-	5,315	-	5,315	-	-
Public safety	146,333	-	-	-	(146,333)	-	(146,333)	-	-
Public works	2,950,334	-	16,662	1,327,509	(1,606,163)	-	(1,606,163)	-	-
Health and welfare	16,955	-	-	-	(16,955)	-	(16,955)	-	-
Recreation and culture	1,139,699	604,533	-	-	(535,166)	-	(535,166)	-	-
Housing and development	6,499,683	-	-	-	(6,499,683)	-	(6,499,683)	-	-
Total Governmental Activities	<u>13,445,913</u>	<u>1,737,205</u>	<u>36,329</u>	<u>4,467,124</u>	<u>(7,205,255)</u>	<u>-</u>	<u>(7,205,255)</u>	<u>-</u>	<u>-</u>
Business-type Activities:									
Gas	5,150,369	6,674,496	-	-	-	1,524,127	1,524,127		
Golf	1,129,858	740,558	-	-	-	(389,300)	(389,300)		
Stormwater	373,132	652,404	-	-	-	279,272	279,272		
Car Wash	5,379	8,353	-	-	-	2,974	2,974		
Total Business-type Activities	<u>6,658,738</u>	<u>8,075,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,417,073</u>	<u>1,417,073</u>		
Total Primary Government	<u>\$ 20,104,651</u>	<u>\$ 9,813,016</u>	<u>\$ 36,329</u>	<u>\$ 4,467,124</u>	<u>(7,205,255)</u>	<u>1,417,073</u>	<u>(5,788,182)</u>		
Component Units:									
Downtown Dev. Authority	917,948	975,726	28,002	3,758,194				3,843,974	
Housing Authority	1,157	-	-	-					(1,157)
Total Component Units	<u>\$ 919,105</u>	<u>\$ 975,726</u>	<u>\$ 28,002</u>	<u>\$ 3,758,194</u>				<u>\$ 3,843,974</u>	<u>\$ (1,157)</u>
General Revenues:									
Taxes:									
Property taxes, levied for general purposes					3,492,767	-	3,492,767	-	-
Franchise fees					927,471	-	927,471	-	-
Excise taxes					9,798	-	9,798	-	-
Business tax					1,644,151	-	1,644,151	-	-
Alcoholic beverage tax					248,053	-	248,053	-	-
Interest and investment earnings					27,810	-	27,810	169,452	675
Miscellaneous					60,505	300	60,805	-	-
Gain on disposition of assets					18,605	(42,359)	(23,754)	-	-
Reassigned assets					634,473	(634,473)	-	-	-
Transfers					1,145,885	(1,145,885)	-	-	-
Total General Revenues and Transfers					<u>8,209,518</u>	<u>(1,822,417)</u>	<u>6,387,101</u>	<u>169,452</u>	<u>675</u>
Change in Net Position					1,004,263	(405,344)	598,919	4,013,426	(482)
Net Position Beginning of Year					82,966,353	9,911,651	92,878,004	3,180,696	207,341
Ending Net Position					<u>\$ 83,970,616</u>	<u>\$ 9,506,307</u>	<u>\$ 93,476,923</u>	<u>\$ 7,194,122</u>	<u>\$ 206,859</u>

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

CITY OF SUGAR HILL, GEORGIA

Balance Sheet

Governmental Funds

December 31, 2017

	General Fund	Capital Improvements Fund	SPLOST 2014 Fund	SPLOST 2017 Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,450,330	\$ -	\$ -	\$ 843,784	\$ 8,294,114
Restricted cash	306,783	-	-	-	306,783
Intergovernmental receivable	-	103,868	-	607,530	711,398
Receivables (net)	857,161	-	-	-	857,161
Prepaid expenditures	44,413	-	-	-	44,413
Due from other funds	-	-	-	168,948	168,948
Due from component unit	2,729,247	4,104	-	-	2,733,351
Total Assets	<u>11,387,934</u>	<u>107,972</u>	<u>-</u>	<u>1,620,262</u>	<u>13,116,168</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,387,934</u>	<u>\$ 107,972</u>	<u>\$ -</u>	<u>\$ 1,620,262</u>	<u>\$ 13,116,168</u>
Liabilities					
Accounts payable	\$ 247,654	\$ 17,852	\$ -	\$ 52,207	317,713
Retainage payable	-	27,369	-	-	27,369
Accrued expenses	52,026	-	-	-	52,026
Due to other funds	1,196,119	-	-	-	1,196,119
Amounts held in trust	306,782	-	-	-	306,782
Total Liabilities	<u>1,802,581</u>	<u>45,221</u>	<u>-</u>	<u>52,207</u>	<u>1,900,009</u>
Deferred Inflows of Resources	<u>84,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,544</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,887,125</u>	<u>45,221</u>	<u>-</u>	<u>52,207</u>	<u>1,984,553</u>
Fund Balances					
Nonspendable:					
Prepaid expenditures	44,413	-	-	-	44,413
Restricted for:					
Capital projects	-	62,751	-	1,568,055	1,630,806
Unassigned	9,456,396	-	-	-	9,456,396
Total Fund Balances	<u>9,500,809</u>	<u>62,751</u>	<u>-</u>	<u>1,568,055</u>	<u>11,131,615</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,387,934</u>	<u>\$ 107,972</u>	<u>\$ -</u>	<u>\$ 1,620,262</u>	<u>\$ 13,116,168</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, 2017

Total Governmental Fund Balances \$ 11,131,615

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	\$	100,976,851	
Less: Accumulated depreciation		<u>(26,760,215)</u>	
Total capital assets			74,216,636

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

Accrued compensated absences not reported in governmental funds		(157,299)	
Landfill Closure/Postclosure costs		(1,304,880)	

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.

84,544

Net Position of Governmental Activities		<u>\$ 83,970,616</u>	
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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, 2017

	General Fund	Capital Improvements Fund	SPLOST 2014 Fund	SPLOST 2017 Fund	Total Governmental Funds
Revenues					
Property tax	3,472,331	-	-	-	3,472,331
Business tax	1,644,151	-	-	-	1,644,151
Franchise tax	927,471	-	-	-	927,471
Alcohol tax	193,703	-	-	-	193,703
Excise tax	9,798	-	-	-	9,798
Intergovernmental	37,020	739,247	665,306	2,470,672	3,912,245
Licenses and permits	668,222	-	-	-	668,222
Fines and forfeitures	9,350	-	-	-	9,350
Charges for services	1,113,292	-	-	-	1,113,292
Interest	27,810	-	1,146	2,491	31,447
Miscellaneous	60,505	-	-	-	60,505
Total Revenue	8,163,653	739,247	666,452	2,473,163	12,042,515
Expenditures					
Current:					
General government	3,090,773	-	98	-	3,090,871
Judicial	4,035	-	-	-	4,035
Public safety	134,666	-	-	-	134,666
Public works	1,405,187	243,118	16,154	266,705	1,931,164
Recreation and culture	794,998	1,047	-	-	796,045
Housing and development	2,738,326	-	3,750,000	-	6,488,326
Capital Outlay	-	649,292	17,774	638,403	1,305,469
Total Expenditures	8,167,985	893,457	3,784,026	905,108	13,750,576
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,332)	(154,210)	(3,117,574)	1,568,055	(1,708,061)
Other Financing Sources (Uses)					
Transfers in	1,447,782	406,113	-	-	1,853,895
Transfers out	(708,010)	-	-	-	(708,010)
Proceeds from sale of assets	18,605	-	-	-	18,605
Total Other Financing Sources (Uses)	758,377	406,113	-	-	1,164,490
Net Change in Fund Balances	754,045	251,903	(3,117,574)	1,568,055	(543,571)
Fund Balances Beginning of Year	8,746,764	(189,152)	3,117,574	-	11,675,186
Fund Balances End of Year	\$ 9,500,809	\$ 62,751	\$ -	\$ 1,568,055	\$ 11,131,615

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, 2017

Net Changes in Fund Balances-Total Governmental Funds		\$ (543,571)
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 outlay	2,459,188	
Less: Current year depreciation	<u>(2,291,674)</u>	167,514
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		144,985
Compensated absences are reported in the Statement of Activities, but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absence liability at December 31, 2016	149,462	
Compensated absence liability at December 31, 2017	<u>(157,299)</u>	(7,837)
Revenues from donated assets in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		588,262
Transfers from enterprise funds to governmental funds in the Statement of Activities that do not provide current financial resources are not reported as transfers in the governmental funds.		634,473
Because some revenues will not be collected for several months after the City's fiscal year end, they are considered "available" revenues and are deferred in the governmental funds.		
Deferred revenue at December 31, 2016	(64,107)	
Deferred revenue at December 31, 2017	<u>84,544</u>	20,437
Change in Net Position of Governmental Activities		<u><u>\$ 1,004,263</u></u>

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

CITY OF SUGAR HILL, GEORGIA

Statement of Net Position

Proprietary Funds

December 31, 2017

	Gas Fund	Golf Fund	Nonmajor Funds	Total
Current Assets				
Cash and cash equivalents	\$ 800	\$ 1,300	\$ -	\$ 2,100
Restricted cash and cash equivalents	699,534	1,391	-	700,925
Accounts receivable (net)	915,502	-	29,271	944,773
Due from other governments	-	52,390	-	52,390
Prepaid expenses	9,685	-	-	9,685
Supplies / inventory	176,707	12,983	-	189,690
Due from other funds	-	-	1,027,171	1,027,171
Total Current Assets	<u>1,802,228</u>	<u>68,064</u>	<u>1,056,442</u>	<u>2,926,734</u>
Noncurrent Assets				
Capital assets				
Non-depreciable	10,900	4,247,948	-	4,258,848
Depreciable, net	2,886,257	976,533	22,653	3,885,443
Total Noncurrent Assets	<u>2,897,157</u>	<u>5,224,481</u>	<u>22,653</u>	<u>8,144,291</u>
Total Assets	<u>4,699,385</u>	<u>5,292,545</u>	<u>1,079,095</u>	<u>11,071,025</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>4,699,385</u>	<u>5,292,545</u>	<u>1,079,095</u>	<u>11,071,025</u>
Liabilities				
Current Liabilities				
Accounts payable	753,754	11,541	2,442	767,737
Accrued expenses	12,335	7,102	3,297	22,734
Unearned revenue	3,084	7,941	-	11,025
Total Current Liabilities	<u>769,173</u>	<u>26,584</u>	<u>5,739</u>	<u>801,496</u>
Long-term Liabilities				
Customer deposits	696,450	-	-	696,450
Compensated absences	31,718	27,941	7,113	66,772
Total Long-term Liabilities	<u>728,168</u>	<u>27,941</u>	<u>7,113</u>	<u>763,222</u>
Total Liabilities	<u>1,497,341</u>	<u>54,525</u>	<u>12,852</u>	<u>1,564,718</u>
Deferred Inflows of Resources	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>1,497,341</u>	<u>54,525</u>	<u>12,852</u>	<u>1,564,718</u>
Net Position				
Net investment in capital assets	2,897,157	5,224,481	22,653	8,144,291
Unrestricted	304,887	13,539	1,043,590	1,362,016
Total Net Position	<u>\$ 3,202,044</u>	<u>\$ 5,238,020</u>	<u>\$ 1,066,243</u>	<u>\$ 9,506,307</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, 2017

	Gas Fund	Golf Fund	Nonmajor funds	Total
Operating Revenue				
Charges for services	\$ 6,224,707	\$ -	\$ 8,353	\$ 6,233,060
Tap fees	100,785	-	-	100,785
Green and cart fees	-	544,126	-	544,126
Rentals	-	36,505	-	36,505
Concessions and merchandise	-	156,925	-	156,925
User fees and charges	-	-	648,403	648,403
Penalties and interest	105,968	-	4,001	109,969
Miscellaneous income	243,336	3,002	-	246,338
Total Operating Revenue	<u>6,674,796</u>	<u>740,558</u>	<u>660,757</u>	<u>8,076,111</u>
Operating Expenses				
Personnel services:				
Salaries and wages	560,435	412,350	155,734	1,128,519
Employment Taxes	42,655	32,755	12,034	87,444
Benefits	237,719	135,262	85,173	458,154
Total Personnel Services	<u>840,809</u>	<u>580,367</u>	<u>252,941</u>	<u>1,674,117</u>
Purchased / contracted services:				
Professional and technical	195,272	445	27,693	223,410
Purchased property services	8,071	56,688	1,881	66,640
Rentals	-	1,090	-	1,090
Other purchased services	101,563	132,255	31,280	265,098
Total Purchased / contracted services	<u>304,906</u>	<u>190,478</u>	<u>60,854</u>	<u>556,238</u>
Other operating expenses:				
Supplies	290,547	124,204	41,610	456,361
Purchases for resale	3,558,022	92,766	-	3,650,788
Depreciation	156,085	142,043	23,106	321,234
Total other operating expenses	<u>4,004,654</u>	<u>359,013</u>	<u>64,716</u>	<u>4,428,383</u>
Total Operating Expenses	<u>5,150,369</u>	<u>1,129,858</u>	<u>378,511</u>	<u>6,658,738</u>
Operating Income (Loss)	<u>1,524,427</u>	<u>(389,300)</u>	<u>282,246</u>	<u>1,417,373</u>
Nonoperating Revenues (Expenses)				
Gain (Loss) on sale of fixed assets	-	-	(42,359)	(42,359)
Reassigned assets	-	-	(634,473)	(634,473)
Total Nonoperating Revenues and (Expenses)	<u>-</u>	<u>-</u>	<u>(676,832)</u>	<u>(676,832)</u>
Income (Loss) Before Contributions and Transfers	<u>1,524,427</u>	<u>(389,300)</u>	<u>(394,586)</u>	<u>740,541</u>
Transfer in	-	301,897	-	301,897
Transfer (out)	(1,442,447)	-	(5,335)	(1,447,782)
Change in Net Position	<u>81,980</u>	<u>(87,403)</u>	<u>(399,921)</u>	<u>(405,344)</u>
Net Position Beginning of Year	<u>3,120,064</u>	<u>5,325,423</u>	<u>1,466,164</u>	<u>9,911,651</u>
Net Position End of Year	<u>\$ 3,202,044</u>	<u>\$ 5,238,020</u>	<u>\$ 1,066,243</u>	<u>\$ 9,506,307</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, 2017

	Gas Fund	Golf Fund	Nonmajor Funds	Total
Cash flows from operating activities:				
Receipts from customers	\$ 6,647,421	\$ 687,974	\$ 363,188	\$ 7,698,583
Payments to suppliers	(4,285,497)	(409,161)	(108,965)	(4,803,623)
Payments to employees	(836,258)	(579,319)	(252,665)	(1,668,242)
Net cash provided (used) by operating activities	1,525,666	(300,506)	1,558	1,226,718
Cash flows from noncapital financing activities:				
Transfer from other funds	-	301,897	-	301,897
Transfer to other funds	(1,442,447)	-	(1,558)	(1,444,005)
Net cash provided (used) by noncapital financing activities	(1,442,447)	301,897	(1,558)	(1,142,108)
Cash flows from capital and related financing activities:				
Transfer from other funds	-	-	-	-
Acquisition and construction of capital assets	(58,140)	-	-	(58,140)
Net cash provided (used) by capital and related financing activities	(58,140)	-	-	(58,140)
Net increase (decrease) in cash and cash equivalents	25,079	1,391	-	26,470
Cash and cash equivalents, December 31, 2016	675,255	1,300	-	676,555
Cash and cash equivalents, December 31, 2017	\$ 700,334	\$ 2,691	\$ -	\$ 703,025
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,524,427	\$ (389,300)	\$ 282,246	\$ 1,417,373
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	156,085	142,043	23,106	321,234
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(52,454)	0	(1,655)	(54,109)
(Increase) decrease in due from other governments	-	(52,390)	-	(52,390)
(Increase) decrease in prepaid expenses	(9,685)	0	-	(9,685)
(Increase) decrease in supplies/inventory	(106,553)	(2,036)	-	(108,589)
Increase (decrease) in due from other funds	-	0	(295,914)	(295,914)
Increase (decrease) in accounts payable	(15,784)	323	(6,501)	(21,962)
Increase (decrease) in accrued expenses	1,532	(308)	105	1,329
Increase (decrease) in compensated absences	3,019	1,356	171	4,546
Increase (decrease) in unearned revenue	885	(194)	-	691
Increase (decrease) in customer deposits	24,194	0	-	24,194
Net cash provided (used) by operating activities	\$ 1,525,666	\$ (300,506)	\$ 1,558	\$ 1,226,718

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

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1-A The Reporting Entity

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

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

Discretely presented component units

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

The Downtown Development Authority (Development Authority) was created for the purpose of revitalization and redevelopment of the central business district of the City of Sugar Hill and to develop and promote for the public good and general welfare trade, commerce, industry, and employment opportunities. The Development Authority is governed by a separate board appointed by the Mayor and Council and is a separate legal, public body created and existing under instrumentality of the City of Sugar Hill, Georgia. The Development Authority utilizes City employees to conduct daily operations including finance activities. During 2017, the City waived all admin fees and refunded the admin fees that had been paid during the year. The Development Authority leases property, commonly known as Buice School from the city 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. During 2017, the Development Authority collected \$7,650 for rent of the Buice School. During 2017, the City waived the rental fees from being paid over to the city. The City leases property, commonly known as the Epicenter, under construction during the current year from the Development Authority for rental payments equal to the revenue bonds monthly interest expense payments. During 2017, this City paid the Development Authority \$904,774. 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 2017, there were no blended component units.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

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

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

1-B Basis of Presentation and Basis of Accounting

Basis of Presentation - Government-Wide and Fund Financial Statements

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

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

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

1-C Fund Equity

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

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

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.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

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

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

Committed
Assigned
Unassigned

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

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

The City reports the following major governmental funds:

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

SPLOST 2014 & SPLOST 2017. These funds account for Special Purpose Local Option Sales Tax financial resources expended for capital purposes approved by referendum. During 2017, the City spent all remaining funds related to SPLOST 2014.

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. During 2017, the city closed the car wash fund.

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, 2017

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, 2017, 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, 2017

Receivables and Payables

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

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

All trade and property tax receivables, including those for the City of Sugar Hill, are shown net of an allowance for uncollectibles. Trade accounts receivable for the City are the balances in the proprietary fund resulting from the sale of gas utility services. Balances due for utility services in excess of 90 days plus a conservative estimate for balances due in excess of 30-60 days comprise the trade accounts receivable allowance for uncollectibles, which was \$60,000 at December 31, 2017. 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 \$21,218 in the General Fund and \$2,699 in the Stormwater Fund as of December 31, 2017.

Property Tax Calendar

The City set its millage rate for the 2017 fiscal year on July 18, 2016 at 3.800 mills. Property tax bills were mailed on August 15, 2016 by the Gwinnett County Tax Commissioner and were due October 15, 2016. 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, 2017

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 improvements	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	5-10	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	-	-

Bond Premium and Discounts

Bond premiums and discounts are deferred and amortized over the life of the bonds based on the effective interest method. Bonds are reported net of the applicable premium or discount. Amortization costs for the Development Authority's bond premium and discount was \$136,292 and \$2,466, respectively, during 2017.

Estimates

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

Compensated Absences

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

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

Deferred Outflows/Inflows of Resources

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

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. This item only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source in 2017: property taxes.

NOTE 2. DEPOSITS AND INVESTMENTS

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

The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have a foreign credit risk. At December 31, 2017, 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. However, the bank deposits of the Development Authority at Quantum Bank were under-collateralized by \$249,924.

NOTE 3. LITIGATION

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

NOTE 4. RECEIVABLES

PRIMARY GOVERNMENT

Receivables as of December 31, 2017 for the City's major governmental and proprietary funds are as follows:

Governmental Funds:	
Property taxes receivable - net	\$ 127,636
Due from other governments - SPLOST	711,398
Due from other governments - DDA (component unit)	2,733,351
Operating grant receivable	11,000
Other charges for services receivable - net	175
Franchise taxes receivable	718,350
Total Governmental Receivables:	<u>\$ 4,301,910</u>
Business-type Funds:	
Stormwater utility fees receivable - net	\$ 29,271
Accounts receivable, net - Gas customers	915,502
Due from other governments - overpayment of sales tax	52,390
Total Business-type Receivables:	<u>\$ 997,163</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, 2017

DISCRETELY PRESENTED COMPONENT UNIT

Receivables as of December 31, 2017 for the City's discretely presented component unit, the DDA, are as follows:

	<u>Development Authority</u>
Rent Receivable	<u>\$ 2,550</u>
Total Net Receivables:	<u><u>\$ 2,550</u></u>

City of Sugar Hill, Georgia

Notes to Financial Statements

December 31, 2017

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance 1/1/2017	Additions	Retirements	Reclassifications	Ending Balance 12/31/2017
Primary Government:					
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 19,538,964	\$ 1,159,970	\$ -	\$ 634,473	\$ 21,333,407
Construction in Progress	3,893,669	1,200,713	-	(4,168,566)	925,816
Total non-depreciable capital assets	23,432,633	2,360,683	-	(3,534,093)	22,259,223
Depreciable Assets:					
Buildings & Improvements	15,826,042	47,030	-	4,031,542	19,904,614
Machinery & Equipment	1,623,369	78,129	-	-	1,701,498
Furniture & Fixtures	35,685	26,090	-	-	61,775
Vehicles	1,024,103	50,078	24,814	-	1,049,367
Infrastructure	44,556,761	380,684	-	128,074	45,065,519
Spray field	226,914	-	-	-	226,914
Recreational Upgrades	10,594,235	104,756	-	8,950	10,707,941
Total depreciable capital assets	73,887,109	686,767	24,814	4,168,566	78,717,628
Accumulated Depreciation:					
Buildings & Improvements	2,245,984	521,792	-	-	2,767,776
Machinery & Equipment	1,007,480	99,653	-	-	1,107,133
Furniture & Fixtures	1,725	3,750	-	-	5,475
Vehicles	721,621	65,489	24,814	-	762,296
Infrastructure	18,195,507	1,230,514	-	-	19,426,021
Spray field	77,681	6,376	-	-	84,057
Recreational Upgrades	2,243,357	364,100	-	-	2,607,457
Total accumulated depreciation	24,493,355	2,291,674	24,814	-	26,760,215
Total depreciable capital assets, net	49,393,754	(1,604,907)	-	4,168,566	51,957,413
Governmental activities capital assets, net	\$ 72,826,387	\$ 755,776	\$ -	\$ 634,473	\$ 74,216,636
Business-type Activities:					
Non-Depreciable Assets:					
Land	\$ 4,893,321	\$ -	\$ -	\$ (634,473)	\$ 4,258,848
Total non-depreciable capital assets	4,893,321	-	-	(634,473)	4,258,848
Depreciable Assets:					
Buildings & Improvements	2,343,049	-	54,997	-	2,288,052
Machinery & Equipment	1,799,232	31,500	-	-	1,830,732
Furniture & Fixtures	80,932	-	-	-	80,932
Vehicles	543,094	-	-	-	543,094
Spray field	583,676	-	-	-	583,676
Gas Distribution System	4,337,510	26,640	-	-	4,364,150
Golf Renovations	719,331	-	-	-	719,331
Total depreciable capital assets	10,406,824	58,140	54,997	-	10,409,967
Accumulated Depreciation:					
Buildings & Improvements	1,605,996	82,128	8,861	-	1,679,263
Machinery & Equipment	1,484,609	52,465	-	-	1,537,074
Furniture & Fixtures	80,932	-	-	-	80,932
Vehicles	386,915	30,721	-	-	417,636
Spray field	345,342	19,456	-	-	364,798
Gas Distribution System	1,795,358	106,419	-	-	1,901,777
Golf Renovations	512,999	30,045	-	-	543,044
Total accumulated depreciation	6,212,151	321,234	8,861	-	6,524,524
Total depreciable capital assets, net	4,194,673	(263,094)	46,136	-	3,885,443
Business-type activities capital assets, net	\$ 9,087,994	\$ (263,094)	\$ 46,136	\$ (634,473)	\$ 8,144,291

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

During 2017, land in the amount of \$634,473 was transferred from the Car Wash Fund to the General Fund.

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government	\$ 578,067
Public Safety	11,667
Public Works	1,234,012
Health & Welfare	16,955
Culture & Recreation	439,850
Housing & Development	11,123
Total depreciation expense - governmental activities	\$ 2,291,674
Business-type Activities:	
Gas	\$ 156,085
Golf	142,043
Stormwater	22,800
Car wash	306
Total depreciation expense - business-type activities	\$ 321,234

DISCRETELY PRESENTED COMPONENT UNITS

Activity for the Development Authority for the year ended December 31, 2017, was as follows:

	Beginning Balance 1/1/2017	Additions	Retirements	Reclassifications	Ending Balance 12/31/2017
Discretely Presented Component Units					
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 2,535,662	\$ -	\$ -	\$ -	\$ 2,535,662
Construction in Progress	5,023,652	23,930,549	-	-	28,954,201
Total non-depreciable capital assets	7,559,314	23,930,549	-	-	31,489,863
Depreciable Assets:					
Furniture & Fixtures	27,126	-	-	-	27,126
Total depreciable capital assets	27,126	-	-	-	27,126
Accumulated Depreciation:					
Furniture & Fixtures	6,840	4,514	-	-	11,354
Total accumulated depreciation	6,840	4,514	-	-	11,354
Total depreciable capital assets, net	20,286	(4,514)	-	-	15,772
Governmental activities capital assets, net	\$ 7,579,600	\$ 23,926,035	\$ -	\$ -	\$ 31,505,635

NOTE 6. RISK MANAGEMENT

The City purchased general liability insurance from Selective Insurance Company in 2014 and Georgia Interlocal Risk Management Agency in 2017. The City's policy starts May 1st and ends April 30th of each year. The premium for the City's fiscal year of 2017 was \$131,241. The City purchased Workers Compensation Insurance through Selective Insurance Company in 2014 and Georgia Municipal Association Workers' Compensation Self-Insurance Fund in 2017. 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 2017 was \$121,624.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

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:	
Property Taxes	\$ 84,544
Total Deferred Inflows of Resources	\$ 84,544

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, 2017, the City has recorded a liability for the landfill of \$1,304,880 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 2017. 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

PRIMARY GOVERNMENT

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

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

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

	Balance as of December 31, 2016	Additions	Reductions	Balance as of December 31, 2017	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 149,462	\$ 150,966	\$ (143,129)	\$ 157,299	\$ -
Landfill closure/postclosure	\$ 1,449,865	\$ -	\$ (144,985)	\$ 1,304,880	\$ 144,987
Total governmental activities	\$ 1,593,387	\$ 150,966	\$ (282,174)	\$ 1,462,179	\$ 144,987
Business-Type Activities:					
Compensated Absences	\$ 62,226	\$ 80,624	\$ (76,078)	\$ 66,772	\$ -
Total business-type activities	\$ 62,226	\$ 80,624	\$ (76,078)	\$ 66,772	\$ -
Total Primary Government Long-Term Liabilities	\$ 1,655,613	\$ 231,590	\$ (358,252)	\$ 1,528,951	\$ 144,987

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

DISCRETLY PRESENTED COMPONENT UNITS

Activity for the Development Authority for the year ended December 31, 2017, was as follows:

	Balance as of December 31, 2016	Additions	Reductions	Balance as of December 31, 2017	Due Within One Year
Development Authority Activities:					
Revenue Bonds	\$ 28,230,000	\$ 28,230,000	\$ (28,230,000)	\$ 28,230,000	\$ -
Less: original issue discount	(8,406)	-	2,466	(5,940)	(2,466)
Plus: original issue premium	1,280,678	-	(136,291)	1,144,387	136,292
Total Revenue Bonds	29,502,272	28,230,000	(28,363,825)	29,368,447	133,826
Total Development Authority activities	\$ 29,502,272	\$ 28,230,000	\$ (28,363,825)	\$ 29,368,447	\$ 133,826
Total Long-Term Liabilities	\$ 29,502,272	\$ 28,230,000	\$ (28,363,825)	\$ 29,368,447	\$ 133,826

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 and \$3.75 million of the committed SPLOST 2014 funds were contributed during 2017.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

The annual requirements to amortize revenue bonds outstanding as of December 31, 2017, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	600,000	931,725	1,531,725
2019	1,250,000	924,225	2,174,225
2020	1,270,000	905,475	2,175,475
2021	1,295,000	883,250	2,178,250
2022	1,325,000	851,750	2,176,750
2023-2027	7,400,000	3,491,400	10,891,400
2028-2032	8,925,000	1,968,450	10,893,450
2033-2035	6,165,000	373,500	6,538,500
	<u>\$ 28,230,000</u>	<u>\$ 10,329,775</u>	<u>\$ 38,559,775</u>

NOTE 10. BONDS HELD

As of December 31, 2017, 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 2017, no erosion bonds were called due to noncompliance. The outstanding balance of the erosion bonds as of December 31, 2017 is \$306,782.

NOTE 11. CONTINGENT LIABILITIES

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

NOTE 12. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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, 2017, the interfund receivables and payables were as follows:

Interfund Balances:

<u>Due To:</u>	<u>Due From:</u>	
	<u>General Fund</u>	<u>Total</u>
SPLOST 2017 Fund	\$ 168,948	\$ 168,948
Stormwater Fund	1,027,171	1,027,171
	<u>\$ 1,196,119</u>	<u>\$ 1,196,119</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.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

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 2017, the transfers were as follows:

Transfers:

<u>Transfer To:</u>	<u>Transfer From:</u>			<u>Total</u>
	General Fund	Gas Fund	Car Wash Fund	
General Fund	\$ -	\$ 1,442,447	\$ 5,335	\$ 1,447,782
Capital Improvements Fund	406,113	-	-	406,113
Golf Fund	301,897	-	-	301,897
	<u>\$ 708,010</u>	<u>\$ 1,442,447</u>	<u>\$ 5,335</u>	<u>\$ 2,155,792</u>

NOTE 13. 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	\$ 3,092,730	\$ 3,090,773	\$ (1,957)
Judicial	11,000	4,035	(6,965)
Public Safety	140,000	134,666	(5,334)
Public Works	1,798,128	1,405,187	(392,941)
Recreation & Culture	940,825	794,998	(145,827)
Housing & development	2,838,065	2,738,326	(99,739)
Transfers Out	3,408,322	708,010	(2,700,312)
	<u>\$ 12,229,070</u>	<u>\$ 8,875,995</u>	<u>\$ (3,353,075)</u>

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

NOTE 14. RETIREMENT PLAN

Defined Contribution Plan

The City has adopted a defined contribution money purchase plan, which operated in conjunction with a Deferred Compensation Plan as discussed below with Nationwide Retirement Solutions. The plan was established by the City Council. The plan was established by a majority vote of the Sugar Hill City Council. Employees must complete one 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 2017, 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, 2017, the city contributed \$134,978.

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan contributions are invested with Nationwide Retirement Solutions. The plan is available to all City employees and permits the employees to defer a portion of their salary until future years. The plan is funded through payroll deductions with maximum contribution being 25% with a ceiling dollar amount of \$18,000 per year. 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 \$24,000 per year with a catch-up provision. For the year ending December 31, 2017, the employees contributed \$194,050 to the plan and the city contributed \$73,128.

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

NOTE 15. SPECIAL 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.

NOTE 16. 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 \$207,220,000 as of December 31, 2017, with the City's pro-rata share being \$4,133,926.

NOTE 17. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During its year ended December 31, 2017, 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

City of Sugar Hill, Georgia
Notes to Financial Statements
December 31, 2017

NOTE 18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 28, 2018.

On January 2, 2018 the City accepted the downtown cemetery and cash assets of approximately \$89,000 from the First Baptist Church of Sugar Hill as a gift. The City will continue to operate the cemetery and maintain the property.

On April 1, 2018 the City implemented a defined benefit pension retirement benefit for City employees. The City will discontinue contributions the employee's 457k plan and only contribute to the pension plan going forward. Employees will have the option to continue contributions to the 457k plan.

On June 1, 2018 the Development Authority issued an additional \$9,855,000 in revenue bonds, Series 2018A and \$4,135,000 in taxable revenue bonds, Series 2018B. The bonds were issued for the purpose of financing the cost of completing the acquisition, construction, and installation of a mixed use facilities to be known as the Epicenter. Under the terms of the lease contract, the City will fund the bond payments as rent for the portion of the facility 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.

CITY OF SUGAR HILL, GEORGIA

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences Over / (Under)</u>	<u>GAAP Basis</u>	<u>Final Budget</u>
Revenues						
Property tax	-	2,906,108	3,472,331	-	3,472,331	566,223
Business tax	-	1,400,000	1,644,151	-	1,644,151	244,151
Franchise tax	-	887,000	927,471	-	927,471	40,471
Alcohol tax	-	160,000	193,703	-	193,703	33,703
Excise tax	-	6,000	9,798	-	9,798	3,798
Intergovernmental	-	690	37,020	-	37,020	36,330
Licenses and permits	-	357,850	668,222	-	668,222	310,372
Fines and forfeitures	-	11,000	9,350	-	9,350	(1,650)
Charges for services	-	766,000	1,113,292	-	1,113,292	347,292
Investment earnings	-	12,000	27,810	-	27,810	15,810
Miscellaneous	-	3,000	60,505	-	60,505	57,505
Total Revenues	-	6,509,648	8,163,653	-	8,163,653	1,654,005
Expenditures						
Current Operating:						
General government	-	3,092,730	3,090,773	-	3,090,773	(1,957)
Judicial	-	11,000	4,035	-	4,035	(6,965)
Public safety	-	140,000	134,666	-	134,666	(5,334)
Public works	-	1,798,128	1,405,187	-	1,405,187	(392,941)
Recreation and culture	-	940,825	794,998	-	794,998	(145,827)
Housing and development	-	2,838,065	2,738,326	-	2,738,326	(99,739)
Total Expenditures	-	8,820,748	8,167,985	-	8,167,985	(652,763)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,311,100)	(4,332)	-	(4,332)	2,306,768
Other Financing Sources (Uses)						
Transfers in	-	1,636,000	1,447,782	-	1,447,782	(188,218)
Transfers out	-	(3,408,322)	(708,010)	-	(708,010)	2,700,312
Proceeds from sale of assets	-	3,008,422	18,605	-	18,605	(2,989,817)
Budgeted Fund Balance	-	1,075,000	-	-	-	(1,075,000)
Total Other Financing Sources (Uses)	-	2,311,100	758,377	-	758,377	(1,552,723)
Net Change in Fund Balances	\$ -	\$ -	754,045	\$ -	754,045	\$ 754,045
Fund Balance Beginning of Year			8,746,764		8,746,764	
Fund Balance End of Year			\$ 9,500,809		\$ 9,500,809	

City of Sugar Hill, Georgia
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended December 31, 2017

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

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

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

Budgetary Accounting

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

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

Budget Requirements

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

Department	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General Fund				
General Government	\$ 3,282,730		\$ 190,000	\$ 3,092,730
Housing & development	2,013,065	825,000	-	2,838,065
Budgeted Use of Fund Balance	-	-	1,075,000	(1,075,000)
	<u>\$ 11,594,070</u>	<u>\$ 825,000</u>	<u>\$ 190,000</u>	<u>\$ 10,290,942</u>

CITY OF SUGAR HILL, GEORGIA

Combining Statement of Net Position

Nonmajor Proprietary Funds

December 31, 2017

	Stormwater Fund	Car Wash Fund	Total Nonmajor Proprietary Funds
Assets			
Current Assets			
Accounts receivable (net)	29,271	-	29,271
Due from other funds	1,027,171	-	1,027,171
Total Current Assets	1,056,442	-	1,056,442
Noncurrent Assets:			
Capital assets			
Depreciable, net	22,653	-	22,653
Total Long-term Assets	22,653	-	22,653
Total Assets	1,079,095	-	1,079,095
Total Assets and Deferred Outflows of Resources			
	1,079,095	-	1,079,095
Liabilities			
Current Liabilities:			
Accounts payable	2,442	-	2,442
Accrued expenses	3,297	-	3,297
Total Current Liabilities	5,739	-	5,739
Long-term Liabilities:			
Compensated absences	7,113	-	7,113
Total Long-term Liabilities	7,113	-	7,113
Total Liabilities	12,852	-	12,852
Total Liabilities and Deferred Inflows of Resources			
	12,852	-	12,852
Net Position			
Net investment in capital assets	22,653	-	22,653
Unrestricted	1,043,590	-	1,043,590
Total Net Position	\$ 1,066,243	\$ -	\$ 1,066,243

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, 2017

	Stormwater Fund	Car Wash Fund	Total Nonmajor Proprietary Funds
Operating Revenue:			
Sales	\$ -	\$ 8,353	\$ 8,353
User fees and charges	648,403	-	648,403
Penalties and interest	4,001	-	4,001
Total Operating Revenue	652,404	8,353	660,757
Operating Expenses:			
Personnel services:			
Salaries and wages	155,734	-	155,734
Employment taxes	12,034	-	12,034
Benefits	85,173	-	85,173
Total Personnel services	252,941	-	252,941
Purchased / contracted services:			
Professional and technical	25,260	2,433	27,693
Purchased property services	1,881	-	1,881
Other purchased services	28,964	2,316	31,280
Total Purchased / contracted services	56,105	4,749	60,854
Other operating expenses:			
Supplies	41,286	324	41,610
Depreciation	22,800	306	23,106
Total other operating expenses	64,086	630	64,716
Total Operating Expenses	373,132	5,379	378,511
Operating Income (Loss)	279,272	2,974	282,246
Nonoperating Revenues (Expenses)			
Gain (loss) on sale of fixed assets	-	(42,359)	(42,359)
Reassigned assets	-	(634,473)	(634,473)
Total Nonoperating Revenues (Expenses)	-	(676,832)	(676,832)
Income (Loss) Before Contributions and Transfers			
Transfer Out	-	(5,335)	(5,335)
Change in Net Position	279,272	(679,193)	(399,921)
Net Position Beginning of Year	786,971	679,193	1,466,164
Net Position End of Year	\$ 1,066,243	\$ -	\$ 1,066,243

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, 2017

	<u>Stormwater Fund</u>	<u>Car Wash Fund</u>	<u>Total Nonmajor Proprietary</u>
Cash flows from operating activities:			
Receipts from customers	\$ 354,835	\$ 8,353	\$ 363,188
Payments to suppliers	(102,170)	(6,795)	(108,965)
Payments to employees	(252,665)	-	(252,665)
Net cash provided (used) by operating activities	<u>-</u>	<u>1,558</u>	<u>1,558</u>
Cash flows from noncapital financing activities:			
Transfer to other funds	-	(1,558)	(1,558)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(1,558)</u>	<u>(1,558)</u>
Cash flows from capital and related financing activities:			
Transfer from other funds	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, December 31, 2016	-	-	-
Cash and cash equivalents, December 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 279,272	\$ 2,974	\$ 282,246
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	22,800	306	23,106
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,655)	-	(1,655)
(Increase) decrease in due from other funds	(295,914)	-	(295,914)
Increase (decrease) in accounts payable	(4,779)	(1,722)	(6,501)
Increase (decrease) in accrued expenses	105	-	105
Increase (decrease) in compensated absences	171	-	171
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 1,558</u>	<u>\$ 1,558</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, 2017, 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 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sugar Hill, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sugar Hill, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sugar Hill, Georgia's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2017-2

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies: 2017-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sugar Hill, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclose an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-3.

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 28, 2018



City of Sugar Hill, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Findings – Financial Statement Audit

INTERNAL CONTROL

2017 -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.

2017-2

- Condition:** The City does not maintain a complete and accurate policy and procedure manual for all repetitive monthly accounting tasks performed by accounting and non-accounting staff responsible for task involving the revenue and expenditure processes.
- Criteria:** A basic part of proper internal controls includes a written policy and procedure manual for all accounting tasks.
- Cause:** The City does not have a complete and accurate policy and procedure manual of accounting tasks for reference and use by staff.
- Effect:** The City's staff does not have written policy and procedures manual to follow to insure internal control procedures are followed as intended to prevent errors.
- Recommendation:** A written policy and procedures manual should be created, regularly updated and provided to staff to help insure proper internal procedures for all accounting tasks are consistently followed.
- Response:** The City agrees with this finding and has already begun the process of developing a written policies and procedures manual for all accounting tasks.

COMPLIANCE

- 2017 -3**
- Condition:** The SPLOST fund reimbursed the General Fund for an amount in excess of allowable SPLOST expenditures authorized by the SPLOST resolution.
- Criteria:** SPLOST funds are restricted for the purchase of items listed in the SPLOST resolution approved by Gwinnett County voters.
- Cause:** The City is in the position in which they can pay for projects out of the General Fund prior to receiving SPLOST funding. This allows for more timely completion of projects, usually at a cost savings. When SPLOST funding becomes available, the City reimburses itself for specific SPLOST eligible invoices. In 2017, the City reimbursed itself from SPLOST17 funds for an invoice paid mid-year 2017. This was a final invoice for a project which was eligible under the SPLOST14 and SPLOST17 resolutions. The invoice included retainage for work performed in 2016, therefore, accrued in that fiscal year. By reimbursing itself for the total amount of the invoice, the City was in excess of allowable reimbursement.
- Effect:** The City is not in compliance with OCGA 48-8-121 relating to the commingling of SPLOST funds with other funds of the City.
- Recommendation:** The City should implement policies and procedures to insure that reconciliation of SPLOST expenditures and related cash transfers are for the current fiscal year and eligible SPLOST expenditures.
- Response:** The City agrees with this finding and believes this was an isolated event unlikely to happen in the future. The City has already implemented policies and procedures to insure SPLOST expenditures and cash transfers are reconciled appropriately. The City has refunded the excess funds to the SPLOST fund.

CITY OF SUGAR HILL, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended December 31, 2017

<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 2014					
Roads, streets and bridges	\$ 2,433,164	\$ 2,526,068	\$ 1,032,673	\$ 34,026	\$ 1,066,699
Recreational facilities	7,299,492	7,299,492	3,793,706	3,750,000	7,543,706
Total:	<u>\$ 9,732,656</u>	<u>\$ 9,825,560</u>	<u>\$ 4,826,379</u>	<u>\$ 3,784,026</u>	<u>\$ 8,610,405</u>
SPLOST 2017					
Cultural facilities	\$ 1,836,249	\$ 1,836,249	- \$	- \$	-
Recreation facilities & equipment	8,236,540	8,236,540	-	638,403	638,403
Roads, streets, bridges and related facilities and equipment	9,859,121	9,859,121	-	266,705	266,705
Total:	<u>\$19,931,910</u>	<u>\$19,931,910</u>	<u>- \$</u>	<u>\$ 905,108</u>	<u>\$ 905,108</u>