

**CITY OF SUGAR HILL, GEORGIA**

**FINANCIAL STATEMENTS**

**For the fiscal year ended December 31, 2021**

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

**CITY OF SUGAR HILL, GEORGIA  
FISCAL YEAR ENDED DECEMBER 31, 2021  
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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
Sugar Hill, Georgia

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the City of Sugar Hill, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Sugar Hill, Georgia's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the City of Sugar Hill, Georgia, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be

an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. However, the budgetary comparison information, schedules of changes in net pension liability and contributions are presented, as required by generally accepted accounting standards in the United States of America on pages 34-38 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The Schedule of Expenditures of Special Purpose Local Option Sales Tax is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Special Purpose Local Option Sales Tax 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 September 9, 2022, on our consideration of the City of Sugar Hill, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sugar Hill, Georgia's internal control over financial reporting and compliance.

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

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

Gainesville, Georgia

September 9, 2022



# CITY OF SUGAR HILL, GEORGIA

## Statement of Net Position

December 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Dev. Authority	Housing Authority
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 30,293,848	\$ 2,300	\$ 30,296,148	\$ 368,742	\$ 29,817
Restricted cash	101,068	734,444	835,512	2,541,245	-
Investments	-	-	-	-	180,090
Accounts receivables (net)	1,166,087	957,978	2,124,065	-	-
Intergovernmental receivable	1,257,114	-	1,257,114	-	-
Prepaid expenditures	55,017	20,835	75,852	10,295	-
Interfund balances	(1,204,593)	1,204,593	-	-	-
Due from component unit	3,184,480	-	3,184,480	-	-
Supplies / inventory	-	326,279	326,279	-	-
<b>Total Current Assets</b>	<b>34,853,021</b>	<b>3,246,429</b>	<b>38,099,450</b>	<b>2,920,282</b>	<b>209,907</b>
<b>Noncurrent Assets</b>					
Capital assets					
Nondepreciable	27,164,535	4,448,712	31,613,247	7,535,663	-
Depreciable, net	50,468,823	4,126,343	54,595,166	43,699,911	-
<b>Total Noncurrent Assets</b>	<b>77,633,358</b>	<b>8,575,055</b>	<b>86,208,413</b>	<b>51,235,574</b>	<b>-</b>
<b>Total Assets</b>	<b>112,486,379</b>	<b>11,821,484</b>	<b>124,307,863</b>	<b>54,155,856</b>	<b>209,907</b>
<b>Deferred Outflows of Resources</b>	<b>733,211</b>	<b>265,333</b>	<b>998,544</b>	<b>(699,253)</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>113,219,590</b>	<b>12,086,817</b>	<b>125,306,407</b>	<b>53,456,603</b>	<b>209,907</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	925,415	564,642	1,490,057	16,147	-
Accrued expenses	142,287	50,623	192,910	110,898	-
Retainage Payable	275,928	-	275,928	-	-
Revenue bond payable	-	-	-	2,864,204	-
Unearned revenue	-	12,804	12,804	-	-
Due to primary government	-	-	-	3,184,480	-
Landfill closure/postclosure cost	144,986	-	144,986	-	-
<b>Total Current Liabilities</b>	<b>1,488,616</b>	<b>628,069</b>	<b>2,116,685</b>	<b>6,175,729</b>	<b>-</b>
<b>Long-term Liabilities</b>					
Net pension liability	235,974	306,196	542,170	-	-
Revenue bonds payable	-	-	-	40,254,308	-
Amounts held in trust	103,139	734,444	837,583	78,065	-
Compensated absences	235,580	52,951	288,531	-	-
Landfill closure/postclosure cost	579,948	-	579,948	-	-
<b>Total Long-term Liabilities</b>	<b>1,154,641</b>	<b>1,093,591</b>	<b>2,248,232</b>	<b>40,332,373</b>	<b>-</b>
<b>Total Liabilities</b>	<b>2,643,257</b>	<b>1,721,660</b>	<b>4,364,917</b>	<b>46,508,102</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>	<b>708,475</b>	<b>264,185</b>	<b>972,660</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>3,351,732</b>	<b>1,985,845</b>	<b>5,337,577</b>	<b>46,508,102</b>	<b>-</b>
<b>Net Position</b>					
Net Investment in Capital Assets	77,357,430	8,575,055	85,932,485	8,117,062	-
Restricted for:					
Capital projects	9,181,091	-	9,181,091	-	-
Debt service	-	-	-	46,319	-
Unrestricted	23,329,337	1,525,917	24,855,254	(1,214,880)	209,907
<b>Total Net Position</b>	<b>\$ 109,867,858</b>	<b>\$ 10,100,972</b>	<b>\$ 119,968,830</b>	<b>\$ 6,948,501</b>	<b>\$ 209,907</b>

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, 2021

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Downtown Dev. Authority	Housing Authority
					Governmental Activities	Business-Type Activities	Total		
<b>Primary Government:</b>									
<b>Governmental Activities:</b>									
General government	\$ 3,552,482	\$ 1,197,765	\$ 4,596,441	\$ 4,470,813	\$ 6,712,537	\$ -	\$ 6,712,537	\$ -	-
Judicial	21,118	6,273	-	-	(14,845)	-	(14,845)	-	-
Public safety	414,433	-	-	-	(414,433)	-	(414,433)	-	-
Public works	3,707,851	30,825	19,373	1,284,450	(2,373,203)	-	(2,373,203)	-	-
Health and welfare	998	-	-	-	(998)	-	(998)	-	-
Recreation and culture	2,878,431	787,483	-	-	(2,090,948)	-	(2,090,948)	-	-
Housing and development	3,880,055	52,500	-	-	(3,827,555)	-	(3,827,555)	-	-
<b>Total Governmental Activities</b>	<b>14,455,368</b>	<b>2,074,846</b>	<b>4,615,814</b>	<b>5,755,263</b>	<b>(2,009,445)</b>	<b>-</b>	<b>(2,009,445)</b>	<b>-</b>	<b>-</b>
<b>Business-type Activities:</b>									
Gas	5,535,626	7,584,386	-	-	-	2,048,760	2,048,760		
Golf	1,341,308	1,306,298	-	-	-	(35,010)	(35,010)		
Stormwater	495,437	715,597	-	-	-	220,160	220,160		
<b>Total Business-type Activities</b>	<b>7,372,371</b>	<b>9,606,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,233,910</b>	<b>2,233,910</b>		
<b>Total Primary Government</b>	<b>\$ 21,827,739</b>	<b>\$ 11,681,127</b>	<b>\$ 4,615,814</b>	<b>\$ 5,755,263</b>	<b>(2,009,445)</b>	<b>2,233,910</b>	<b>224,465</b>		
<b>Component Units:</b>									
Downtown Dev. Authority	3,431,874	3,553,710	-	-				121,836	
Housing Authority	-	-	-	-					-
<b>Total Component Units</b>	<b>\$ 3,431,874</b>	<b>\$ 3,553,710</b>	<b>\$ -</b>	<b>\$ -</b>				<b>\$ 121,836</b>	<b>\$ -</b>
<b>General Revenues:</b>									
Taxes:									
Property taxes, levied for general purposes					5,286,251	-	5,286,251	-	-
Franchise fees					1,020,283	-	1,020,283	-	-
Excise taxes					12,528	-	12,528	-	-
Business tax					2,056,203	-	2,056,203	-	-
Alcoholic beverage tax					361,144	-	361,144	-	-
Interest and investment earnings					37,774	-	37,774	401,752	233
Miscellaneous					9,101	245	9,346	6,887	-
Gain (Loss) on disposition of assets					2,767,584	1,625	2,769,209	25,000	-
Insurance refunds and recoveries					-	23,360	23,360	-	-
Transfers					2,156,182	(2,156,182)	-	-	-
<b>Total General Revenues and Transfers</b>					<b>13,707,050</b>	<b>(2,130,952)</b>	<b>11,576,098</b>	<b>433,639</b>	<b>233</b>
<b>Change in Net Position</b>					<b>11,697,605</b>	<b>102,958</b>	<b>11,800,563</b>	<b>555,475</b>	<b>233</b>
<b>Net Position Beginning of Year</b>					<b>98,170,253</b>	<b>9,998,014</b>	<b>108,168,267</b>	<b>6,393,026</b>	<b>209,674</b>
<b>Ending Net Position</b>					<b>\$ 109,867,858</b>	<b>\$ 10,100,972</b>	<b>\$ 119,968,830</b>	<b>\$ 6,948,501</b>	<b>\$ 209,907</b>

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

**CITY OF SUGAR HILL, GEORGIA**

Balance Sheet

Governmental Funds

December 31, 2021

	General Fund	Capital Improvements Fund	ARPA Fund	SPLOST 2017 Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 13,852,016	\$ -	\$ 4,291,092	\$12,150,740	\$ 30,293,848
Restricted cash	101,068	-	-	-	101,068
Intergovernmental receivable	-	817,182	-	439,932	1,257,114
Receivables (net)	1,166,087	-	-	-	1,166,087
Prepaid expenditures	55,017	-	-	-	55,017
Due from other funds	3,327,526	-	-	-	3,327,526
Due from component unit	1,990,752	1,193,728	-	-	3,184,480
<b>Total Assets</b>	<u>20,492,466</u>	<u>2,010,910</u>	<u>4,291,092</u>	<u>12,590,672</u>	<u>39,385,140</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$20,492,466</u>	<u>\$ 2,010,910</u>	<u>\$ 4,291,092</u>	<u>\$12,590,672</u>	<u>\$ 39,385,140</u>
<b>Liabilities</b>					
Accounts payable	\$ 296,733	\$ 159,960	\$ 1,269	\$ 467,453	925,415
Retainage payable	-	275,928	-	-	275,928
Accrued expenses	142,287	-	-	-	142,287
Due to other funds	1,204,593	-	-	3,327,526	4,532,119
Due to component unit	(1,189,624)	1,189,624	-	-	-
Amounts held in trust	103,139	-	-	-	103,139
<b>Total Liabilities</b>	<u>557,128</u>	<u>1,625,512</u>	<u>1,269</u>	<u>3,794,979</u>	<u>5,978,888</u>
<b>Deferred Inflows of Resources</b>	<u>259,283</u>	-	-	-	<u>259,283</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>816,411</u>	<u>1,625,512</u>	<u>1,269</u>	<u>3,794,979</u>	<u>6,238,171</u>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid expenditures	55,017	-	-	-	55,017
Restricted for:					
Capital projects	-	385,398	-	8,795,693	9,181,091
Assigned for:					
Capital outlay	507,788	-	-	-	507,788
Unassigned	19,113,250	-	4,289,823	-	23,403,073
<b>Total Fund Balances</b>	<u>19,676,055</u>	<u>385,398</u>	<u>4,289,823</u>	<u>8,795,693</u>	<u>33,146,969</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$20,492,466</u>	<u>\$ 2,010,910</u>	<u>\$ 4,291,092</u>	<u>\$12,590,672</u>	<u>\$ 39,385,140</u>

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

**CITY OF SUGAR HILL, GEORGIA**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 December 31, 2021

**Total Governmental Fund Balances** \$ 33,146,969

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$	114,521,664	
Less: Accumulated depreciation		<u>(36,888,306)</u>	
Total capital assets			77,633,358

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

Accrued compensated absences not reported in governmental funds		(235,580)	
Landfill Closure/Postclosure costs		(724,934)	

Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

(449,192)

Pension items not included in fund financial statements.

Deferred outflows of resources		733,211	
Net pension liability		(235,974)	

**Net Position of Governmental Activities** \$ 109,867,858

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, 2021

	General Fund	Capital Improvements Fund	ARPA Fund	SPLOST 2017 Fund	Total Governmental Funds
<b>Revenues</b>					
Property tax	\$ 5,176,637	\$ -	\$ -	\$ -	\$ 5,176,637
Business tax	2,056,203	-	-	-	2,056,203
Franchise tax	1,020,283	-	-	-	1,020,283
Alcohol tax	269,994	-	-	-	269,994
Excise tax	12,528	-	-	-	12,528
Intergovernmental	20,064	1,284,451	4,596,441	4,408,023	10,308,979
Licenses and permits	367,133	-	-	-	367,133
Fines and forfeitures	6,273	-	-	-	6,273
Charges for services	1,791,899	-	-	-	1,791,899
Contributions	25,000	-	-	-	25,000
Interest	34,803	-	2,971	37,789	75,563
Miscellaneous	9,101	-	-	-	9,101
<b>Total Revenue</b>	<b>10,789,918</b>	<b>1,284,451</b>	<b>4,599,412</b>	<b>4,445,812</b>	<b>21,119,593</b>
<b>Expenditures</b>					
Current:					
General government	2,967,457	-	7,646	-	2,975,103
Judicial	21,118	-	-	-	21,118
Public safety	370,548	-	-	-	370,548
Public works	1,539,660	734,226	-	612	2,274,498
Recreation and culture	2,257,638	-	-	-	2,257,638
Housing and development	3,888,777	-	-	-	3,888,777
Capital Outlay	-	1,904,590	18,448	3,794,978	5,718,016
<b>Total Expenditures</b>	<b>11,045,198</b>	<b>2,638,816</b>	<b>26,094</b>	<b>3,795,590</b>	<b>17,505,698</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(255,280)</b>	<b>(1,354,365)</b>	<b>4,573,318</b>	<b>650,222</b>	<b>3,613,895</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	2,439,777	1,739,763	100	-	4,179,640
Transfers out	(1,739,863)	-	(283,595)	-	(2,023,458)
Proceeds from sale of assets	6,587,435	-	-	-	6,587,435
<b>Total Other Financing Sources (Uses)</b>	<b>7,287,349</b>	<b>1,739,763</b>	<b>(283,495)</b>	<b>-</b>	<b>8,743,617</b>
<b>Net Change in Fund Balances</b>	<b>7,032,069</b>	<b>385,398</b>	<b>4,289,823</b>	<b>650,222</b>	<b>12,357,512</b>
<b>Fund Balances Beginning of Year</b>	<b>12,643,986</b>	<b>-</b>	<b>-</b>	<b>8,145,471</b>	<b>20,789,457</b>
<b>Fund Balances End of Year</b>	<b>\$19,676,055</b>	<b>\$ 385,398</b>	<b>\$ 4,289,823</b>	<b>\$ 8,795,693</b>	<b>\$ 33,146,969</b>

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, 2021

<b>Net Changes in Fund Balances-Total Governmental Funds</b>		<b>\$ 12,357,512</b>
<b>Amounts reported as governmental activities in the Statement of Activities are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:</b>		
Capital outlay	5,818,798	
Less: Current year depreciation	<u>(2,873,740)</u>	2,945,058
In the statement of activities, only the gain/loss on the sale of various fixed assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the equipment sold.		
Net book value of fixed assets sold		(3,819,851)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.		
Landfill Closure / Postclosure Costs		144,987
Net pension liability is not available during the current period and therefore is not reported in the funds		
End of Year	(235,974)	
Beginning of Year	<u>775,653</u>	539,679
Contributions made after pension measurement date, changes in assumptions, and differences in expected and actual results of the defined benefit pension plan are reported as deferred outflows and not reported in the funds.		
End of Year	733,211	
Beginning of Year	<u>(578,758)</u>	154,453
Differences in expected and actual results of the defined benefit pension plan are reported as deferred inflows and not reported in the funds.		
End of Year	(708,475)	
Beginning of Year	<u>2,954</u>	(705,521)
Compensated absences are reported in the Statement of Activities, but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absence liability at December 31, 2020	207,254	
Compensated absence liability at December 31, 2021	<u>(235,580)</u>	(28,326)
Because some revenues will not be collected for several months after the City's fiscal year end, they are considered "available" revenues and are deferred in the governmental funds.		
Deferred revenue at December 31, 2020	(149,669)	
Deferred revenue at December 31, 2021	<u>259,283</u>	109,614
<b>Change in Net Position of Governmental Activities</b>		<b>\$ <u>11,697,605</u></b>

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

# CITY OF SUGAR HILL, GEORGIA

## Statement of Net Position

### Proprietary Funds

December 31, 2021

	Gas Fund	Golf Fund	Stormwater Fund	Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,000	\$ 1,300	\$ -	\$ 2,300
Restricted cash and cash equivalents	734,444	-	-	734,444
Accounts receivable (net)	884,931	-	73,047	957,978
Prepaid expenses	13,072	7,564	199	20,835
Supplies / inventory	307,815	18,464	-	326,279
Due from other funds	-	-	1,204,593	1,204,593
<b>Total Current Assets</b>	<u>1,941,262</u>	<u>27,328</u>	<u>1,277,839</u>	<u>3,246,429</u>
<b>Noncurrent Assets</b>				
Capital assets				
Non-depreciable	10,900	4,247,948	189,864	4,448,712
Depreciable, net	2,605,991	976,160	544,192	4,126,343
<b>Total Noncurrent Assets</b>	<u>2,616,891</u>	<u>5,224,108</u>	<u>734,056</u>	<u>8,575,055</u>
<b>Total Assets</b>	<u>4,558,153</u>	<u>5,251,436</u>	<u>2,011,895</u>	<u>11,821,484</u>
<b>Deferred Outflows of Resources</b>	<u>134,539</u>	<u>84,209</u>	<u>46,585</u>	<u>265,333</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>4,692,692</u>	<u>5,335,645</u>	<u>2,058,480</u>	<u>12,086,817</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	540,258	18,487	5,897	564,642
Accrued expenses	24,456	16,881	9,286	50,623
Unearned revenue	6,073	6,731	-	12,804
<b>Total Current Liabilities</b>	<u>570,787</u>	<u>42,099</u>	<u>15,183</u>	<u>628,069</u>
<b>Long-term Liabilities</b>				
Net pension liability	257,298	32,028	16,870	306,196
Customer deposits	734,444	-	-	734,444
Compensated absences	25,897	20,288	6,766	52,951
<b>Total Long-term Liabilities</b>	<u>1,017,639</u>	<u>52,316</u>	<u>23,636</u>	<u>1,093,591</u>
<b>Total Liabilities</b>	<u>1,588,426</u>	<u>94,415</u>	<u>38,819</u>	<u>1,721,660</u>
<b>Deferred Inflows of Resources</b>	<u>126,178</u>	<u>89,318</u>	<u>48,689</u>	<u>264,185</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>1,714,604</u>	<u>183,733</u>	<u>87,508</u>	<u>1,985,845</u>
<b>Net Position</b>				
Net investment in capital assets	2,616,891	5,224,108	734,056	8,575,055
Unrestricted	361,197	(72,196)	1,236,916	1,525,917
<b>Total Net Position</b>	<u>\$ 2,978,088</u>	<u>\$ 5,151,912</u>	<u>\$ 1,970,972</u>	<u>\$ 10,100,972</u>

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

# CITY OF SUGAR HILL, GEORGIA

## Statement of Revenues, Expenses, and Changes in Net Position

### Proprietary Funds

For the Year Ended December 31, 2021

	Gas Fund	Golf Fund	Stormwater Fund	Total
<b>Operating Revenue</b>				
Charges for services	\$ 7,094,133	\$ -	\$ -	\$ 7,094,133
Tap fees	92,995	-	-	92,995
Green and cart fees	-	1,053,140	-	1,053,140
Rentals	-	43,093	-	43,093
Concessions and merchandise	-	206,621	-	206,621
User fees and charges	-	-	710,993	710,993
Penalties and interest	82,007	-	4,604	86,611
Miscellaneous income	315,496	3,444	-	318,940
<b>Total Operating Revenue</b>	<b>7,584,631</b>	<b>1,306,298</b>	<b>715,597</b>	<b>9,606,526</b>
<b>Operating Expenses</b>				
Personnel services:				
Salaries and wages	622,816	411,018	218,565	1,252,399
Employment Taxes	47,326	31,568	16,504	95,398
Benefits	250,956	77,468	96,020	424,444
<b>Total Personnel Services</b>	<b>921,098</b>	<b>520,054</b>	<b>331,089</b>	<b>1,772,241</b>
Purchased / contracted services:				
Professional and technical	171,245	539	45,244	217,028
Purchased property services	16,585	60,408	1,533	78,526
Rentals	18	1,118	10	1,146
Other purchased services	104,138	150,420	17,125	271,683
<b>Total Purchased / contracted services</b>	<b>291,986</b>	<b>212,485</b>	<b>63,912</b>	<b>568,383</b>
Other operating expenses:				
Supplies	358,730	293,745	79,739	732,214
Purchases for resale	3,772,065	133,462	-	3,905,527
Depreciation	191,747	181,562	20,697	394,006
<b>Total other operating expenses</b>	<b>4,322,542</b>	<b>608,769</b>	<b>100,436</b>	<b>5,031,747</b>
<b>Total Operating Expenses</b>	<b>5,535,626</b>	<b>1,341,308</b>	<b>495,437</b>	<b>7,372,371</b>
<b>Operating Income (Loss)</b>	<b>2,049,005</b>	<b>(35,010)</b>	<b>220,160</b>	<b>2,234,155</b>
<b>Nonoperating Revenues (Expenses)</b>				
Gain (Loss) on sale of fixed assets	-	1,625	-	1,625
Insurance refunds and recoveries	23,360	-	-	23,360
<b>Total Nonoperating Revenues and (Expenses)</b>	<b>23,360</b>	<b>1,625</b>	<b>-</b>	<b>24,985</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>2,072,365</b>	<b>(33,385)</b>	<b>220,160</b>	<b>2,259,140</b>
Transfer in	-	11,052	-	11,052
Transfer (out)	(2,069,409)	(97,825)	-	(2,167,234)
<b>Change in Net Position</b>	<b>2,956</b>	<b>(120,158)</b>	<b>220,160</b>	<b>102,958</b>
<b>Net Position Beginning of Year</b>	<b>2,975,132</b>	<b>5,272,070</b>	<b>1,750,812</b>	<b>9,998,014</b>
<b>Net Position End of Year</b>	<b>\$ 2,978,088</b>	<b>\$ 5,151,912</b>	<b>\$ 1,970,972</b>	<b>\$ 10,100,972</b>

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, 2021

	Gas Fund	Golf Fund	Stormwater Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 7,582,270	\$ 1,306,273	\$ 656,009	\$ 9,544,552
Payments to suppliers	(4,560,394)	(632,786)	(138,021)	(5,331,201)
Payments to employees	(915,233)	(513,951)	(328,124)	(1,757,308)
Net cash provided (used) by operating activities	<u>2,106,643</u>	<u>159,536</u>	<u>189,864</u>	<u>2,456,043</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfer to other funds	(2,069,409)	(97,825)	-	(2,167,234)
Net cash provided (used) by noncapital financing activities	<u>(2,069,409)</u>	<u>(97,825)</u>	<u>-</u>	<u>(2,167,234)</u>
<b>Cash flows from capital and related financing activities:</b>				
Transfer from other funds	-	11,052	-	11,052
Proceeds from sales of capital assets	-	1,625	-	1,625
Acquisition and construction of capital assets	(62,900)	(74,388)	(189,864)	(327,152)
Insurance refunds and recoveries	23,360	-	-	23,360
Net cash provided (used) by capital and related financing activities	<u>(39,540)</u>	<u>(61,711)</u>	<u>(189,864)</u>	<u>(291,115)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,306)</b>	<b>-</b>	<b>-</b>	<b>(2,306)</b>
Cash and cash equivalents, December 31, 2020	737,750	1,300	-	739,050
Cash and cash equivalents, December 31, 2021	<u>\$ 735,444</u>	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 736,744</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 2,049,005	\$ (35,010)	\$ 220,160	\$ 2,234,155
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	191,747	181,562	20,697	394,006
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(55)	0	(28,160)	(28,215)
(Increase) decrease in prepaid expenses	8,982	0	-	8,982
(Increase) decrease in supplies/inventory	40,566	(458)	-	40,108
(Increase) decrease in deferred outflows of resources	(27,008)	(24,666)	(13,652)	(65,326)
Increase (decrease) in due from other funds	-	0	(31,428)	(31,428)
Increase (decrease) in accounts payable	(187,161)	7,364	5,630	(174,167)
Increase (decrease) in accrued expenses	4,840	5,594	3,362	13,796
Increase (decrease) in compensated absences	(1,502)	4,248	1,847	4,593
Increase (decrease) in unearned revenue	-	(25)	-	(25)
Increase (decrease) in customer deposits	(2,306)	0	-	(2,306)
Increase (decrease) in deferred inflows of resources	125,644	89,026	48,533	263,203
Increase (decrease) in net pension liability	(96,109)	(68,099)	(37,125)	(201,333)
Net cash provided (used) by operating activities	<u>\$ 2,106,643</u>	<u>\$ 159,536</u>	<u>\$ 189,864</u>	<u>\$ 2,456,043</u>

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

# CITY OF SUGAR HILL, GEORGIA

Notes to Financial Statements

December 31, 2021

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

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

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

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

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

### **Discretely presented component units**

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

The Downtown Development Authority (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 Downtown Development Authority is governed by a separate board appointed by the Mayor and Council and is a separate legal, public body created and existing under instrumentality of the City of Sugar Hill, Georgia. The Downtown Development Authority utilizes City employees to conduct daily operations including finance activities. During 2021, the City received \$52,500 in admin fees from the Downtown Development Authority. The City leases property, commonly known as the E Center, during the current year from the Downtown Development Authority for rental payments equal to the revenue bonds monthly interest expense payments, in excess of rent revenue collected by the Authority from other sources. During 2021, this City paid the Downtown Development Authority \$2,664,089. The Downtown Development Authority does not issue separate financial statements.

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

Resource flows (except those that affect the statement of net position/balance sheet only) between a primary government and its discretely presented component units are reported as external transactions—that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as interfund transactions in the financial statements. During 2021, there were no blended component units.

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

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

# CITY OF SUGAR HILL, GEORGIA

Notes to Financial Statements

December 31, 2021

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

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

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

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

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

### 1-C Fund Equity

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

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

Non-spendable - Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager to assign fund balances.

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

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

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

Committed  
Assigned  
Unassigned

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

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

The City reports the following major governmental funds:

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

*ARPA Fund.* This fund accounts for *American Rescue Plan Act* grant financial resources expended for purposes approved by grant agreement.

*SPLOST 2017.* These funds account for Special Purpose Local Option Sales Tax financial resources expended for capital purposes approved by referendum.

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

The City reports the following major proprietary funds:

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

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

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

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

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

### **Basis of Accounting – Measurement Focus**

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

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

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

#### **Cash and Cash Equivalents**

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

#### **Investments**

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

#### **Restricted Assets**

These assets are held in the capital projects and special revenue funds for specific purposes defined by statute, referendum, or grant contract and are not generally available for general government operations.

#### **Receivables and Payables**

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

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

All trade and property tax receivables, including those for the City of Sugar Hill, are shown net of an allowance for uncollectibles. Trade accounts receivable for the City are the balances in the proprietary fund resulting from the sale of gas

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

utility services. Balances due for utility services in excess of 90 days plus a conservative estimate for balances due in excess of 30-60 days comprise the trade accounts receivable allowance for uncollectibles, which was \$60,000 at December 31, 2021.

The collection rate for property taxes in the General Fund and stormwater fees in the Stormwater Fund is in excess of 99%, consequently the City has chosen to make a conservative judgmental estimate for uncollectible property tax accounts in the amount of \$34,434 in the General Fund and \$3,629 in the Stormwater Fund as of December 31, 2021.

### **Property Tax Calendar**

The City set its millage rate for the 2021 fiscal year on July 12, 2021 at 3.800 mills. Property tax bills were mailed on or about September 20, 2021 by the Gwinnett County Tax Commissioner and were due November 19, 2021. Penalties and interest are due on all accounts not paid by the due date.

### **Inventories and Prepaid Items**

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

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

### **Capital Assets**

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

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

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

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

	Governmental Funds	Gas Fund	Golf Fund	Stormwater Fund
<u>Assets</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>
Buildings and improvements	5-50	20-40	10-40	-
Site Improvements	15	-	-	-
Machinery and equipment	5-30	7-20	5-10	5-10
Furniture and fixtures	5-15	7-10	7-20	-
Vehicles	5-15	5-10	5	5
Infrastructure	15-40	20-50	-	20-50
Recreational upgrades	10-30	-	-	-
Sprayfield	15-40	-	30	-
Gas distribution system	-	40-50	-	-
Golf renovations	-	-	5-20	-
Stormwater improvements	-	-	-	20-50

### Bond Premium and Discounts

Bond premiums and discounts are deferred and amortized over the life of the bonds based on the effective interest method. Bonds are reported net of the applicable premium or discount. Amortization costs for the Downtown Development Authority's bond premium and discount was \$573,313 and \$347, respectively, during 2021.

### Estimates

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

### Compensated Absences

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

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

### Deferred Outflows/Inflows of Resources

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

**CITY OF SUGAR HILL, GEORGIA**

Notes to Financial Statements

December 31, 2021

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. This item only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source in 2021: property taxes.

**NOTE 2. DEPOSITS AND INVESTMENTS**

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

The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have a foreign credit risk. At December 31, 2021, bank deposits were fully insured at the required 110% under the pooling method with the Georgia Banking Association. All other bank deposits were also fully collateralized.

**NOTE 3. LITIGATION**

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

**NOTE 4. RECEIVABLES**

PRIMARY GOVERNMENT

Receivables as of December 31, 2021 for the City's major governmental and proprietary funds are as follows:

Governmental Funds:

Due from other governments - SPLOST	\$	439,932
Due from other governments - Gwinnett County		817,182
Due from other governments - DDA (component unit)		3,184,480
Property taxes receivable - net		334,779
Interest receivable		461
Other charges for services receivable - net		7,800
Franchise taxes receivable		823,047
Total Governmental Receivables:	\$	<u>5,607,681</u>

Business-type Funds:

Stormwater utility fees receivable - net	\$	73,047
Accounts receivable, net - Gas customers		884,931
Total Business-type Receivables:	\$	<u>957,978</u>

The City maintains an allowance for bad debts account and is adjusted annually and netted in with the above receivables. Annually, accounts that are determined to be uncollectible are written off directly against receivables.

DISCRETELY PRESENTED COMPONENT UNIT

There were no receivables as of December 31, 2021 for the City's discretely presented component unit, the Downtown Development Authority.

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance 1/1/2020	Additions	Retirements	Reclassifications	Ending Balance 12/31/2020
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 21,448,240	\$ -	\$ 3,819,851	\$ -	\$ 17,628,389
Construction in Progress	4,826,100	4,710,046	-	-	9,536,146
<b>Total non-depreciable capital assets</b>	<b>26,274,340</b>	<b>4,710,046</b>	<b>3,819,851</b>	<b>-</b>	<b>27,164,535</b>
<b>Depreciable Assets:</b>					
Buildings & Improvements	19,271,687	-	-	-	19,271,687
Site Improvements	1,580,384	-	-	-	1,580,384
Machinery & Equipment	1,875,178	58,756	-	-	1,933,934
Furniture & Fixtures	166,180	117,340	-	-	283,520
Vehicles	1,603,288	28,026	-	-	1,631,314
Infrastructure	50,817,196	904,630	-	-	51,721,826
Sprayfield	226,914	-	-	-	226,914
Recreational Upgrades	10,707,550	-	-	-	10,707,550
<b>Total depreciable capital assets</b>	<b>86,248,377</b>	<b>1,108,752</b>	<b>-</b>	<b>-</b>	<b>87,357,129</b>
<b>Accumulated Depreciation:</b>					
Buildings & Improvements	4,301,446	638,051	-	-	4,939,497
Site Improvements	87,464	105,359	-	-	192,823
Machinery & Equipment	1,343,090	112,938	-	-	1,456,028
Furniture & Fixtures	27,948	26,399	-	-	54,347
Vehicles	965,375	110,843	-	-	1,076,218
Infrastructure	23,482,302	1,508,904	-	-	24,991,206
Sprayfield	101,498	5,251	-	-	106,749
Recreational Upgrades	3,705,443	365,995	-	-	4,071,438
<b>Total accumulated depreciation</b>	<b>34,014,566</b>	<b>2,873,740</b>	<b>-</b>	<b>-</b>	<b>36,888,306</b>
<b>Total depreciable capital assets, net</b>	<b>52,233,811</b>	<b>(1,764,988)</b>	<b>-</b>	<b>-</b>	<b>50,468,823</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 78,508,151</b>	<b>\$ 2,945,058</b>	<b>\$ 3,819,851</b>	<b>\$ -</b>	<b>\$ 77,633,358</b>
<b>Business-type Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 4,258,848	\$ -	\$ -	\$ -	\$ 4,258,848
<b>Total non-depreciable capital assets</b>	<b>4,258,848</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,258,848</b>
<b>Depreciable Assets:</b>					
Buildings & Improvements	2,337,922	74,388	-	-	2,412,310
Machinery & Equipment	1,841,477	-	36,654	-	1,804,823
Furniture & Fixtures	80,932	-	-	-	80,932
Vehicles	697,641	-	-	-	697,641
Sprayfield	583,676	-	-	-	583,676
Stormwater Improvements	589,711	189,864	-	-	779,575
Gas Distribution System	4,527,685	62,900	-	-	4,590,585
Golf Renovations	868,040	-	-	-	868,040
<b>Total depreciable capital assets</b>	<b>11,527,084</b>	<b>327,152</b>	<b>36,654</b>	<b>-</b>	<b>11,817,582</b>
<b>Accumulated Depreciation:</b>					
Buildings & Improvements	1,918,369	81,364	-	-	1,999,733
Machinery & Equipment	1,322,853	97,319	36,654	-	1,383,518
Furniture & Fixtures	80,932	-	-	-	80,932
Vehicles	505,199	41,730	-	-	546,929
Sprayfield	423,166	19,456	-	-	442,622
Stormwater Improvements	27,595	19,658	-	-	47,253
Gas Distribution System	2,226,192	110,710	-	-	2,336,902
Golf Renovations	639,717	23,769	-	-	663,486
<b>Total accumulated depreciation</b>	<b>7,144,023</b>	<b>394,006</b>	<b>36,654</b>	<b>-</b>	<b>7,501,375</b>
<b>Total depreciable capital assets, net</b>	<b>4,383,061</b>	<b>(66,854)</b>	<b>-</b>	<b>-</b>	<b>4,316,207</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 8,641,909</b>	<b>\$ (66,854)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,575,055</b>

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

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

<b>Governmental Activities:</b>	
General Government	\$ 572,650
Public Safety	39,496
Public Works	1,610,037
Health & Welfare	998
Culture & Recreation	642,057
Housing & Development	8,502
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,873,740</b>
<b>Business-type Activities:</b>	
Gas	\$ 191,747
Golf	181,562
Stormwater	20,697
<b>Total depreciation expense - business-type activities</b>	<b>\$ 394,006</b>

### DISCRETELY PRESENTED COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended December 31, 2021, was as follows:

	Beginning Balance 1/1/2020	Additions	Retirements	Reclassifications	Ending Balance 12/31/2020
<b>Discretely Presented Component Units</b>					
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 2,978,638	\$ 5,000,000	\$ 5,000,000	\$ (442,975)	\$ 2,535,663
Construction in Progress	-	5,000,000	-	-	5,000,000
Total non-depreciable capital assets	2,978,638	10,000,000	5,000,000	(442,975)	7,535,663
<b>Depreciable Assets:</b>					
Buildings & Improvements	48,188,079	149,482	-	442,975	48,780,536
Machinery & Equipment	51,222	-	-	-	51,222
Furniture & Fixtures	311,663	-	-	-	311,663
Total depreciable capital assets	48,550,964	149,482	-	442,975	49,143,421
<b>Accumulated Depreciation:</b>					
Buildings & Improvements	3,503,543	1,843,041	-	-	5,346,584
Machinery & Equipment	9,900	4,916	-	-	14,816
Furniture & Fixtures	59,632	22,478	-	-	82,110
Total accumulated depreciation	3,573,075	1,870,435	-	-	5,443,510
Total depreciable capital assets, net	44,977,889	(1,720,953)	-	442,975	43,699,911
<b>Governmental activities capital assets, net</b>	<b>\$ 47,956,527</b>	<b>\$ 8,279,047</b>	<b>\$ 5,000,000</b>	<b>\$ -</b>	<b>\$ 51,235,574</b>

During 2021, land in the amount of \$3,819,851 was sold to the DDA from the City for \$5,000,000 and resold to another party.

### NOTE 6. RISK MANAGEMENT

The City purchased general liability insurance from Georgia Interlocal Risk Management Agency in 2021. The City's policy starts May 1st and ends April 30th of each year. The premium for the City's fiscal year of 2021 was \$144,035. The City purchased Workers Compensation Insurance through Georgia Municipal Association Workers' Compensation Self-Insurance Fund in 2021. The City's policy period for Georgia Municipal Association carry a one-year term which started on Jan 1<sup>st</sup> and ended December 31<sup>st</sup>. The premium for the City's fiscal year of 2021 was \$67,780.



**CITY OF SUGAR HILL, GEORGIA**

Notes to Financial Statements

December 31, 2021

**NOTE 9. LANDFILL CLOSURE/POSTCLOSURE**

State and federal laws and regulations require the City to place a final cover on a landfill site when it stops accepting water and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City recognizes a portion of the closure and postclosure care costs in each operating period even though actual payouts will not occur until the landfill is closed. The amount recognized each year is based on the landfill capacity used as of the balance sheet date.

As of December 31, 2021, the City has recorded a liability for the landfill of \$724,934 which represents the estimated postclosure costs based on 100% of landfill capacity used to date. All estimated liability costs have been recognized since the landfill is no longer used. The City received its closure certificate on February 14, 2000.

These costs are based on what it would cost to perform all postclosure care in 2021. The estimated costs are subject to changes resulting from inflation, technology, or changes in applicable laws or regulations. The revised estimated liability for the postclosure care costs have been estimated by the City's Public Works Department.

**NOTE 10. LONG-TERM DEBT**

**PRIMARY GOVERNMENT**

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

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

	Balance as of December 31, 2020	Additions	Reductions	Balance as of December 31, 2021	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 207,254	\$ 215,426	\$ (187,100)	\$ 235,580	\$ -
Landfill closure/postclosure	869,921	-	(144,987)	724,934	144,986
Net Pension Liability	775,653	0	(539,605)	236,048	-
<b>Total governmental activities</b>	<b>\$ 1,852,828</b>	<b>\$ 215,426</b>	<b>\$ (871,692)</b>	<b>\$ 1,196,562</b>	<b>\$ 144,986</b>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 48,358	\$ 71,482	\$ (66,889)	\$ 52,951	\$ -
Net Pension Liability	507,529	-	(201,333)	306,196	-
<b>Total business-type activities</b>	<b>\$ 555,887</b>	<b>\$ 71,482</b>	<b>\$ (268,222)</b>	<b>\$ 359,147</b>	<b>\$ -</b>
<b>Total Primary Government Long-Term Liabilities</b>	<b>\$ 2,408,715</b>	<b>\$ 286,908</b>	<b>\$ (1,139,914)</b>	<b>\$ 1,555,709</b>	<b>\$ 144,986</b>

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

**DISCREETLY PRESENTED COMPONENT UNITS**

Activity for the Downtown Development Authority for the year ended December 31, 2021, was as follows:

	Balance as of December 31, 2020	Additions	Reductions	Balance as of December 31, 2021	Due Within One Year
<b>Downtown Development Authority Activities:</b>					
Revenue Bonds	\$ 34,195,000	\$ 21,560,000	\$ (15,690,000)	\$ 40,065,000	\$ 2,355,000
Less: original issue discount	(347)	-	347	-	-
Plus: original issue premium	3,576,276	-	(522,764)	3,053,512	509,204
<b>Total Revenue Bonds</b>	<b>37,770,929</b>	<b>21,560,000</b>	<b>(16,212,417)</b>	<b>43,118,512</b>	<b>2,864,204</b>
<b>Total Downton Development Authority Activities</b>	<b>\$ 37,770,929</b>	<b>\$ 21,560,000</b>	<b>\$ (16,212,417)</b>	<b>\$ 43,118,512</b>	<b>\$ 2,864,204</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 37,770,929</b>	<b>\$ 21,560,000</b>	<b>\$ (16,212,417)</b>	<b>\$ 43,118,512</b>	<b>\$ 2,864,204</b>

# CITY OF SUGAR HILL, GEORGIA

Notes to Financial Statements  
December 31, 2021

On February 19, 2016, the City entered into a contract, as lessee, with the Downtown Development Authority to issue \$24,375,000 in revenue bonds, Series 2016A, and \$3,855,000 in taxable revenue bonds, Series 2016B. The Series 2016A bonds carry a rate of ranging from 2.5% to 4.0% per annum and mature on December 1, 2035. The Series 2016B bonds carry a rate ranging from 1.25% to 2.0% per annum and mature on December 31, 2021. The bonds were issued to construct the 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. On December 1, 2020 Series 2016A was refunded with the new Series 2020 revenue bonds.

On May 29, 2018, the City entered into a contract, as lessee, with the Downtown Development Authority 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 requirements to amortize the Series 2018 A&B revenue bonds outstanding as of December 31, 2021, are as follows:

<u>Dec 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	660,000	345,708	1,005,708
2023	680,000	326,172	1,006,172
2024	700,000	304,820	1,004,820
2025	720,000	283,725	1,003,725
2026	740,000	262,125	1,002,125
2027-2031	4,055,000	963,525	5,018,525
2032-2035	3,705,000	306,025	4,011,025
	<u>\$ 11,260,000</u>	<u>\$ 2,792,099</u>	<u>\$ 14,052,099</u>

On December 1, 2020, the City entered into a contract, as lessee, with the Downtown Development Authority to issue \$21,560,000 in revenue bonds, Series 2020, as an advanced refunding of the non-taxable 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 annual requirements to amortize the Series 2020 revenue bonds outstanding as of December 31, 2021, are as follows:

<u>Dec 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	1,135,000	811,950	1,946,950
2023	1,180,000	766,550	1,946,550
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
2027-2031	7,725,000	2,027,000	9,752,000
2032-2035	7,310,000	480,100	7,790,100
	<u>\$ 21,190,000</u>	<u>\$ 6,094,050</u>	<u>\$ 27,284,050</u>

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

On December 17, 2021, the Downtown Development Authority issued \$7,615,000 in revenue bonds, Series 2021C. The Series 2021 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.

The annual requirements to amortize the Series 2021 revenue bonds outstanding as of December 31, 2021, are as follows:

<u>Dec 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	560,000	146,259	706,259
2023	575,000	141,806	716,806
2024	585,000	130,248	715,248
2025	600,000	118,490	718,490
2026	610,000	106,430	716,430
2027-2031	3,270,000	342,204	3,612,204
2032-2035	1,415,000	42,810	1,457,810
	<u>\$ 7,615,000</u>	<u>\$ 1,028,247</u>	<u>\$ 8,643,247</u>

The annual requirements to amortize all revenue bonds outstanding as of December 31, 2021, are as follows:

<u>Dec 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	2,355,000	1,303,917	3,658,917
2023	2,435,000	1,234,528	3,669,528
2024	2,515,000	1,154,418	3,669,418
2025	2,600,000	1,072,365	3,672,365
2026	2,680,000	987,505	3,667,505
2027-2031	15,050,000	3,332,729	18,382,729
2032-2035	12,430,000	828,935	13,258,935
	<u>\$ 40,065,000</u>	<u>\$ 9,914,396</u>	<u>\$ 49,979,396</u>

### **NOTE 11. BONDS HELD**

As of December 31, 2021, performance bonds were posted by multiple companies with the City against damages that might occur during construction. Once these construction projects are successfully completed, the monies posted will be returned to the appropriate company. During 2021, no performance bonds were called due to noncompliance. The outstanding balance of the erosion bonds as of December 31, 2021 is \$101,0698.

### **NOTE 12. CONTINGENT LIABILITIES**

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

**CITY OF SUGAR HILL, GEORGIA**

Notes to Financial Statements  
December 31, 2021

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

Interfund receivable and payable balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. As of December 31, 2021, the interfund receivables and payables were as follows:

<u>Due To:</u>	<u>Due From:</u>		
	General Fund	SPLOST 2017 Fund	Total
General Fund	\$ -	\$ 3,327,526	\$ 3,327,526
Stormwater Fund	1,204,593	-	1,204,593
	<u>\$ 1,204,593</u>	<u>\$ 3,327,526</u>	<u>\$ 4,532,119</u>

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

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During 2021, the transfers were as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>				
	General Fund	ARPA Fund	Gas Fund	Golf Fund	Total
General Fund	\$ -	\$ 272,543	\$ 2,069,409	\$ 97,825	\$ 2,439,777
Capital Improvements Fund	1,739,763	-	-	-	1,739,763
ARPA Fund	100	-	-	-	100
Golf Fund	-	11,052	-	-	11,052
	<u>\$ 1,739,863</u>	<u>\$ 283,595</u>	<u>\$ 2,069,409</u>	<u>\$ 97,825</u>	<u>\$ 4,190,692</u>

**CITY OF SUGAR HILL, GEORGIA**

Notes to Financial Statements

December 31, 2021

**NOTE 14. BUDGETS**

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

Department	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Variance with Final Budget Over (Under)
<b>General Fund</b>			
General Government	\$ 3,660,634	\$ 2,967,457	\$ (693,177)
Judicial	21,200	21,118	(82)
Public Safety	477,290	370,548	(106,742)
Public Works	1,644,000	1,539,660	(104,340)
Recreation & Culture	2,610,010	2,257,638	(352,372)
Housing & development	4,117,699	3,888,777	(228,922)
Transfers Out	1,747,045	1,739,863	(7,182)
<b>ARPA Fund</b>			
General Government	8,000	7,646	(354)
Capital Outlay	19,000	18,448	(552)
Transfers Out	4,569,411	283,595	(4,285,816)
	<u>\$ 14,277,878</u>	<u>\$ 12,785,061</u>	<u>\$ (1,492,817)</u>

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

**NOTE 15: RETIREMENT PLANS**

**Defined Benefit Retirement Plan**

**Plan Description**

The Georgia Municipal Employees Benefit System (GMEBS) administers an agent multiple-employer defined benefit pension plan, the City of Sugar Hill Retirement Plan as defined in the Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Under the GMEBS Retirement Fund, the contributions made by the City of Cleveland, Georgia are commingled with contributions made by other participants of the GMEBS Retirement Fund for investment purposes. The plan was effective on April 1, 2018.

The Board of Trustees of the Georgia Municipal Employees Benefit System (GMEBS) is authorized to amend the “Plan” documents pursuant to a formally adopted resolution. The adoption agreements, executed by the City Council, establish the specific benefit provisions of the Defined Benefit Plan and may be amended by a formally adopted resolution by the City Council and approved by the Plan Board of Trustees. The Plan provides for benefits upon retirement, death, disablement, and termination of employment. The pension plan’s financial report is included in the report of the Georgia Municipal Employees Benefit System.

A copy of the Pension Plan financial reports can be obtained from:

Georgia Municipal Association  
201 Pryor Street, NW  
Atlanta, GA. 30303-3606

# CITY OF SUGAR HILL, GEORGIA

Notes to Financial Statements

December 31, 2021

Employee membership data related to the Plan, as of December 31, 2021 was as follows:

Active employees	76
Active elected officials	6
Vested former participants	6
Retired participants and beneficiaries	5

## Funding Policy

The City is required to contribute an actuarially determined amount annually to the Plan's trust. The Contribution amount is determined using actuarial methods and assumptions provided for by the adoption agreement and intended to satisfy the minimum contribution requirements set forth in controlling State of Georgia statutes. The City's retirement plan is subject to minimum funding standards of the Public Retirement Systems Standard Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is \$364,458. The minimum contribution amount is determined as the sum of (1) the normal cost (including administrative expenses), (2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization surplus, and (3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contributions to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan.

## Recommended Contribution

	Year Beginning	
	July 1, 2021	July 1, 2020
Total Benefit Normal Cost	\$ 312,241	\$ 285,165
Administrative Expenses	\$ 18,108	\$ 16,793
Expected Employee Contributions	\$ -	\$ -
Employer Normal Cost	\$ 330,349	\$ 301,958
Actuarial Accrued Liability at Valuation Date	\$ 4,424,676	\$ 3,603,784
Actuarial Value of Assets at Valuation Date	\$ 4,227,476	\$ 3,602,941
Underfunded/(Surplus) Actuarial Accrued Liability	\$ 197,200	\$ 843
Payment on Unfunded/(Surplus) Actuarial Accrued Liability	\$ 21,370	\$ 68
Full Funding Credit	\$ -	\$ -
Recommended Mid-Year Contribution at Valuation Date	\$ 351,719	\$ 302,026
Adjustment to Fiscal Year (Begins July 1, 2019)	\$ 12,739	\$ 10,939
Total Recommended Mid-Year Contribution, For Fiscal Year	\$ 364,458	\$ 312,965
Recommended Contribution As A Percentage Of Expected Payroll	9.41%	8.75%

**CITY OF SUGAR HILL, GEORGIA**

Notes to Financial Statements

December 31, 2021

**Summary of Plan Provisions**

Employer	City of Sugar Hill
Social Security	No
Participant Contribution	--
Original Effective Date	4/1/2018
Master Plan/Adoption Agreement	4/1/2018
Eligibility Requirements	Employees: No waiting period Officials: No waiting period City manager's participation optional in such position on 4/1/18
Normal Retirement Age	Employees: 65+5 or 62+10 (participant is not required to be in service of the Employer at the time of satisfying the Alternative Normal) Officials: 65 or 62+10 (participant is not required to be in service of the Employer at the time of satisfying the Alternative Normal)
Early Retirement	55+10
Benefit Formula	2.00%
Official's Benefits	\$35
Vesting	5 years Officials: Immediate vesting
Death Benefits	Automatic Option A – Vested Participation Term vest Auto A death benefit
Disability Minimum	20%
Cost-of-Living	Variable not to exceed 2%
Other	A maximum of five (5) years of service with the City prior to the date the eligible employee becomes a participant shall be credited as credited past service, and shall be counted for all purposes. For purposes of this provision, only service with the City during the period of 4/1/13 - 3/31/18 may be counted as credited past service. No changes in plan features since last valuation.

The following chart shows the historical funding information. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**Funding History**

Actuarial Valuation Date	July 1, 2021
Actuarial Value of Assets (a)	\$ 4,227,476
Actuarial Accrued Liability (b)	\$ 4,424,676
Underfunded/(Surplus) (b) - (a)	\$ 197,200
Funded Ratio (a) / (b)	95.54%
Covered Payroll	\$ 3,832,149
Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	5.15%

*Actuarial Cost Method. Projected Unit Credit.*

*Amortization Method. Closed level dollar for remaining underfunded liability.*

**CITY OF SUGAR HILL, GEORGIA**

Notes to Financial Statements  
December 31, 2021

**Asset Valuation Method.** Sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

**Actuarial assumptions.** The total pension liability in the January 1, 2021 actuarial valuation date was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Net Investment Rate of Return	7.375% (on-going basis)
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	1.70%

The mortality and assumptions used in the July 1, 2021 valuation were approved by the Board in December 2019 based on the results of an actuarial study for the period January 1, 2015 through June 30, 2019 conducted by Segal in November and December 2019.

**Mortality Rates**

Healthy:	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25
Disabled:	Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25
Plan termination basis (all lives):	1994 Group Annuity Reserving Unisex Table

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. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.40%
International Equity	20%	7.05%
Domestic Fixed Income	20%	1.15%
Real Estate	10%	4.50%
Global Fixed Income	5%	1.25%
Cash	0%	
<b>Total</b>	<b>100%</b>	

**Discount Rate.** The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that City contributions will be made at equal rates to the difference between actuarially determined contribution rates and the employee 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

**Net Pension Liability.** The City's net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. At December 31, 2021, the City reported a net pension liability. The amount recognized by the City were as follows:

City's Net Pension Liability:		
Governmental activities	\$	236,048
Business-type activities		306,122
Total Net Pension Liability	\$	542,170

Changes in the City's net pension liability for the year ended March 31, 2021 were as follows:

### Changes in the Net Pension Liability

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a)-(b)
<b>Balances at March 31, 2020</b>	\$ 4,401,225	\$ 3,118,043	\$ 1,283,182
<b>Changes for the Year:</b>			
Service Cost	\$ 277,374	\$ -	\$ 277,374
Interest Expense	343,682	-	343,682
Benefit Changes (Changes of benefit terms)	-	-	-
Experience Losses (gains) (Amortized over avg remain svc period of actives & inactives)	406,133	-	406,133
Changes of Assumptions	-	-	-
Contributions - Employer/Nonemployer	-	332,105	(332,105)
Contributions - Employee	-	-	-
Contributions - State	-	-	-
Other Changes - Contribution timing differences	-	-	-
Net Investment Income	-	1,451,778	(1,451,778)
Expected Return on Plan Investments	-	-	-
Amortized Portion of Current-period	-	-	-
Differences between Actual and Expected Returns on Plan Investments	-	-	-
Refunds of Contributions	-	-	-
Benefits Paid	(36,995)	(36,995)	-
Plan Administrative Expenses	-	(15,682)	15,682
Contributions for Specific Liabilities	-	-	-
Other	-	-	-
Amortization of or Change in Beginning Balances of Deferred Outflow	-	-	-
<b>NET CHANGES:</b>	\$ 5,391,419	\$ 4,849,249	\$ 542,170
<b>Balances at March 31, 2021</b>	\$ 5,391,419	\$ 4,849,249	\$ 542,170

**CITY OF SUGAR HILL, GEORGIA**

Notes to Financial Statements  
December 31, 2021

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the City's net pension liability calculated using the discount rate of 7.375 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375 percent) or 1-percentage-point higher (8.375 percent) than the current rate: **Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

	Discount Rate	Net Pension Liability
1% Decrease	6.375%	\$1,511,821
Current Discount Rate	7.375%	\$542,170
1% Increase	8.375%	\$241,781

**Pension Expense for the Year Ended December 31, 2021:**

**Pension Expense For The Year Ended December 31, 2021**

Service Cost	\$ 277,374
Interest on TPL	343,682
Employee Contributions	-
Administrative Expenses	15,682
Expected Return on Assets	(240,260)
Expensed Portion of Current Year Period Differences Between Expected And Actual Experience in TPL	45,125
Expensed Portion of Current Year Period Assumption Changes Current Year Plan Changes	-
Expensed Portion of Current Year Period Differences Between Projected and Actual Investment Earnings	(242,302)
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years	121,598
<b>Total Pension Expense</b>	<b>\$ 320,899</b>

For the year ended December 31, 2021, the City of Sugar Hill recognized pension expense of \$320,899.

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows/Inflows of Resources Related to Pensions**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected And Actual Experience	\$ 472,687	\$ -
Changes of Assumptions	-	(3,444)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(678,083)
City Contributions Subsequent to the Measurement Date	234,724	-
<b>Total</b>	<b>\$ 707,411</b>	<b>\$ (681,527)</b>

# CITY OF SUGAR HILL, GEORGIA

## Notes to Financial Statements

December 31, 2021

The deferred outflows of resources are reported on the Statement of Net Position as follows:

	Governmental		Business-Type	
	Activities	Activities	Total	
Differences Between Expected And Actual Experience	\$ 267,533	\$ 205,154	\$ 472,687	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(410,719)	(267,364)	(678,083)	
Changes in Assumptions	(2,954)	(490)	(3,444)	
City Contributions Subsequent to the Measurement Date	170,923	63,801	234,724	
	<u>\$ 24,783</u>	<u>\$ 1,101</u>	<u>\$ 25,884</u>	

### Projected Recognition of Deferred Outflows/ (Inflows)

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the pension expense as follows:

	Outstanding Balance at January 1, 2021	Amount recognized During FYE December 31, 2021	Outstanding Balance at December 31, 2021	2022	2023	2024	2025	2026	2027 and thereafter
	<b>Fiscal Year Outflows</b>	\$ 931,035	\$ 167,215	\$ 763,820	\$ 167,216	\$ 167,216	\$ 163,047	\$ 68,782	\$ 50,811
<b>Total Outflows</b>	<u>\$ 931,035</u>	<u>\$ 167,215</u>	<u>\$ 763,820</u>	<u>\$ 167,216</u>	<u>\$ 167,216</u>	<u>\$ 163,047</u>	<u>\$ 68,782</u>	<u>\$ 50,811</u>	<u>\$ 146,748</u>
<b>Fiscal Year Inflows</b>	(1,215,454)	(242,794)	(972,660)	(242,796)	(242,796)	(242,796)	(242,796)	(492)	\$ (984)
<b>Total Inflows</b>	<u>\$ (1,215,454)</u>	<u>\$ (242,794)</u>	<u>\$ (972,660)</u>	<u>\$ (242,796)</u>	<u>\$ (242,796)</u>	<u>\$ (242,796)</u>	<u>\$ (242,796)</u>	<u>\$ (492)</u>	<u>\$ (984)</u>
<b>Total</b>	<u>\$ (284,419)</u>	<u>\$ (75,579)</u>	<u>\$ (208,840)</u>	<u>\$ (75,580)</u>	<u>\$ (75,580)</u>	<u>\$ (79,749)</u>	<u>\$ (174,014)</u>	<u>\$ 50,319</u>	<u>\$ 145,764</u>

### *Defined Contribution Plan*

The City had adopted a defined contribution money purchase plan until April 2018 at which time the City changed to the Defined Benefit Plan. The Defined Contribution Plan operated in conjunction with a Deferred Compensation Plan as discussed below with Nationwide Retirement Solutions. The plan was established by the City Council. The plan was established by a majority vote of the Sugar Hill City Council. Employees must complete one month of service to be eligible for participation in the plan. The City's contribution requirements can be amended by majority vote of the City Council. As of April 1, 2018 the plan was discontinued and the City's contributions ceased. Employees were fully vested after 4 years of continuous service.

### *Deferred Compensation Plan*

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan contributions are invested with Nationwide Retirement Solutions. The plan is available to all City employees and permits the employees to defer a portion of their salary until future years. The plan is funded through payroll deductions with maximum contribution being 25% with a ceiling dollar amount of \$18,000 per year. Until April 2018, the City matched 50% of the employee contribution up to 7.5% of the employees' gross pay. In April 2018, when the City changed to the Defined Benefit Plan, it eliminated the match. However, employees are still allowed to contribute to the plan as of December 31, 2021. For employees over 50 years of age, the ceiling is \$24,000 per year with a catch-up provision. For the year ending December 31, 2021, the employees contributed \$163,101 to the plan.

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

# CITY OF SUGAR HILL, GEORGIA

Notes to Financial Statements

December 31, 2021

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

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

## **NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES**

The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Municipal Gas Authority of Georgia (“MGAG”) under which the City buys natural gas for resale to its customers. Under such contracts with MGAG, the City is obligated to purchase from MGAG, and MGAG is obligated to provide, all of the City’s natural gas requirements. The price paid by the City to MGAG under its contracts is intended to cover the City’s share of all the costs of MGAG including scheduled debt service. Such payments are required to be made by the City whether or not MGAG’s facilities or natural gas properties or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under the gas supply or transportation contracts with MGAG. To the extent the required payments are not made from revenues of the System of other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City is contingently liable for its pro-rata share of MGAG’s obligations in the amount of \$155,000,000 as of December 31, 2021, with the City’s pro-rata share being \$2,112,439.

During 2020, the Downtown Development Authority entered into an agreement with Solomon-Sugar Hill, LLC to issue non-recourse bonds in the amount of \$60,000,000 to be used for the cost of constructing a 130 unit senior assisted living and memory care facility. In 2021, the bonds were issued and construction commenced. The building and land are pledged as collateral for the bonds. Solomon-Sugar Hill, LLC is the obligors of the underlying debt. The bonds are payable solely by Solomon-Sugar Hill, LLC. In addition, no commitment beyond the collateral was extended by the Downtown Development Authority or City.

In March 2021, the Downtown Development Authority entered into an agreement with Terwilliger Pappas Multi-Family Partners, LLC to issue non-recourse bonds in the amount not to exceed \$74,000,000 to be used for the costs of the acquisition, construction, installation and operation of a mixed-use development with multifamily residential, structured public and private parking and street level retail components. The building and land are pledged as collateral for the bonds. Terwilliger Pappas Multi-Family Partners, LLC is the obligors of the underlying debt. The bonds are payable solely by Terwilliger Pappas Multi-Family Partners, LLC. In addition, no commitment beyond the collateral was extended by the Downtown Development Authority or City.

## **NOTE 18. JOINT VENTURES**

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During its year ended December 31, 2021, 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 20. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 9, 2022.

**CITY OF SUGAR HILL, GEORGIA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Differences Over / (Under)	GAAP Basis	Final Budget
<b>Revenues</b>						
Property tax	\$ 4,080,112	\$ 4,080,112	\$ 5,176,637	\$ -	\$ 5,176,637	\$ 1,096,525
Business tax	1,725,000	1,725,000	2,056,203	-	2,056,203	331,203
Franchise tax	930,000	935,000	1,020,283	-	1,020,283	85,283
Alcohol tax	225,000	225,000	269,994	-	269,994	44,994
Excise tax	7,500	7,500	12,528	-	12,528	5,028
Intergovernmental	2,807,190	2,807,190	20,064	-	20,064	(2,787,126)
Licenses and permits	312,000	312,000	367,133	-	367,133	55,133
Fines and forfeitures	5,200	5,200	6,273	-	6,273	1,073
Charges for services	1,387,076	1,387,076	1,791,899	-	1,791,899	404,823
Investment earnings	25,000	25,000	34,803	-	34,803	9,803
Contributions and donations	-	-	25,000	-	25,000	25,000
Miscellaneous	2,700	2,700	9,101	-	9,101	6,401
<b>Total Revenues</b>	<b>11,506,778</b>	<b>11,511,778</b>	<b>10,789,918</b>	<b>-</b>	<b>10,789,918</b>	<b>(721,860)</b>
<b>Expenditures</b>						
Current Operating:						
General government	3,660,634	3,660,634	2,967,457	-	2,967,457	(693,177)
Judicial	5,200	21,200	21,118	-	21,118	(82)
Public safety	477,290	477,290	370,548	-	370,548	(106,742)
Public works	1,644,000	1,644,000	1,539,660	-	1,539,660	(104,340)
Recreation and culture	2,605,010	2,610,010	2,257,638	-	2,257,638	(352,372)
Housing and development	4,823,699	4,117,699	3,888,777	-	3,888,777	(228,922)
<b>Total Expenditures</b>	<b>13,215,833</b>	<b>12,530,833</b>	<b>11,045,198</b>	<b>-</b>	<b>11,045,198</b>	<b>(1,485,635)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,709,055)</b>	<b>(1,019,055)</b>	<b>(255,280)</b>	<b>-</b>	<b>(255,280)</b>	<b>763,775</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	2,147,200	2,147,200	2,439,777	-	2,439,777	(292,577)
Transfers out	(1,057,045)	(1,747,045)	(1,739,863)	-	(1,739,863)	(7,182)
Proceeds from sale of assets	800,000	800,000	6,587,435	-	6,587,435	(5,787,435)
<b>Total Other Financing Sources (Uses)</b>	<b>1,890,155</b>	<b>1,200,155</b>	<b>7,287,349</b>	<b>-</b>	<b>7,287,349</b>	<b>(6,087,194)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 181,100</b>	<b>\$ 181,100</b>	<b>7,032,069</b>	<b>\$ -</b>	<b>7,032,069</b>	<b>\$ (5,323,419)</b>
<b>Fund Balance Beginning of Year</b>			<b>12,643,986</b>		<b>12,643,986</b>	
<b>Fund Balance End of Year</b>			<b>\$ 19,676,055</b>		<b>\$ 19,676,055</b>	

**CITY OF SUGAR HILL, GEORGIA**  
 Budgetary Comparison Schedule  
 ARPA Fund  
 For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Differences Over / (Under)	GAAP Basis	Final Budget
<b>Revenues</b>						
Intergovernmental	4,596,411	4,596,411	4,596,441	-	4,596,441	30
Investment earnings	-	-	2,971	-	2,971	2,971
<b>Total Revenues</b>	<b>4,596,411</b>	<b>4,596,411</b>	<b>4,599,412</b>	<b>-</b>	<b>4,599,412</b>	<b>3,001</b>
<b>Expenditures</b>						
Current Operating:						
General government	-	8,000	7,646	-	7,646	(354)
Capital outlay	-	19,000	18,448	-	18,448	(552)
<b>Total Expenditures</b>	<b>-</b>	<b>27,000</b>	<b>26,094</b>	<b>-</b>	<b>26,094</b>	<b>(906)</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over (Under) Expenditures</b>	<b>4,596,411</b>	<b>4,569,411</b>	<b>4,573,318</b>	<b>-</b>	<b>4,573,318</b>	<b>(3,907)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	100	-	100	100
Transfers out	(4,596,411)	(4,569,411)	(283,595)	-	(283,595)	(4,285,816)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,596,411)</b>	<b>(4,569,411)</b>	<b>(283,495)</b>	<b>-</b>	<b>(283,495)</b>	<b>(4,285,716)</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,289,823</b>	<b>\$ -</b>	<b>4,289,823</b>	<b>\$ 4,289,623</b>
<b>Fund Balance End of Year</b>			<b>\$ 4,289,823</b>		<b>\$ 4,289,823</b>	

**CITY OF SUGAR HILL, GEORGIA**  
Notes to Required Supplementary Information  
on Budgetary Accounting and Control  
Year Ended December 31, 2021

**BUDGETARY ACCOUNTING AND CONTROL**

**Budget Law**

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

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

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

**Budgetary Accounting**

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

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

**Budget Requirements**

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

Department	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
<b>General Fund</b>				
General Government	\$ 3,660,634	\$ -	\$ -	\$ 3,660,634
Judicial	5,200	16,000	-	21,200
Public Safety	477,290	-	-	477,290
Public Works	1,644,000	-	-	1,644,000
Recreation & Culture	2,605,010	5,000	-	2,610,010
Housing & development	4,823,699	-	706,000	4,117,699
Transfers Out	1,057,045	690,000	-	1,747,045
<b>ARPA Fund</b>				
General Government	-	8,000	-	8,000
Capital Outlay	-	19,000	-	19,000
Transfers Out	4,596,411	-	27,000	4,569,411
	<b>\$ 18,869,289</b>	<b>\$ 738,000</b>	<b>\$ 733,000</b>	<b>\$ 18,874,289</b>

**CITY OF SUGAR HILL, GEORGIA**  
Required Supplementary Information  
Schedule of Contributions  
Year Ended December 31, 2021

City of Sugar Hill Retirement Plan

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service Cost	\$ 277,374	\$ 242,645	\$ 219,509	\$ -
Interest	343,682	312,413	274,334	-
Differences Between Expected and Actual Experience	406,133	51,162	125,795	-
Changes of Assumptions	-	(4,425)	-	-
Changes of Benefit Terms	-	-	-	3,449,881
Benefit Payments, Including Refunds of Employee Contributions	(36,995)	(246,874)	(23,215)	-
Net Change in Total Pension Liability	990,194	354,921	596,423	3,449,881
Total Pension Liability - Beginning	4,401,225	4,046,304	3,449,881	-
Total Pension Liability - Ending (a)	<u>\$ 5,391,419</u>	<u>\$ 4,401,225</u>	<u>\$ 4,046,304</u>	<u>\$ 3,449,881</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 332,105	\$ 385,478	\$ 1,714,447	\$ -
Contributions - Employee	-	68,205	1,384,392	-
Net Investment Income	1,451,778	(227,551)	93,948	-
Benefit Payments, Including Refunds of Employee Contributions	(36,995)	(246,874)	(23,215)	-
Administrative Expense	(15,682)	(16,322)	(14,465)	-
Other	-	-	-	-
Net Change in Fiduciary Net Position	1,731,206	(37,064)	3,155,107	-
Plan Fiduciary Net Position - Beginning	3,118,043	3,155,107	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,849,249</u>	<u>\$ 3,118,043</u>	<u>\$ 3,155,107</u>	<u>\$ -</u>
Net Pension Liability - Ending: (a)-(b)	<u>\$ 542,170</u>	<u>\$ 1,283,182</u>	<u>\$ 891,197</u>	<u>\$ 3,449,881</u>
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	89.94%	70.84%	77.98%	0.00%
Covered-Employee Payroll	\$ 3,832,149	\$ 3,538,686	\$ 3,210,755	\$ 3,164,411
Net Pension Liability as a Percentage of Covered-Employee Payroll	14.15%	36.26%	27.76%	109.02%

Note: No information is available prior to 2018, the initial year of the plan. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF SUGAR HILL, GEORGIA**  
 Required Supplementary Information  
 Schedule of Contributions  
 Year Ended December 31, 2021

City of Sugar Hill Retirement Plan

	2021	2020	2019	2018
Actuarially Determined Contribution	\$ -	\$ 304,636	\$ 479,130	NA
Contributions in Relation to the Actuarially Determined Contribution	-	-	-	-
Contribution Deficiency (Excess)	-	(25,386)	-	NA
Covered-Employee Payroll	-	3,538,686	3,210,755	NA
Contributions as a Percentage of Covered-Employee Payroll	-	9.33%	12.84%	NA

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. The 2021 information will be determined after fiscal year end and will be in the 2022 valuation report. The investment return and inflation assumptions used to value the Plan is based on an experience study conducted in November and December 2019. The remaining assumptions and methods used to value the plan were based on an experience study for the period of January 1, 2015 through June 30, 2019. Contributions in relation to the actuarially determined contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

***Changes of Assumptions***

There have been no changes in assumptions during 2021.

***Benefit Changes***

There have been no changes in benefit provisions during 2021.



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

To the City Council  
Sugar Hill, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, and each major fund of the City of Sugar Hill, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Sugar Hill, Georgia's basic financial statements and have issued our report thereon dated September 9, 2022.

**Internal Control over Financial Reporting**

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

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency described in the accompanying Schedule of Findings and Responses as item 2021-1 to be a significant deficiency.

**Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

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

Walker, Pierce & Tuck, CPA's, P.C.  
Gainesville, Georgia  
September 9, 2022



City of Sugar Hill, Georgia  
Schedule of Findings and Responses  
For the Year Ended December 31, 2021

**Findings – Financial Statement Audit**

**INTERNAL CONTROL**

**2021 -1**

- Condition:** The City accounting staff requires additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external audit for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City. Under current auditing standards, providing technical assistance does not impair independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the auditor. This does not indicate that the Finance Manager is not trained to perform the daily accounting functions, but the City has elected as a cost benefit to outsource this expertise to their auditors. As required, we have indicated this as a significant deficiency in our letter on internal control and compliance.
- Criteria:** Effective internal control requires that the City accept responsibility and understanding of the audited financial report.
- Cause:** The City staff does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.
- Effect:** The lack of proper technical training and knowledge by City staff could result in the failure to understand and detect material misstatements in the financial statements.
- Recommendation:** The City should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.
- Response:** The City agrees with this finding and with the intent of GASB. The City has chosen to outsource the creation of the Annual Financial Statements to our auditors, experts in this area.

**CITY OF SUGAR HILL, GEORGIA**  
 Schedule of Special Purpose Local Option Sales Tax  
 Estimated Cost and Expenditure Summary  
 For the Year Ended December 31, 2021

<u>Project Description</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
<b>SPLOST 2017</b>					
Cultural facilities	\$ 1,836,249	\$ 1,836,249	\$ -	\$ -	-
Recreation facilities & equipment	8,236,540	8,236,540	3,229,697	3,523,162	6,752,859
Roads, streets, bridges and related facilities and equipment	9,859,121	9,859,121	2,072,323	272,428	2,344,751
Total:	<u>\$ 19,931,910</u>	<u>\$ 19,931,910</u>	<u>\$ 5,302,020</u>	<u>\$ 3,795,590</u>	<u>\$ 9,097,610</u>