

CITY OF SUGAR HILL, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

**CITY OF SUGAR HILL, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	11
Statement of Cash Flows – Proprietary Funds	12
Notes to Financial Statements.....	13-41
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis) – General Fund	42
Schedule of Changes in the City’s Net Pension Liability and Related Ratios	43
Schedule of City Contributions.....	44
Supplementary Information:	
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds.....	45
 COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46 and 47
Schedule of Findings and Responses.....	48 and 49



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the
City Council of the City of Sugar Hill, Georgia
Sugar Hill, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of **City of Sugar Hill, Georgia** (the "City") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City, as of December 31, 2023, and the respective changes in financial position, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter – Change in Accounting Principle

As described in Note 9 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*, as of January 1, 2023. This standard significantly changed the accounting for the City's subscription-based information technology arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund, Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds as required by Official Code of Georgia 48-8-121, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 supplementary information is 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, 2024 on our consideration of the City'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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 28, 2024

BASIC FINANCIAL STATEMENTS

CITY OF SUGAR HILL, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2023

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing Authority
Cash and cash equivalents	\$ 29,458,018	\$ 4,424,755	\$ 33,882,773	\$ -
Investments	-	-	-	212,706
Taxes receivable, net	1,829,395	-	1,829,395	-
Accounts receivable, net	53,108	1,362,463	1,415,571	-
Lease receivable, due within one year	-	556,828	556,828	-
Lease receivable, due in more than one year	-	2,268,609	2,268,609	-
Prepays	-	35,748	35,748	-
Due from other governments	1,245,136	-	1,245,136	-
Internal balances	2,349,627	(2,349,627)	-	-
Inventory	52,816	544,238	597,054	-
Assets held for resale	-	189,864	189,864	-
Capital assets, nondepreciable	30,405,300	9,685,827	40,091,127	-
Capital assets, depreciable, net of accumulated depreciation/amortization	63,871,152	46,400,233	110,271,385	-
Total assets	129,264,552	63,118,938	192,383,490	212,706
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	824,610	296,872	1,121,482	-
Total deferred outflows of resources	824,610	296,872	1,121,482	-
LIABILITIES				
Accounts payable	1,578,186	926,053	2,504,239	-
Accrued liabilities	189,285	62,258	251,543	-
Accrued interest	-	97,228	97,228	-
Retainage payable	39,780	-	39,780	-
Customer deposits payable	-	841,471	841,471	-
Compensated absences, due within one year	293,580	76,218	369,798	-
SBITA liability, due within one year	26,603	-	26,603	-
SBITA liability, due in more than one year	84,135	-	84,135	-
Bonds payable, due within one year	-	2,515,000	2,515,000	-
Bonds payable, due in more than one year	-	35,105,076	35,105,076	-
Landfill postclosure, due within one year	37,493	-	37,493	-
Landfill postclosure, due in more than one year	187,468	-	187,468	-
Net pension liability, due in more than one year	1,061,502	602,203	1,663,705	-
Total liabilities	3,498,032	40,225,507	43,723,539	-
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on refunding	-	598,157	598,157	-
Deferred revenue - leases	-	2,681,618	2,681,618	-
Pension related items	1,818	642	2,460	-
Total deferred inflows of resources	1,818	3,280,417	3,282,235	-
NET POSITION				
Net investment in capital assets	93,043,735	20,375,661	113,419,396	-
Restricted for:				
Capital construction	11,298,789	-	11,298,789	-
Unrestricted	22,246,788	(465,775)	21,781,013	212,706
Total net position	\$ 126,589,312	\$ 19,909,886	\$ 146,499,198	\$ 212,706

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, 2023

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Operating		Capital	Primary Government		Housing Authority	
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ 5,619,601	\$ 856,070	\$ -	\$ 2,958,634	\$ (1,804,897)	\$ -	\$ (1,804,897)	\$ -
Judicial	62,308	15,548	-	-	(46,760)	-	(46,760)	-
Public safety	1,866,642	44,275	-	-	(1,822,367)	-	(1,822,367)	-
Public works	2,645,903	50,751	-	6,712,324	4,117,172	-	4,117,172	-
Culture and recreation	3,942,682	1,092,810	-	-	(2,849,872)	-	(2,849,872)	-
Housing and development	1,473,950	135,462	-	-	(1,338,488)	-	(1,338,488)	-
Total governmental activities	<u>15,611,086</u>	<u>2,194,916</u>	<u>-</u>	<u>9,670,958</u>	<u>(3,745,212)</u>	<u>-</u>	<u>(3,745,212)</u>	<u>-</u>
Business-type activities:								
Natural Gas Fund	5,715,775	8,705,537	-	-	-	2,989,762	2,989,762	-
Golf Fund	1,537,738	1,789,784	-	-	-	252,046	252,046	-
Stormwater Fund	641,531	718,683	-	-	-	77,152	77,152	-
Downtown Development Authority	3,546,463	1,090,645	-	-	-	(2,455,818)	(2,455,818)	-
Total business-type activities	<u>11,441,507</u>	<u>12,304,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>863,142</u>	<u>863,142</u>	<u>-</u>
Total primary government	<u>\$ 27,052,593</u>	<u>\$ 14,499,565</u>	<u>\$ -</u>	<u>\$ 9,670,958</u>	<u>(3,745,212)</u>	<u>863,142</u>	<u>(2,882,070)</u>	<u>-</u>
Component unit:								
Housing Authority	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Total component unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:								
Property taxes					7,174,120	-	7,174,120	-
Franchise taxes					1,161,721	-	1,161,721	-
Insurance premium tax					2,223,317	-	2,223,317	-
Business taxes					612,021	-	612,021	-
Alcohol taxes					255,985	-	255,985	-
Excise taxes					28,387	-	28,387	-
Unrestricted investment earnings					256,084	47,691	303,775	2,365
Gain on sale of capital assets					-	350,091	350,091	-
Transfers					(1,856,486)	1,856,486	-	-
Total general revenues and transfers					<u>9,855,149</u>	<u>2,254,268</u>	<u>12,109,417</u>	<u>2,365</u>
Change in net position					6,109,937	3,117,410	9,227,347	2,365
Net position, beginning of year, restated					120,479,375	16,792,476	137,271,851	210,341
Net position, end of year					<u>\$ 126,589,312</u>	<u>\$ 19,909,886</u>	<u>\$ 146,499,198</u>	<u>\$ 212,706</u>

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

CITY OF SUGAR HILL, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2023

ASSETS	Major Governmental Funds			Total Governmental Funds
	General	SPLOST Fund	Capital Projects Fund	
Cash and cash equivalents	\$ 14,987,705	\$ 14,470,313	\$ -	\$ 29,458,018
Taxes receivable, net	1,829,395	-	-	1,829,395
Accounts receivable	53,108	-	-	53,108
Intergovernmental receivable	3,359	1,241,777	-	1,245,136
Due from other funds	5,405,314	-	414,796	5,820,110
Advances to other funds	2,000,000	-	-	2,000,000
Prepaid items	52,816	-	-	52,816
Total assets	\$ 24,331,697	\$ 15,712,090	\$ 414,796	\$ 40,458,583
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 495,987	\$ 667,403	\$ 414,796	\$ 1,578,186
Retainage payable	-	39,780	-	39,780
Due to other funds	1,057,182	4,413,301	-	5,470,483
Accrued salaries	189,285	-	-	189,285
Total liabilities	1,742,454	5,120,484	414,796	7,277,734
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	730,975	-	-	730,975
Total deferred inflows of resources	730,975	-	-	730,975
FUND BALANCES				
Nonspendable:				
Prepaid items	52,816	-	-	52,816
Advances to other funds	2,000,000	-	-	2,000,000
Restricted:				
Capital construction	-	10,591,606	-	10,591,606
Unassigned	19,805,452	-	-	19,805,452
Total fund balances	21,858,268	10,591,606	-	32,449,874
Total liabilities, deferred inflows of resources, and fund balances	\$ 24,331,697	\$ 15,712,090	\$ 414,796	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds. 94,276,452

Some receivables are not available to pay for current-period expenditures, and therefore, are deferred inflows of resources in the governmental funds. 730,975

The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources, and therefore, are not reported in the governmental funds

Net pension liability	(1,061,502)	
Deferred inflows of resources	(1,818)	
Deferred outflows of resources	824,610	(238,710)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.

SBITA liability	(110,738)	
Landfill postclosure	(224,961)	
Compensated absences	(293,580)	(629,279)

Net position of governmental activities \$ 126,589,312

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, 2023

	Major Governmental Funds			
	General	SPLOST Fund	Capital Projects Fund	Total Governmental Funds
	General	Fund	Fund	Funds
Revenues				
Taxes:				
Property taxes	\$ 6,930,054	\$ -	\$ -	\$ 6,930,054
Franchise taxes	1,161,721	-	-	1,161,721
Insurance premium taxes	2,223,317	-	-	2,223,317
Business taxes	612,021	-	-	612,021
Alcohol taxes	255,985	-	-	255,985
Excise taxes	28,387	-	-	28,387
Licenses and permits	477,677	-	-	477,677
Intergovernmental	14,963	6,339,961	247,358	6,602,282
Charges for services	1,555,326	-	-	1,555,326
Donations	223	-	-	223
Investment earnings	256,084	125,005	-	381,089
Other revenues	161,913	-	-	161,913
Total revenues	<u>13,677,671</u>	<u>6,464,966</u>	<u>247,358</u>	<u>20,389,995</u>
Expenditures				
Current:				
General government	5,350,884	-	-	5,350,884
Judicial	38,401	-	-	38,401
Public safety	1,813,610	-	-	1,813,610
Public works	1,089,235	-	950,993	2,040,228
Culture and recreation	3,565,694	-	-	3,565,694
Housing and development	1,432,062	-	-	1,432,062
Capital outlay	-	5,051,310	3,794,941	8,846,251
Debt service:				
Principal	29,550	-	-	29,550
Total expenditures	<u>13,319,436</u>	<u>5,051,310</u>	<u>4,745,934</u>	<u>23,116,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>358,235</u>	<u>1,413,656</u>	<u>(4,498,576)</u>	<u>(2,726,685)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	23,448	-	-	23,448
Issuance of SBITA liability	140,288	-	-	140,288
Transfers in	2,226,456	-	4,458,284	6,684,740
Transfers out	<u>(8,541,226)</u>	<u>-</u>	<u>-</u>	<u>(8,541,226)</u>
Total other financing sources (uses)	<u>(6,151,034)</u>	<u>-</u>	<u>4,458,284</u>	<u>(1,692,750)</u>
Net change in fund balances	(5,792,799)	1,413,656	(40,292)	(4,419,435)
Fund balances, beginning of year	<u>27,651,067</u>	<u>9,177,950</u>	<u>40,292</u>	<u>36,869,309</u>
Fund balances, end of year	<u>\$ 21,858,268</u>	<u>\$ 10,591,606</u>	<u>\$ -</u>	<u>\$ 32,449,874</u>

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

**CITY OF SUGAR HILL, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(4,419,435)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period.		7,626,358
The effect of donated capital assets is to increase net position.		2,920,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(71,245)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		244,066
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		(189,807)
Change in net position - governmental activities	\$	<u>6,109,937</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, 2023

ASSETS	Natural Gas Fund	Golf Fund	Stormwater Fund	Downtown Development Authority	Totals
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,364,987	\$ 1,300	\$ -	\$ 3,058,468	\$ 4,424,755
Accounts receivable, net	1,172,080	-	190,383	-	1,362,463
Lease receivable, due in one year	-	15,449	-	541,379	556,828
Due from other funds	-	113,659	532,831	-	646,490
Inventory	507,696	36,542	-	-	544,238
Prepays	14,632	7,697	216	13,203	35,748
Total current assets	<u>3,059,395</u>	<u>174,647</u>	<u>723,430</u>	<u>3,613,050</u>	<u>7,570,522</u>
NONCURRENT ASSETS					
Lease receivable, due in more than one year	-	347,525	-	1,921,084	2,268,609
Asset held for resale	-	-	189,864	-	189,864
Capital assets:					
Nondepreciable	10,900	4,247,948	391,316	5,035,663	9,685,827
Depreciable assets, net of accumulated depreciation	2,385,908	983,962	898,223	42,132,140	46,400,233
Total noncurrent assets	<u>2,396,808</u>	<u>5,579,435</u>	<u>1,479,403</u>	<u>49,088,887</u>	<u>58,544,533</u>
Total assets	<u>5,456,203</u>	<u>5,754,082</u>	<u>2,202,833</u>	<u>52,701,937</u>	<u>66,115,055</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	147,191	97,884	51,797	-	296,872
Total deferred outflows of resources	<u>147,191</u>	<u>97,884</u>	<u>51,797</u>	<u>-</u>	<u>296,872</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	834,332	40,174	1,376	50,171	926,053
Accrued salaries	29,393	20,974	11,891	-	62,258
Accrued interest	-	-	-	97,228	97,228
Due to other funds	992,013	-	-	4,104	996,117
Bonds payable, due within one year	-	-	-	2,515,000	2,515,000
Compensated absences payable, due within one year	40,922	27,255	8,041	-	76,218
Customer deposits payable	734,394	-	-	107,077	841,471
Total current liabilities	<u>2,631,054</u>	<u>88,403</u>	<u>21,308</u>	<u>2,773,580</u>	<u>5,514,345</u>
NONCURRENT LIABILITIES					
Advance from other funds	-	-	-	2,000,000	2,000,000
Bonds payable, due in more than one year	-	-	-	35,105,076	35,105,076
Net pension liability	390,674	142,222	69,307	-	602,203
Total noncurrent liabilities	<u>390,674</u>	<u>142,222</u>	<u>69,307</u>	<u>37,105,076</u>	<u>37,707,279</u>
Total liabilities	<u>3,021,728</u>	<u>230,625</u>	<u>90,615</u>	<u>39,878,656</u>	<u>43,221,624</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred charges on refunding	-	-	-	598,157	598,157
Leases	-	353,866	-	2,327,752	2,681,618
Pension related items	288	241	113	-	642
Total deferred inflows of resources	<u>288</u>	<u>354,107</u>	<u>113</u>	<u>2,925,909</u>	<u>3,280,417</u>
NET POSITION					
Net investment in capital assets	2,396,808	5,231,910	1,289,539	11,457,404	20,375,661
Unrestricted	184,570	35,324	874,363	(1,560,032)	(465,775)
Total net position	<u>\$ 2,581,378</u>	<u>\$ 5,267,234</u>	<u>\$ 2,163,902</u>	<u>\$ 9,897,372</u>	<u>\$ 19,909,886</u>

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

**CITY OF SUGAR HILL, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Natural Gas Fund	Golf Fund	Stormwater Fund	Downtown Development Authority	Totals
OPERATING REVENUES					
Charges for services	\$ 8,612,207	\$ -	\$ 718,683	\$ 171,384	\$ 9,502,274
Tap fees	93,330	-	-	-	93,330
Leasing income	-	-	-	781,276	781,276
Green and cart fees	-	1,356,263	-	-	1,356,263
Concessions and merchandise	-	249,170	-	-	249,170
Miscellaneous	-	134,942	-	137,985	272,927
Total operating revenues	<u>8,705,537</u>	<u>1,740,375</u>	<u>718,683</u>	<u>1,090,645</u>	<u>12,255,240</u>
OPERATING EXPENSES					
Personnel services and benefits	1,012,399	776,653	554,266	-	2,343,318
Purchased and contracted services	256,567	61,788	7,554	147,503	473,412
Supplies and equipment	4,226,970	435,070	41,540	475,904	5,179,484
Depreciation and amortization	195,330	149,600	33,271	1,490,426	1,868,627
Repairs and maintenance	24,509	114,627	4,900	204,870	348,906
Total operating expenses	<u>5,715,775</u>	<u>1,537,738</u>	<u>641,531</u>	<u>2,318,703</u>	<u>10,213,747</u>
Operating income (loss)	<u>2,989,762</u>	<u>202,637</u>	<u>77,152</u>	<u>(1,228,058)</u>	<u>2,041,493</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	5,920	-	-	41,771	47,691
Lease revenue	-	49,409	-	-	49,409
Interest expense	-	-	-	(1,227,760)	(1,227,760)
Gain on sale of asset	-	-	-	350,091	350,091
Total nonoperating revenues (expenses)	<u>5,920</u>	<u>49,409</u>	<u>-</u>	<u>(835,898)</u>	<u>(780,569)</u>
Income (loss) before transfers	<u>2,995,682</u>	<u>252,046</u>	<u>77,152</u>	<u>(2,063,956)</u>	<u>1,260,924</u>
Transfers in	-	-	-	4,082,942	4,082,942
Transfers out	<u>(2,226,456)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,226,456)</u>
	<u>(2,226,456)</u>	<u>-</u>	<u>-</u>	<u>4,082,942</u>	<u>1,856,486</u>
Change in net position	769,226	252,046	77,152	2,018,986	3,117,410
NET POSITION, beginning of year, restated	<u>1,812,152</u>	<u>5,015,188</u>	<u>2,086,750</u>	<u>7,878,386</u>	<u>16,792,476</u>
NET POSITION, end of year	<u>\$ 2,581,378</u>	<u>\$ 5,267,234</u>	<u>\$ 2,163,902</u>	<u>\$ 9,897,372</u>	<u>\$ 19,909,886</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, 2023

	Gas Fund	Golf Fund	Stormwater Fund	Downtown Development Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 8,551,388	\$ 1,775,794	\$ 627,649	\$ 1,767,449	\$ 12,722,280
Payments to vendors	(4,617,859)	(713,269)	(54,528)	(1,530,997)	(6,916,653)
Payments to or on behalf of employees	(990,800)	(746,500)	(544,981)	-	(2,282,281)
Net cash provided by operating activities	2,942,729	316,025	28,140	236,452	3,523,346
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Amounts received from other funds	-	-	323,882	-	323,882
Amounts paid to other funds	-	(113,659)	-	-	(113,659)
Paid advance from other fund	-	-	-	(1,201,519)	(1,201,519)
Transfers from other funds	-	-	-	4,082,942	4,082,942
Transfers to other funds	(2,226,456)	-	-	-	(2,226,456)
Net cash provided by (used in) noncapital financing activities	(2,226,456)	(113,659)	323,882	2,881,423	865,190
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on bonds payable	-	-	-	(2,435,000)	(2,435,000)
Interest paid	-	-	-	(1,234,527)	(1,234,527)
Lease revenues	-	49,409	-	-	49,409
Purchases of capital assets	(99,950)	(251,775)	(352,022)	(156,430)	(860,177)
Proceeds from sale of asset	-	-	-	750,000	750,000
Net cash used in capital and related financing activities	(99,950)	(202,366)	(352,022)	(3,075,957)	(3,730,295)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	5,920	-	-	41,771	47,691
Net cash provided by investing activities	5,920	-	-	41,771	47,691
Net increase in cash and cash equivalents	622,243	-	-	83,689	705,932
Cash and cash equivalents, beginning of year	742,744	1,300	-	2,974,779	3,718,823
Cash and cash equivalents, end of year	\$ 1,364,987	\$ 1,300	\$ -	\$ 3,058,468	\$ 4,424,755
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 2,989,762	\$ 202,637	\$ 77,152	\$ (1,228,058)	\$ 2,041,493
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	195,330	149,600	33,271	1,490,426	1,868,627
Change in assets and liabilities:					
Accounts receivables	(154,149)	-	(91,034)	-	(245,183)
Lease receivable	-	35,419	-	676,804	712,223
Inventory	(121,199)	6,666	-	-	(114,533)
Prepays	(444)	(272)	(34)	(2,116)	(2,866)
Deferred outflows for pension items	(25,450)	(21,289)	(9,986)	-	(56,725)
Accounts payable	(972,833)	(65,671)	(500)	30,525	(1,008,479)
Accrued salaries	(347)	1,855	1,128	-	2,636
Due to other funds	992,013	-	-	-	992,013
Compensated absences	8,168	3,363	1,717	-	13,248
Customer deposits payable	(7,350)	-	-	3,652	(3,698)
Net pension liability	103,194	86,322	40,489	-	230,005
Deferred inflows for pension items	(63,966)	(40,098)	(24,063)	-	(128,127)
Deferred inflows for leases	-	(42,507)	-	(734,781)	(777,288)
Net cash provided by operating activities	\$ 2,942,729	\$ 316,025	\$ 28,140	\$ 236,452	\$ 3,523,346

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

CITY OF SUGAR HILL, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Sugar Hill, Georgia (the "City") was incorporated, under the laws of the State of Georgia, in 1939 and is governed by a five member City Council, a Mayor and a full-time City Manager. The City provides such services as community policing, parks and recreation amenities, planning and building inspection, municipal court services, public works, stormwater services, natural gas services, a public golf course, and general and administrative services.

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the "primary government") and its component units, entities for which the government is considered to be financially accountable. Based on these criteria, the Sugar Hill Downtown Development Authority and Housing Authority are component units of the City.

The Downtown Development Authority has been included as a blended component unit (enterprise fund) in the accompanying financial statements as there is a financial benefit or burden relationship as the City provides support to the Authority. The 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 Authority is governed by a separate board appointed by the Mayor and Council and is a separate legal, public body created and existing under an instrumentality of the City of Sugar Hill, Georgia. The Downtown Development Authority utilizes City employees to conduct daily operations including finance activities. The Downtown Development Authority does not issue separate financial statements.

The Sugar Hill Housing Authority (Housing Authority) has been included as a discretely presented component unit, in the accompanying financial statements, due to the City's ability to exercise its will over the Authority. The 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 is reported on the City's financial statements as a discretely presented component unit. The Housing Authority does not issue separate financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. 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 nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. 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. The statement of net position includes noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in a different fund.

The **SPLOST Fund** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program of the City.

The **Capital Projects Fund** accounts for the acquisition and construction of capital expenditures which are financed by intergovernmental revenues.

The City reports the following major enterprise funds:

The **Natural Gas Fund** accounts for the activities associated with distributing natural gas to customers. Activity is rendered on a user charge basis.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The ***Golf Fund*** accounts for the activities associated with the City's golf course operations.

The ***Stormwater Fund*** accounts for the operation of the stormwater system including all revenues from sources applicable to the system's operations and all expenses of the operation.

The ***Downtown Development Authority Fund*** accounts for the operation of the Downtown Development Authority's leasing activities and all expenses of the operation. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and *the accrual basis* of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Other taxes are recognized predominately when the underlying transaction occurs. 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 are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as 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 sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and pension liabilities are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, business taxes, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year if recognition criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for goods and services applicable to the fund. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets

Annual appropriated budgets are adopted for all funds, except as noted below. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds, except the capital projects funds, which adopt project-length budgets. All appropriations lapse at year end. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

E. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States Government or one of its agencies; (4) obligations of any corporation of the United States Government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition.

The City's investments are nonparticipating interest-earning investment contracts and are recorded at cost.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets Held for Resale

The City's assets held for resale consist of a real estate property held by the Stormwater Fund. The property is held with the intention of future sale and stormwater improvements and not held for income or profit purposes. As such, the asset is recorded at cost.

G. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each fiscal year based on the amount of service provided prior to year end.

H. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the 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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. Leases

Lessor

The City is a lessor for noncancellable leases of buildings and property. The City recognizes a lease receivable and a deferred inflow of resources in the business-type activities financial statements. The City recognizes lease receivables with an initial, individual value of \$25,000 or more.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The lease agreements entered into by the City contain various interest rates.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments and purchase option prices that the City is reasonably certain to collect.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

I. Leases (Continued)

Lessor (Continued)

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflow if certain changes occur that are expected to significantly affect the amount of the lease receivable.

J. Subscription-Based Information Technology Arrangements (SBITAs)

The City is a subscriber in various subscription-based information technology arrangements. The City recognizes a subscription liability and an intangible right-to-use asset in the government-wide financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments:

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and liabilities are reported with long-term debt on the statement of net position.

K. Inventory

Inventories are valued at lower of cost or market using the first-in, first-out method. The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

M. Capital Assets

Capital assets, which include property, plant, equipment, right-to-use assets and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated acquisition value of the item at the date of its donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10-40
Site improvements	15
Machinery and equipment	5-30
Furniture and fixtures	5-20
Vehicles	5-15
Right-to-use SBITA assets	5
Infrastructure	15-50
Recreational upgrades	10-30
Sprayfield	15-40
Gas distribution system	40-50
Golf renovations	5-20
Stormwater improvements	20-50

N. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

O. Long-Term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issue.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are expenditures in the year of issue.

P. Fund Equity and Net Position

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 assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. 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 or 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 including the verbiage “committed for the purpose of”. Only the City Council may modify or rescind the commitment through a subsequent resolution.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Equity and Net Position (Continued)

- **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 through a written memorandum, in addition to the City Council being able to assign fund balance through a motion at a public meeting.
- **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 balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – 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 deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. 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 capital assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Deferred Outflows of Resources/Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The City reports a deferred outflow of resources relating to pensions and are described below.

In addition to liabilities, the financial statements 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 assets 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 three types of deferred inflows of resources other than those related to pensions, one of which arises only under the modified accrual basis of accounting and the other two which arise only under the accrual basis of accounting. For the governmental funds, under the modified accrual basis of accounting, the City reports unavailable revenues from property taxes and other sources as a deferred inflow of resources, as these amounts will not be recognized as an inflow of resources until the period that the amounts become available. Additionally, the governmental activities, in the government-wide financial statements, report a deferred inflow of resources for lease revenues. The third type of deferred inflow of resources is for a deferred charge on bond refunding in the business-type activities financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

The City has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Sugar Hill Retirement Plan (the "Plan"), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.

NOTES TO FINANCIAL STATEMENTS

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense”. The details of this \$7,626,358 difference are detailed below:

Capital outlay	\$ 11,060,148
Depreciation expense	(3,405,733)
Amortization expense - SBITA assets	<u>(28,057)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 7,626,358</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position”. The details of this \$71,245 difference are as follows:

Issuance of SBITA	\$ (140,288)
Reduction of landfill postclosure liability	39,493
Principal repayments of SBITA liability	<u>29,550</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (71,245)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds”. The details of this \$189,807 difference are as follows:

Compensated absences	\$ (48,700)
Net pension liability and related deferred outflows and inflows of resources	<u>(141,107)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (189,807)</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Legal Compliance - Budgets

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the City will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level within the fund.

Transfers of appropriations within a department budget or within a nondepartmental expenditure category require only the approval of the Finance Director. Increases in appropriations in a departmental budget or in a nondepartmental expenditure category, require approval of the governing body in the form of amendments to the budget ordinance. The following funds had an excess of actual expenditures over appropriations for the fiscal year ended December 31, 2023:

General Fund		
General government	\$	737,254
Judicial		38,401
Public works		32,615
Debt service:		
Principal		29,550
	\$	<u>837,820</u>

These expenditures in excess of appropriations were funded by greater than anticipated revenues and available fund balance.

Note 4. Deposits and Investments

Credit Risk – Georgia law and the City’s Investment Policy allow investments in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime banker’s acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Custodial Credit Risk - Deposits – 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 covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations back by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2023, the three (3) financial institutions holding the City’s deposits have properly collateralized the City’s deposits in accordance with state law.

NOTES TO FINANCIAL STATEMENTS

Note 4. Deposits and Investments (Continued)

Investments - At December 31, 2023, the City's investments consisted solely of certificates of deposit which do not qualify as cash equivalents under the City's policy. All certificates of deposit are covered under the custodial credit risk – deposit footnote above.

Note 5. Receivables

The City set its millage rate for the 2023 fiscal year on August 14, 2023 at 3.69 mills. Property taxes attach as an enforceable lien on property as of January 1 and are based on property values as of January 1. Property taxes were levied September 14, 2023 and were due on November 17, 2023. After this date, the bill becomes delinquent and penalties and interest may be assessed by the City.

In governmental funds, property taxes are recorded as receivables and unavailable revenues (deferred inflows of resources) when assessed. Revenues are recognized when available.

In the enterprise funds, stormwater fees are billed annually on July 2 along with property taxes and are due and payable in two installments. The first installment was due on September 30, 2023, and the second installment was due on October 15, 2023. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables as of year end for the City's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>Natural Gas</u>	<u>Stormwater</u>
Receivables:				
Taxes	\$ 1,942,590	\$ -	\$ -	\$ -
Accounts	53,108	-	1,232,080	205,383
Intergovernmental	3,359	1,241,777	-	-
Less allowance for uncollectible	<u>(113,195)</u>	<u>-</u>	<u>(60,000)</u>	<u>(15,000)</u>
Net total receivable	<u>\$ 1,885,862</u>	<u>\$ 1,241,777</u>	<u>\$ 1,172,080</u>	<u>\$ 190,383</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Lease Receivables

Business-Type Activities – Golf Course Fund

The City leased two parcels of land to a third party for cell towers. The City receives variable annual payments in amounts ranging from \$20,988 to \$21,333 which includes the principal and interest components of the payments. As the leases do not contain a specific interest rate, the City has used its incremental borrowing rate of 2% as the discount rate for the leases. For the current year, the City recognized \$42,506 in lease revenue and \$6,902 in interest revenue related to the leases. As of December 31, 2023, the City's receivable for lease payments was \$362,974. Also, the City has a deferred inflow of resources associated with the leases that will be recognized over the lease terms which end on December 31, 2023 and January 29, 2040. This deferred inflow of resources has a balance of \$353,866 as of December 31, 2023.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease receivable - ATT	\$ 377,631	\$ -	\$ (14,657)	\$ 362,974	\$ 15,449
Lease receivable - American Tower	20,762	-	(20,762)	-	-
	<u>\$ 398,393</u>	<u>\$ -</u>	<u>\$ (35,419)</u>	<u>\$ 362,974</u>	<u>\$ 15,449</u>

Business-Type Activities – Downtown Development Authority

The Downtown Development Authority entered into 13 leases with restaurant, retail, and professional services companies for the right to use buildings in the downtown area. The Authority receives variable monthly payments in the amounts ranging from \$2,477 to \$7,969 and provide for annual escalations. The lease terms vary between 36 and 125 months and provide options for extensions. Lease receivables are measured as the present value of the future minimum rent payments expected to be received during the lease terms at imputed discount rates ranging between 0.43% and 3.06%. During the current fiscal year, the Authority recognized \$781,276 of lease revenue. Also, the City has a deferred inflow of resources associated with the leases that will be recognized over the various lease terms. This deferred inflow of resources has a balance of \$2,327,752 as of December 31, 2023.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease receivable - DDA	\$ 3,139,268	\$ -	\$ (676,805)	\$ 2,462,463	\$ 541,379
	<u>\$ 3,139,268</u>	<u>\$ -</u>	<u>\$ (676,805)</u>	<u>\$ 2,462,463</u>	<u>\$ 541,379</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 19,485,944	\$ 4,615,074	\$ -	\$ -	\$ 24,101,018
Construction in progress	15,885,346	8,725,242	-	(18,306,306)	6,304,282
Total	<u>35,371,290</u>	<u>13,340,316</u>	<u>-</u>	<u>(18,306,306)</u>	<u>30,405,300</u>
Capital assets, being depreciated/amortized:					
Buildings and improvements	19,502,134	-	-	3,115,650	22,617,784
Site improvements	1,580,384	95,453	-	670,321	2,346,158
Machinery and equipment	2,076,472	76,150	-	-	2,152,622
Furniture and fixtures	372,966	-	-	-	372,966
Vehicles	2,010,766	327,941	(41,170)	-	2,297,537
Infrastructure	51,786,843	-	-	6,999,993	58,786,836
Sprayfield	226,914	-	-	-	226,914
Recreational upgrades	10,707,550	-	-	7,520,342	18,227,892
Right-to-use SBITA assets	-	140,288	-	-	140,288
Total	<u>88,264,029</u>	<u>639,832</u>	<u>(41,170)</u>	<u>18,306,306</u>	<u>107,168,997</u>
Less accumulated depreciation/amortization					
Buildings and improvements	(5,580,473)	(694,670)	-	-	(6,275,143)
Site improvements	(298,183)	(153,255)	-	-	(451,438)
Machinery and equipment	(1,574,390)	(109,680)	-	-	(1,684,070)
Furniture and fixtures	(92,672)	(44,481)	-	-	(137,153)
Vehicles	(1,219,502)	(183,447)	41,170	-	(1,361,779)
Infrastructure	(26,590,572)	(1,719,320)	-	-	(28,309,892)
Sprayfield	(112,000)	(5,251)	-	-	(117,251)
Recreational upgrades	(4,437,433)	(495,629)	-	-	(4,933,062)
Right-to-use SBITA assets	-	(28,057)	-	-	(28,057)
Total	<u>(39,905,225)</u>	<u>(3,433,790)</u>	<u>41,170</u>	<u>-</u>	<u>(43,297,845)</u>
Capital assets, net depreciation/amortization	<u>48,358,804</u>	<u>(2,793,958)</u>	<u>-</u>	<u>18,306,306</u>	<u>63,871,152</u>
Governmental activities capital assets, net	<u>\$ 83,730,094</u>	<u>\$ 10,546,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,276,452</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (Continued)

	Beginning Balance*	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 6,794,511	\$ -	\$ -	\$ -	\$ 6,794,511
Construction in progress	5,438,680	41,961	-	(2,589,325)	2,891,316
Total	<u>12,233,191</u>	<u>41,961</u>	<u>-</u>	<u>(2,589,325)</u>	<u>9,685,827</u>
Capital assets, being depreciated:					
Buildings and improvements	51,192,846	174,492	(442,976)	2,500,000	53,424,362
Machinery and equipment	1,926,663	116,742	-	-	2,043,405
Furniture and fixtures	392,595	-	-	-	392,595
Vehicles	756,564	75,000	-	-	831,564
Sprayfield	583,676	-	-	-	583,676
Stormwater improvements	589,711	277,022	-	-	866,733
Gas distribution system	4,622,665	59,950	-	-	4,682,615
Golf renovations	868,040	115,010	-	89,325	1,072,375
Total	<u>60,932,760</u>	<u>818,216</u>	<u>(442,976)</u>	<u>2,589,325</u>	<u>63,897,325</u>
Less accumulated depreciation					
Buildings and improvements	(9,278,819)	(1,949,208)	43,067	-	(11,184,960)
Machinery and equipment	(1,501,130)	(111,275)	-	-	(1,612,405)
Furniture and fixtures	(185,520)	(22,478)	-	-	(207,998)
Vehicles	(591,604)	(50,728)	-	-	(642,332)
Sprayfield	(462,077)	(19,456)	-	-	(481,533)
Stormwater improvements	(66,910)	(24,274)	-	-	(91,184)
Gas distribution system	(2,449,733)	(111,689)	-	-	(2,561,422)
Golf renovations	(687,256)	(28,002)	-	-	(715,258)
Total	<u>(15,223,049)</u>	<u>(2,317,110)</u>	<u>43,067</u>	<u>-</u>	<u>(17,497,092)</u>
Capital assets, net depreciation	<u>45,709,711</u>	<u>(1,498,894)</u>	<u>(399,909)</u>	<u>2,589,325</u>	<u>46,400,233</u>
Business-type activities capital assets, net	<u>\$ 57,942,902</u>	<u>\$ (1,456,933)</u>	<u>\$ (399,909)</u>	<u>\$ -</u>	<u>\$ 56,086,060</u>

*Beginning balance for land was restated to report amounts held for resale which are not capital assets.

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

General government	\$ 599,889
Public safety	97,283
Public works	1,714,848
Culture and recreation	1,014,217
Housing and development	7,553
Total depreciation/amortization expense - governmental activities	<u>\$ 3,433,790</u>
Business-type activities:	
Natural gas	\$ 195,330
Golf course	149,600
Stormwater	33,271
Downtown development authority	1,938,909
Total depreciation expense - business-type activities	<u>\$ 2,317,110</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2023, is as follows:

Interfund balances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	SPLOST Fund	\$ 4,413,301
General Fund	Natural Gas Fund	992,013
Capital Projects Fund	General Fund	410,692
Capital Projects Fund	Downtown Development Authority Fund	4,104
Golf Course Fund	General Fund	113,659
Stormwater Fund	General Fund	532,831
		<u>\$ 6,466,600</u>

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made. The SPLOST Fund payable to the General Fund is for allowable SPLOST expenditures.

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Downtown Development Authority Fund	\$ 2,000,000

The amount payable represents a loan made to the Downtown Development Authority Fund from the General Fund. The purpose of the loan is to pay for expenses as the fund collects on the lease receivables. The balance is expected to be repaid in more than one year.

Interfund transfers for the year ended December 31, 2023:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Natural Gas Fund	\$ 2,226,456
Capital Projects Fund	General Fund	4,458,284
Downtown Development Authority Fund	General Fund	4,082,942
		<u>\$ 10,767,682</u>

Transfers are used to 1) move natural gas fund surpluses to the General Fund and (2) use revenues collected in the General Fund to finance capital improvements projects and debt service payments accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 244,880	\$ 314,996	\$ (266,296)	\$ 293,580	\$ 293,580
Landfill postclosure	264,454	-	(39,493)	224,961	37,493
SBITA liability	-	140,288	(29,550)	110,738	26,603
Net pension liability	409,894	1,010,774	(359,166)	1,061,502	-
Governmental activity Long-term liabilities	<u>\$ 919,228</u>	<u>\$ 1,466,058</u>	<u>\$ (694,505)</u>	<u>\$ 1,690,781</u>	<u>\$ 357,676</u>
Business-type activities:					
Compensated absences	\$ 62,970	\$ 109,218	\$ (95,970)	\$ 76,218	\$ 76,218
Net pension liability	372,198	356,783	(126,778)	602,203	-
Revenue bonds	37,710,000	-	(2,435,000)	35,275,000	2,515,000
Plus: original issue premium	2,743,011	-	(397,935)	2,345,076	-
Total revenue bonds	40,453,011	-	(2,832,935)	37,620,076	2,515,000
Business-type activity Long-term liabilities	<u>\$ 40,888,179</u>	<u>\$ 466,001</u>	<u>\$ (3,055,683)</u>	<u>\$ 38,298,497</u>	<u>\$ 2,591,218</u>

For governmental activities, compensated absences, SBITA liability, and the net pension liability are liquidated by the General Fund. For business-type activities, compensated absences, and the net pension liability are liquidated by the fund which funds the related personnel costs. The beginning balance for the governmental activities landfill closure/postclosure liability is restated following the recalculation of the remaining postclosure costs. The beginning balance for the business-type activities original issue premium is restated following the recalculation of the premium using the effective interest method. See Note 15.

Governmental Activities

Landfill Postclosure

Effective February 14, 2000, the Sugar Hill landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, the City must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. As of December 31, 2023, the City has 6 years of monitoring remaining. Engineering studies estimate postclosure costs of approximately \$224,961 over the 6 year period. These costs are based on what it would cost to perform all postclosure care in 2023, adjusted annually for inflation. Actual costs may be higher due to changes in inflation, changes in technology, or changes in regulations. Should any problems occur during this postclosure period, the costs, and time period required for the maintenance and monitoring functions may substantially increase laws or regulations.

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt (Continued)

Subscription-Based Information Technology Arrangements (SBITAs)

In fiscal year 2023, the City entered into two subscription-based information technology arrangements for the use of different software for terms of five (5) years. The initial total subscription liability was recorded in the amount of \$140,288. As of December 31, 2023, the value of the subscription liability was \$110,738. The City is required to make annual variable principal and interest payments ranging from \$9,000 to \$20,550. The subscriptions did not have a specified interest rate. The City used its incremental borrowing rate of 2.72%. The subscriptions have a useful life equal to the remaining subscription term of four (4) years and the value of the right-to-use assets as of the end of the current fiscal year was \$140,288 and had accumulated amortization of \$28,057.

The debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 26,603	\$ 2,946	\$ 29,549
2025	27,312	2,238	29,550
2026	28,038	1,512	29,550
2027	28,785	766	29,551
Total	<u>\$ 110,738</u>	<u>\$ 7,462</u>	<u>\$ 118,200</u>

Business-Type Activities - Downtown Development Authority

On May 29, 2018, the Downtown Development Authority entered into a contract to issue \$9,875,000 in Revenue Bonds, Series 2018A, and \$4,050,000 in taxable Revenue Bonds, Series 2018B. The Series 2018A Bonds carry a rate of ranging from 3% to 3.375% per annum and mature on December 1, 2035. The Series 2018B Bonds carry a rate ranging from 2.45% to 3.21% per annum and mature on December 1, 2024. The Bonds were issued to construct the E Center. 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 E Center building will be owned and managed by the Downtown Development Authority.

The annual debt service requirements for the Series 2018 A and B Revenue Bonds as of December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 700,000	\$ 304,820	\$ 1,004,820
2025	720,000	283,545	1,003,545
2026	740,000	262,125	1,002,125
2027	765,000	239,925	1,004,925
2028	785,000	216,975	1,001,975
2029-2033	4,300,000	716,445	5,016,445
2034-2035	1,910,000	96,025	2,006,025
Total	<u>\$ 9,920,000</u>	<u>\$ 2,119,860</u>	<u>\$ 12,039,860</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt (Continued)

Business-Type Activities - Downtown Development Authority (Continued)

On December 1, 2021, the Downtown Development Authority entered into a contract to issue \$21,560,000 in Revenue Bonds, Series 2020, as an advanced refunding of the nontaxable Revenue Bonds, Series 2016A. The Series 2020 Bonds carry a rate of ranging from 2% to 5% per annum and mature on December 1, 2035. The Bonds were issued to refund the Series 2016A Bonds which were issued to construct the E Center. 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 E Center building will be owned and managed by the Downtown Development Authority. The net proceeds from the Series 2020 Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$2,815,000 and a present value savings, or economic gain, of \$3,374,105. The refunded bonds are considered defeased and thus the assets in the trust fund along with the \$21,125,000 in outstanding refunded bonds at December 31, 2023 are not reported in the City's financial statements.

The annual debt service requirements for the Series 2020 Revenue Bonds as of December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 1,230,000	\$ 719,350	\$ 1,949,350
2025	1,280,000	670,150	1,950,150
2026	1,330,000	618,950	1,948,950
2027	1,400,000	552,450	1,952,450
2028	1,470,000	482,450	1,952,450
2029-2033	8,400,000	1,340,150	9,740,150
2034-2035	3,765,000	132,050	3,897,050
Total	\$ 18,875,000	\$ 4,515,550	\$ 23,390,550

On December 17, 2021, the Downtown Development Authority issued \$7,615,000 in Revenue Bonds, Series 2021C. The Series 2021C Bonds carry a rate of 2.01% per annum and mature on December 1, 2033. The Bonds were issued to construct the Downtown Development Authority's portion of the Solis Project. This includes building a portion of the parking deck and commercial space.

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt (Continued)

Business-Type Activities - Downtown Development Authority (Continued)

The annual debt service requirements for the Series 2021C Revenue Bonds as of December 31, 2023, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 585,000	\$ 130,248	\$ 715,248
2025	600,000	118,490	718,490
2026	610,000	106,430	716,430
2027	625,000	94,169	719,169
2028	640,000	81,606	721,606
2029-2033	3,420,000	174,870	3,594,870
Total	<u>\$ 6,480,000</u>	<u>\$ 705,813</u>	<u>\$ 7,185,813</u>

Annual debt service requirements, as of December 31, 2023, for all revenue bonds outstanding, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,515,000	\$ 1,154,418	\$ 3,669,418
2025	2,600,000	1,072,185	3,672,185
2026	2,680,000	987,505	3,667,505
2027	2,790,000	886,544	3,676,544
2028	2,895,000	781,031	3,676,031
2029-2033	16,120,000	2,265,836	18,385,836
2034-2035	5,675,000	228,075	5,903,075
Total	<u>\$ 35,275,000</u>	<u>\$ 7,375,594</u>	<u>\$ 42,650,594</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan

Plan Description

The City, as authorized by the City Council, has established a noncontributory defined benefit pension plan (The "City of Sugar Hill Retirement Plan"), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472. The plan was effective on April 1, 2018.

Plan Membership. As of July 1, 2023, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Active employees	81
Active elected officials	6
Vested former participants	10
Retired participants and beneficiaries	5
	<u>102</u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the fiscal year ended December 31, 2023, the City's contribution rate was 9.98% of annual payroll. City contributions to the Plan were \$364,452 for the fiscal year ended December 31, 2023. Employees of the City of Sugar Hill do not contribute to the Plan.

Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2023 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2023.

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Net Pension Liability of the City (Continued)

Actuarial Assumptions. The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.25%
Salary increases	3.00% - 8.50%, including inflation	
Investment rate of return	7.375%, net of investment income, including inflation	

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – June 30, 2019.

Cost-of-living adjustments were assumed to be 2.25% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2023 are summarized in the table on the following page.

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.40%
International equity	20%	6.80
Real estate	10%	3.90
Global fixed income	5%	0.46
Domestic fixed income	20%	0.40
Total	100%	

* Rates shown are net of the 2.25% assumed rate of inflation

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2023 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/2022	\$ 6,165,210	\$ 5,383,118	\$ 782,092
Changes for the year:			
Service cost	335,678	-	335,678
Interest	477,738	-	477,738
Differences between expected and actual experience	195,475	-	195,475
Contributions—employer	-	485,944	(485,944)
Net investment income	-	(341,115)	341,115
Benefit payments, including refunds of employee contributions	(46,163)	(46,163)	-
Administrative expense	-	(17,551)	17,551
Net changes	962,728	81,115	881,613
Balances at 12/31/2023	\$ 7,127,938	\$ 5,464,233	\$ 1,663,705

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.375%, as well as what the City's net pension liability would be if it were calculated using a discount rate that 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability	\$ 2,838,690	\$ 1,663,705	\$ 700,753

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2023 and the current sharing pattern of costs between employer and employee.

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Net Pension Liability of the City (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended December 31, 2023, the City recognized pension expense of \$550,712. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 592,973	\$ -
Changes in assumptions	-	(2,460)
Net difference between projected and actual earnings on pension plan investments	255,170	-
City contributions subsequent to the measurement date	273,339	-
Total	\$ 1,121,482	\$ (2,460)

City contributions subsequent to the measurement date of \$273,339 are reported as deferred outflows of resources and will be recognized as an addition to the net pension asset in the fiscal year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2024	\$ 128,151
2025	33,886
2026	258,219
2027	244,032
2028	93,294
Thereafter	88,101
	\$ 845,683

NOTES TO FINANCIAL STATEMENTS

Note 11. Joint Venture

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, 2023, the City's dues were paid by Gwinnett County, which did not request reimbursement from the City. According to the ARC, all dues are billed to the County and the management of the County determined if each municipality within the County should be billed for their pro-rata share of the dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The ARC's Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from Atlanta Regional Commission, 40 Courtland Street, N.E., Atlanta, GA, 30303.

Note 12. Risk Management

The City is exposed to various risks of losses related to: torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management, and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, 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 also 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 funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTES TO FINANCIAL STATEMENTS

Note 13. Contingent Liabilities

Litigation

The City is involved in pending lawsuits in the normal course of the City's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies

The City has received grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

Note 14. Economic Dependency/Commitments

Agreements with the Municipal Gas Authority of Georgia

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2014, and may be extended through 2026, are general obligations of the City to which the City's full faith, credit, and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$3,680,037 in 2023.

At December 31, 2023, the outstanding debt of MGAG was approximately \$100.3 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$1.9 million at December 31, 2023.

Contractual Commitments

As of December 31, 2023, the City has contractual commitments on uncompleted contracts of \$1,613,657 primarily for various public works, parks and recreation, infrastructure, and downtown development projects that are ongoing throughout the City.

NOTES TO FINANCIAL STATEMENTS

Note 15. Prior Period Restatement

The City has determined the following restatement to beginning net position was required to correctly record landfill postclosure liability for Governmental Activities, the bond premium, and lease deferred inflows of revenues for the Business-Type Activities and to report the Downtown Development Authority as a blended component unit which was previously reported as a discretely presented component unit. These adjustments resulted in a change to beginning net position of the Governmental Activities, Business-Type Activities and Proprietary Funds as follows:

	Governmental Activities	Business-Type Activities	Downtown Development Authority Fund
Beginning net position, as previously reported	\$ 120,163,882	\$ 8,914,090	-
Restatement to properly record landfill postclosure liability	315,493	-	-
Restatement to properly record bond premium	-	(198,703)	(198,703)
Restatement for lease deferred inflows	-	67,017	67,017
Correct reporting of Downtown Development Authority as blended component unit	-	8,010,072	8,010,072
Beginning net position as restated	\$ 120,479,375	\$ 16,792,476	\$ 7,878,386

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SUGAR HILL, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 5,907,600	\$ 5,907,600	\$ 6,930,054	\$ 1,022,454
Franchise taxes	935,100	935,100	1,161,721	226,621
Insurance premium taxes	1,800,000	1,800,000	2,223,317	423,317
Business taxes	500,000	500,000	612,021	112,021
Alcohol taxes	240,000	240,000	255,985	15,985
Excise taxes	8,000	8,000	28,387	20,387
Licenses and permits	693,575	693,575	477,677	(215,898)
Intergovernmental	100,690	100,690	14,963	(85,727)
Charges for services	1,468,325	1,468,325	1,555,326	87,001
Donations	-	-	223	223
Investment earnings	15,000	15,000	256,084	241,084
Other revenues	136,262	136,262	161,913	25,651
Total revenues	<u>11,804,552</u>	<u>11,804,552</u>	<u>13,677,671</u>	<u>1,873,119</u>
Expenditures:				
Current:				
General government	4,613,630	4,613,630	5,350,884	(737,254)
Judicial	-	-	38,401	(38,401)
Public safety	2,042,175	2,042,175	1,813,610	228,565
Public works	1,056,620	1,056,620	1,089,235	(32,615)
Culture and recreation	3,635,925	3,635,925	3,565,694	70,231
Housing and development	1,749,700	1,749,700	1,432,062	317,638
Debt service:				
Principal	-	-	29,550	(29,550)
Total expenditures	<u>13,098,050</u>	<u>13,098,050</u>	<u>13,319,436</u>	<u>(221,386)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,293,498)</u>	<u>(1,293,498)</u>	<u>358,235</u>	<u>1,651,733</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	23,448	23,448
Issuance of SBITA	-	-	140,288	140,288
Transfers in	5,657,000	5,657,000	2,226,456	(3,430,544)
Transfers out	(4,363,502)	(4,363,502)	(8,541,226)	(4,177,724)
Total other financing sources (uses)	<u>1,293,498</u>	<u>1,293,498</u>	<u>(6,151,034)</u>	<u>(7,444,532)</u>
Net change in fund balances	-	-	(5,792,799)	(5,792,799)
Fund balances, beginning of year	<u>27,651,067</u>	<u>27,651,067</u>	<u>27,651,067</u>	<u>-</u>
Fund balances, end of year	<u>\$ 27,651,067</u>	<u>\$ 27,651,067</u>	<u>\$ 21,858,268</u>	<u>\$ (5,792,799)</u>

CITY OF SUGAR HILL, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS

	2023	2022	2021	2020	2019	2018
Total pension liability						
Service cost	\$ 335,678	\$ 277,331	\$ 277,374	\$ 242,645	\$ 219,509	\$ -
Interest on total pension liability	477,738	416,576	343,682	312,413	274,334	-
Differences between expected and actual experience	195,475	120,397	406,133	51,162	125,795	-
Changes of assumptions	-	-	-	(4,425)	-	-
Change of benefit terms	-	-	-	-	-	3,449,881
Benefit payments, including refunds of employee contributions	(46,163)	(40,513)	(36,995)	(246,874)	(23,215)	-
Net change in total pension liability	962,728	773,791	990,194	354,921	596,423	3,449,881
Total pension liability - beginning	6,165,210	5,391,419	4,401,225	4,046,304	3,449,881	-
Total pension liability - ending (a)	\$ 7,127,938	\$ 6,165,210	\$ 5,391,419	\$ 4,401,225	\$ 4,046,304	\$ 3,449,881
Plan fiduciary net position						
Contributions - employer	\$ 485,944	\$ 295,467	\$ 332,105	\$ 385,478	\$ 1,714,447	\$ -
Contributions - employee	-	-	-	68,205	1,384,392	-
Net investment income	(341,115)	295,486	1,451,778	(227,551)	93,948	-
Benefit payments, including refunds of employee contributions	(46,163)	(40,513)	(36,995)	(246,874)	(23,215)	-
Administrative expenses	(17,551)	(16,571)	(15,682)	(18,322)	(14,465)	-
Net change in plan fiduciary net position	81,115	533,869	1,731,206	(37,064)	3,155,107	-
Plan fiduciary net position - beginning	5,383,118	4,849,249	3,118,043	3,155,107	-	-
Plan fiduciary net position - ending (b)	\$ 5,464,233	\$ 5,383,118	\$ 4,849,249	\$ 3,118,043	\$ 3,155,107	\$ -
City's net pension liability - ending (a) - (b)	\$ 1,663,705	\$ 782,092	\$ 542,170	\$ 1,283,182	\$ 891,197	\$ 3,449,881
Plan fiduciary net position as a percentage of the Plan fiduciary net position	76.7%	87.3%	89.9%	70.8%	78.0%	0.0%
Covered payroll	\$ 4,392,966	\$ 3,877,213	\$ 3,832,149	\$ 3,538,686	\$ 3,210,755	\$ 3,164,411
City's net pension liability as a percentage of covered payroll	37.9%	20.2%	14.1%	36.3%	27.8%	109.0%

Note: 2018 was the first year of the plan.

This schedule will present 10 years of information once it is accumulated

CITY OF SUGAR HILL, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS

	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 438,418	\$ 364,458	\$ 312,965	\$ 304,636	\$ 479,130
Contributions in relation to the actuarially determined contribution	438,418	364,458	312,965	330,022	479,130
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (25,386)	\$ -
Covered payroll	\$ 4,392,966	\$ 3,877,213	\$ 3,832,149	\$ 3,538,686	\$ 3,210,755
Contributions as a percentage of covered payroll	9.98%	9.4%	8.2%	9.3%	14.9%

Notes to the Schedule

Valuation Date	July 1, 2023
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return	
On Investments	7.375%
Projected Salary Increases	2.25% plus service-based merit increases
Cost-of-Living Adjustment	1.70%

The schedule will present 10 years of information once it is accumulated.

CITY OF SUGAR HILL, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years Cumulative Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Cumulative Expenditures</u>
SPLOST 2017					
Cultural facilities	\$ 1,836,249	\$ 1,835,249	\$ -	\$ 12,405	\$ 12,405
Recreation facilities and equipment	8,236,540	14,486,851	11,392,094	3,555,192	14,947,286
Roads, streets, bridges and related facilities and equipment	<u>9,859,121</u>	<u>7,859,121</u>	<u>2,344,751</u>	<u>806,700</u>	<u>3,151,451</u>
Total SPLOST 17	<u>\$ 19,931,910</u>	<u>\$ 24,181,221</u>	<u>\$ 13,736,845</u>	4,374,297	<u>\$ 18,111,142</u>
				<u>677,013</u>	
			Total Expenditures	<u>\$ 5,051,310</u>	

COMPLIANCE SECTION



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

Honorable Mayor and Members of the
City Council of the City of Sugar Hill
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 discretely presented component unit, and each major fund of the City of Sugar Hill, Georgia (the "City"), as of and for the fiscal year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2024. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board, Statement No. 96, *Subscription Based Information Technology Arrangements*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 28, 2024

**CITY OF SUGAR HILL, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2023 due to the total amount expended being less than \$750,000.

**CITY OF SUGAR HILL, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Section II – Financial Statement Findings and Responses

Finding 2023-001 – Prior Period Restatements

Criteria: Generally accepted accounting principles required premiums and discounts on long-term debt to be amortized over the life the debt using the effective interest method. Governmental accounting standards require a component, for which the primary government is obligated to repay long-term debt obligations, be reported as a blended component unit. Governmental accounting standards also require municipal solid waste landfills to include certain costs in an estimated postclosure care liability. Finally, governmental accounting standards require deferred inflows of resources, an acquisition of net assets, to be recognized as revenue in future periods.

Condition: The City’s premiums on long-term debt were amortized on a basis other than the effective interest method required by generally accepted accounting principles. The City’s Downtown Development Authority (the “Authority”) was reported as a discretely presented component unit while the primary government was paying the long-term obligations of the Authority. The City’s landfill estimated postclosure care liability was not supported by current estimated costs. The City reported a deferred inflow of resources related to a lease receivable which should have been recognized as revenue.

Context/Cause: Due to the conditions noted above, the following prior period restatements were required:

- A prior period adjustment of \$198,703 was required to properly report premiums on long-term debt in the Downtown Development Authority, in accordance with the effective interest method.
- A prior period adjustment of \$8,010,072 was required to properly report the Downtown Development Authority as a blended component unit, (previously reported as a discretely presented component unit in error).
- A prior period adjustment of \$315,493 was required to properly report the landfill estimated postclosure liability in governmental activities.
- A prior period adjustment of \$67,017 was required to remove a deferred inflow of resources that was improperly reported and to properly recognize revenue.

Effects: The prior year financial statements were misstated by \$8,591,285 as defined above. See also Note 15.

Recommendation: We recommend the City carefully review the financial statements to ensure accurate reporting under generally accepted accounting principles (GAAP) and governmental accounting standards requirements.

Auditee’s Response: We agree with the finding of the auditors. We will review amounts to ensue accurate reporting under generally accepted accounting principles and governmental accounting standards requirements.