

GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

and

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2015

with

INDEPENDENT AUDITORS' REPORT

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REQUIRED SUPPLEMENTARY INFORMATION

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2015**

The Gwinnett Place Community Improvement District (CID) was formed March 15, 2005 through a resolution of the Gwinnett County Board of Commissioners. The CID receives funding, through special tax assessments on commercial property within the CID area, to be used for purposes outlined by the Gwinnett County Community Improvement Districts Act. Taxes are collected by the Gwinnett County Tax Commissioner and are disbursed to the CID less a one-percent processing fee.

Overview of the Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the finances of the CID, in a manner similar to a private-sector business.

In accordance with Government Accounting Standards Board (GASB) Statement No. 34, the CID's financial statements are reported using two bases of accounting. Page 13 presents a description of the measurement focus and the basis of accounting and financial statement presentation used in this report. A reconciliation of the two bases of accounting is presented on pages 10 and 12. The two bases of accounting are as follows:

- Economic Resources (pages 7 and 8)
- Current Financial Resources (pages 9 to 12)

Budgetary Comparison

The CID adopts an annual budget for management purposes. During December 2014, the budget for the 2015 year was approved by the CID's Board of Directors.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements.

Financial Highlights

At December 31, 2015, total assets of the CID exceeded its liabilities by approximately \$2.9 million (reported as restricted net assets), an increase of approximately 11% percent compared with the prior year. The primary cause of the increase in net assets relates to the increase in property taxes and inter-governmental grants.

INDEPENDENT AUDITORS' REPORT

Board of Directors

Gwinnett Place Community Improvement District

We have audited the accompanying financial statements of Gwinnett Place Community Improvement District (the "CID"), as of and for the year ended December 31, 2015, which collectively comprise the CID'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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CID as of December 31, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis on page 4 is supplementary information required by the Governmental Accounting Standards Board and is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Smith & Howard

January 25, 2016

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2015**

ASSETS

Cash and cash equivalents	\$ 2,681,870
Restricted cash	80,730
Certificate of deposit	166,783
Accounts receivable, no allowance for doubtful accounts deemed necessary	14,109
Prepaid expenses	<u>2,836</u>
	<u>\$ 2,946,328</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 17,138
Deferred rent	<u>8,596</u>
	<u>25,734</u>
Restricted net assets	<u>2,920,594</u>
	<u>\$ 2,946,328</u>

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

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015**

Program Revenues:	
Property taxes and inter-governmental grants	\$ 1,555,617
Program Expenses:	
Community Improvement District	<u>1,254,420</u>
Increase in net assets before interest income	301,197
Interest Income	<u>7,201</u>
Increase in restricted net assets	308,398
Restricted net assets, beginning of year	<u>2,612,196</u>
Restricted net assets, end of year	<u><u>\$ 2,920,594</u></u>

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

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
BALANCE SHEET
DECEMBER 31, 2015**

ASSETS

Cash and cash equivalents	\$ 2,681,870
Restricted cash	80,730
Certificate of deposit	166,783
Accounts receivable, no allowance for doubtful accounts necessary	14,109
Prepaid expenses	<u>2,836</u>
	<u>\$ 2,946,328</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 17,138
Deferred revenues	<u>80,730</u>
	<u>97,868</u>
Restricted fund balance	<u>2,848,460</u>
	<u>\$ 2,946,328</u>

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

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
RECONCILIATION OF FUND BALANCE TO NET ASSETS
DECEMBER 31, 2015**

Restricted fund balance (pages 9 and 11)	\$ 2,848,460
Rental abatements are not financial liabilities and therefore are not reported in the fund financial statements	(8,596)
Deferred revenues are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements	<u>80,730</u>
Restricted net assets (pages 7 and 8)	<u><u>\$ 2,920,594</u></u>

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

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2015**

Revenues	
Property tax revenues, net of administrative fee	\$ 1,246,822
Inter-governmental grants	309,276
Interest income	<u>7,201</u>
Total revenues	<u>1,563,299</u>
Expenditures	
Accounting	21,076
Business development	4,831
Computer expense	2,114
Dues and subscriptions	1,320
Insurance	10,578
Legal ads	220
Legal fees	10,897
Occupancy expenses	34,381
Office supplies	1,102
Other	369
Payroll and related expenses	247,908
Postage and delivery	580
Printing and design	245
Programs, projects, and studies	917,397
Telecommunications	2,256
Website maintenance	<u>2,150</u>
Total expenditures	<u>1,257,424</u>
Increase in Restricted Fund Balance	305,875
Restricted Fund Balance, beginning of year	<u>2,542,585</u>
Restricted Fund Balance, end of year	<u>\$ 2,848,460</u>

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

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
RECONCILIATION OF CHANGES IN FUND BALANCE TO CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015**

Increase in restricted fund balance (page 11)	\$ 305,875
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets are recorded as an asset and depreciated over the useful life of the asset	(1,588)
In the statement of activities, the economic benefit of rental abatements are recognized over the life of the lease; however, in the fund financial statements, these abatements are not recorded	4,592
Revenues in the statement of activities that do not provide current financial resources are reported as revenues in the fund. This is the difference between the portion of the beginning and ending deferred revenue balances related to timing differences.	<u>(481)</u>
Increase in restricted net assets (page 8)	<u>\$ 308,398</u>

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

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity, Formation, and Nature of Activities

The Gwinnett Place Community Improvement District (CID) was formed March 15, 2005 through a resolution of the Gwinnett County Board of Commissioners. The CID receives funding, through special tax assessments on commercial property within the CID area, to be used for purposes outlined by the Gwinnett County Community Improvement Districts Act. Taxes are collected by the Gwinnett County Tax Commissioner and are disbursed to the CID less a one-percent processing fee.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements (pages 7 and 8)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental-Fund Financial Statements (pages 9 to 12)

Governmental-fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Taxes, grants, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the CID receives cash.

The board applies all GASB pronouncements, as well as the financial accounting standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Property tax revenues are recorded when levied annually by the CID Board of Directors. Any tax, fee or assessment so levied is collected by the Gwinnett County Tax Commissioner in the same manner as any other taxes, fees and assessments levied by Gwinnett County (the “County”). The County is governed by the increased population provision of the Official Code of Georgia Annotated (OCGA) 48-5-23, which requires the Tax Commissioner to collect taxes in two payments. For the year 2015, property owners remitted payment on/before October 15. Tax revenues are reflected net of a 1% administrative fee charged by the County to the CID Board of Directors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents and Certificate of Deposit

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less from the date of purchase. The Company places its cash with high quality credit institutions in bank deposit accounts. The CID’s cash and cash equivalents are maintained in fully collateralized demand deposit or money market accounts with a financial institution.

At December 31, 2015, the CID had \$166,783 in a fixed rate certificate of deposit maturing March 2016, which is stated at cost plus accrued interest, which approximates fair value.

Net Assets

Net assets present the difference between assets and liabilities on the statement of net assets. Net assets are reported as restricted when there are legal limitations imposed on their use by laws or regulations or other governments or external restrictions by creditors or grantors. At December 31, 2015, primarily all net assets of the CID were restricted by enabling legislation.

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment consist of leasehold improvements and a vehicle and are recorded at cost. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. The vehicle is depreciated using the straight-line method over 5 years. As of December 31, 2015, all fixed assets were fully depreciated.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE B – CONCENTRATION OF RISK

The CID depends on an annual tax assessment levied by the CID Board of Directors. The assessment amounts vary based upon the assessed value of property, and the mill-rate approved by the CID's board of directors. The CID's board of directors believes the CID has the resources to continue its programs, however, its ability to do so and the extent to which it continues is dependent upon the above factors.

NOTE C – RESTRICTED CASH AND DEFERRED REVENUES

Restricted cash and deferred revenues reported in the CID's Balance Sheet consists of SPLOST funds received from Gwinnett County (the "County") which had been received but were not appropriated at year end. A summary of activity for the year ended December 31, 2015 is as follows:

Balance at beginning of year	\$ 81,211
Expenditures	<u>(481)</u>
Balance at end of year	<u><u>\$ 80,730</u></u>

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE E – LINE OF CREDIT

The CID has an unsecured revolving line of credit agreement with a bank whereby the CID may borrow up to \$1,000,000. Borrowings under the agreement bear interest at the prime rate (an effective rate of 3.50% at December 31, 2015), with final payment of principal and unpaid interest due on April 18, 2017. There were no outstanding borrowings under the agreement at December 31, 2015.

NOTE F – COMMITMENTS

Operating Leases

The CID leases office space under a noncancelable operating lease expiring June 30, 2017. Future minimum lease payments under the noncancelable operating lease are as follows for years ending December 31:

2016	\$ 28,848
2017	<u>14,424</u>
	<u>\$ 43,272</u>

Lease expense for the year ended December 31, 2015 approximated \$29,000.

Agreements

During 2009, the CID entered into a contract with the County, whereby the County has agreed to provide the CID with funding from its SPLOST proceeds and the CID has agreed to use the proceeds to improve certain roadways. The total amount of funding under the contract amounted to \$962,500, which was received by the CID in 2010. Under the terms of the contract, the CID is responsible for any costs in excess of the \$962,500. In relation to this funding, the CID has entered into construction contracts in the amount of \$470,483. At December 31, 2015, \$326,243 had been paid on these contracts and \$144,240 remains to be paid. On November 18, 2014, the CID signed an amendment to this agreement whereby, the CID relinquished \$631,070 of the funds it held in restricted cash back to the County. Going forward, the County is now managing this project and the CID will reimburse the County for any expenditures over the original contract amount.

**GWINNETT PLACE COMMUNITY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE F – COMMITMENTS (Continued)

Agreements (Continued)

During 2011, the CID entered into a contract with the County, whereby the County has agreed to provide the CID with funding from its SPLOST proceeds and the CID has agreed to use the proceeds to improve certain sidewalks. The total amount of funding under the contract amounted to \$654,662. As of December 31, 2015, all funding had been received by the CID. In relation to this funding, the CID has entered into construction contracts in the amount of \$654,662. At December 31, 2015, \$578,638 had been paid on these contracts and \$76,024 remains to be paid. During 2015, there was no activity associated with this contract.