

GOING
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THE
FUTURE

CITY OF SUGAR HILL,
GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2024



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of **City of Sugar Hill, Georgia** (the "City") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information for the General Fund, Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds as required by Official Code of Georgia 48-8-121, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 26, 2025

City of Sugar Hill, Georgia
Management's Discussion and Analysis
December 31, 2024

As management of the City of Sugar Hill (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2024 are as follows:

- The assets and deferred outflows of resources for the City of Sugar Hill exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$152,647,306 (net position). Of this amount, \$115,100,578 is invested in capital assets, net of related debt; \$15,024,263 is restricted; and \$22,522,465 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,148,108 in 2024 as compared to an increase of \$9,227,347 in the prior fiscal year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$21,181,305, a decrease of \$676,963 over the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to those financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to note that this statement consolidates the governmental fund's current financial resources (short-term) with capital assets and long-term liabilities.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and housing and development.

City of Sugar Hill, Georgia
Management's Discussion and Analysis
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The business-type activities of the City include a natural gas utility, golf course, stormwater, and a development authority. The City's government-wide financial statements are presented on pages 21 and 22.

Reporting the City's Most Significant Funds

Unlike government-wide financial statements, the focus of fund financial statements is directed at specific activities of the City rather than the City as a whole. Except for the General Fund, a capital project fund is established to satisfy managerial control over committed resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The City's fund financial statements are divided into two broad categories, (1) governmental funds and (2) proprietary funds.

Governmental Funds

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances, and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a fiscal year, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a fiscal year. The difference between a fund's total assets, deferred inflows of resources, and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the statement of revenues, expenditures, and changes in fund balances for governmental funds reports only those revenues and expenditures collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because different accounting basis are used to prepare fund financial statements, there are often significant differences between the totals presented in these financial statements. For this reason, there is an analysis at the bottom of the balance sheet that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, on page 25, there is a reconciliation of the statement of revenues, expenditures, and changes in fund balance of governmental funds to the statement of activities.

The City presents in separate columns funds that are most significant to the City (major funds). The City has no nonmajor funds. The City's governmental fund financial statements are presented on pages 23-25.

City of Sugar Hill, Georgia
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Proprietary Funds

Proprietary fund financial statements consist of a statement of net position, the statement of revenues, expenses, and changes in fund net position and the statement of cash flows, which are prepared on the full accrual basis of accounting. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds.

The City uses Enterprise Funds to account for business-type activities that typically charge fees to customers for the use of specific goods or services. Balances and activities accounted for in the City's Enterprise Funds are also reported in the business-type activities columns of the government-wide financial statements and use the same basis of accounting as the government-wide statements.

The City presents in separate columns Enterprise Funds that are most significant to the City (major enterprise funds) and all other Enterprise Funds are aggregated and reported in a single column. A statement of cash flows is presented at the fund financial statement level for proprietary funds.

The City's proprietary fund financial statements are presented on pages 26-28.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for the past two fiscal years are summarized as follows based on the information included in the government-wide financial statements (see pages 21 and 22):

City of Sugar Hill Summary of Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|--------------------------------|----------------|---------------------------------|---------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Assets: | | | | | | |
| Current and other assets | \$ 38,067,914 | \$ 34,988,100 | \$ 9,866,841 | \$ 7,032,878 | \$ 47,934,755 | \$ 42,020,978 |
| Capital assets, net | 94,062,885 | 94,276,452 | 55,808,648 | 56,086,060 | 149,871,533 | 150,362,512 |
| Total assets | 132,130,799 | 129,264,552 | 65,675,489 | 63,118,938 | 197,806,288 | 192,383,490 |
| Deferred outflows of resources | 863,988 | 824,610 | 307,146 | 296,872 | 1,171,134 | 1,121,482 |
| Liabilities: | | | | | | |
| Other liabilities | 1,767,028 | 2,164,927 | 5,155,951 | 4,518,228 | 6,922,979 | 6,683,155 |
| Long-term liabilities | 1,269,169 | 1,333,105 | 32,734,020 | 35,707,279 | 34,003,189 | 37,040,384 |
| Total liabilities | 3,036,197 | 3,498,032 | 37,889,971 | 40,225,507 | 40,926,168 | 43,723,539 |
| Deferred inflows of resources | 153,172 | 1,818 | 5,250,776 | 3,280,417 | 5,403,948 | 3,282,235 |
| Net position: | | | | | | |
| Net investment in capital assets | 93,582,473 | 93,043,735 | 21,518,105 | 20,375,661 | 115,100,578 | 113,419,396 |
| Restricted | 15,024,263 | 11,298,789 | - | - | 15,024,263 | 11,298,789 |
| Unrestricted | 21,198,682 | 22,246,788 | 1,323,783 | (465,775) | 22,522,465 | 21,781,013 |
| Total net position | \$ 129,805,418 | \$ 126,589,312 | \$ 22,841,888 | \$ 19,909,886 | \$ 152,647,306 | \$ 146,499,198 |

City of Sugar Hill, Georgia
Management's Discussion and Analysis
December 31, 2024

Financial Position

The total net position of the City increased \$6,148,108 or 4.2%, from \$146,499,198 to \$152,647,306 as noted in the following table.

City of Sugar Hill Summary of Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 2,660,394 | \$ 2,194,916 | \$ 13,110,877 | \$ 12,304,649 | \$ 15,771,271 | \$ 14,499,565 |
| Capital grants and contributions | 7,834,242 | 9,670,958 | - | - | 7,834,242 | 9,670,958 |
| General revenues: | | | | | | |
| Property taxes | 6,887,168 | 7,174,120 | - | - | 6,887,168 | 7,174,120 |
| Sales taxes | - | - | - | - | - | - |
| Franchise taxes | 1,283,482 | 1,161,721 | - | - | 1,283,482 | 1,161,721 |
| Insurance premium taxes | 2,391,568 | 2,223,317 | - | - | 2,391,568 | 2,223,317 |
| Business taxes | 622,167 | 612,021 | - | - | 622,167 | 612,021 |
| Alcohol taxes | 294,080 | 255,985 | - | - | 294,080 | 255,985 |
| Excise taxes | 15,922 | 28,387 | - | - | 15,922 | 28,387 |
| Gain on sale of capital assets | - | - | 207,539 | 350,091 | 207,539 | 350,091 |
| Unrestricted investment earnings | 601,515 | 256,084 | 152,783 | 47,691 | 754,298 | 303,775 |
| Total revenues | 22,590,538 | 23,577,509 | 13,471,199 | 12,702,431 | 36,061,737 | 36,279,940 |
| Expenses: | | | | | | |
| General government | 4,857,718 | 4,229,014 | - | - | 4,857,718 | 4,229,014 |
| Judicial | 50,164 | 62,308 | - | - | 50,164 | 62,308 |
| Public safety | 2,310,809 | 1,866,642 | - | - | 2,310,809 | 1,866,642 |
| Public works | 3,456,451 | 3,382,585 | - | - | 3,456,451 | 3,382,585 |
| Culture and recreation | 5,182,898 | 4,596,587 | - | - | 5,182,898 | 4,596,587 |
| Housing and development | 1,255,050 | 1,473,950 | - | - | 1,255,050 | 1,473,950 |
| Interest on long-term debt | 2,946 | - | - | - | 2,946 | - |
| Natural Gas Fund | - | - | 6,748,535 | 5,715,775 | 6,748,535 | 5,715,775 |
| Golf Fund | - | - | 1,664,450 | 1,537,738 | 1,664,450 | 1,537,738 |
| Stormwater Fund | - | - | 731,734 | 641,531 | 731,734 | 641,531 |
| Downtown Development Authority | - | - | 3,652,874 | 3,546,463 | 3,652,874 | 3,546,463 |
| Total expenses | 17,116,036 | 15,611,086 | 12,797,593 | 11,441,507 | 29,913,629 | 27,052,593 |
| Increase in net position before transfers | 5,474,502 | 7,966,423 | 673,606 | 1,260,924 | 6,148,108 | 9,227,347 |
| Transfers | (2,258,396) | (1,856,486) | 2,258,396 | 1,856,486 | - | - |
| Changes in net position | 3,216,106 | 6,109,937 | 2,932,002 | 3,117,410 | 6,148,108 | 9,227,347 |
| Net position, beginning of fiscal year | 126,589,312 | 120,479,375 | 19,909,886 | 16,792,476 | 146,499,198 | 137,271,851 |
| Net position, end of fiscal year | \$ 129,805,418 | \$ 126,589,312 | \$ 22,841,888 | \$ 19,909,886 | \$ 152,647,306 | \$ 146,499,198 |

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Governmental Activities

Net position for governmental activities increased \$3,216,106 or 2.54%. Total governmental revenues decreased \$986,971 or 4.19%. Charges for services increased \$465,478 or 21.2% primarily from increases in charges for street improvement services. Capital grants and contributions decreased \$1,836,716 or 19%, primarily from a 2023 2.92-acre property donation valued at \$2,920,000. Net property taxes decreased by \$286,952 or 4% due to an increase in the homestead exemption values and a decrease in the city milage rate. Franchise taxes increased \$121,761 or 10.4% primarily from increased collections from Georgia Power. Insurance premium taxes increased \$168,251 or 7.57% as insurance premiums in Georgia continue to rise. Investment earnings have increased \$345,431 or 135% as interest rates and surplus cash balances have increased.

Overall expenses for governmental activities increased \$1,504,950 or 9.64%. General government expenses increased \$628,704 or 14.87%, primarily from increases in wages and benefits and general increases in operating expenses. Public safety expenses increased \$444,167 or 23.79% because of increases in staffing and general increases in department operating expenses; Public works expenses increased modestly by \$73,866 or 2.18%. Cultural and recreation expenses increased \$586,311 or 12.76%, as a result of increases in staffing and increases wages and benefits. Housing and development expenses have decreased \$218,900 or 14.85%, primarily from a staffing gap and related benefits when the city's long-time planning director left the city to become a city administrator of another local city.

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City of Sugar Hill, Georgia
Management's Discussion and Analysis
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Business-Type Activities

Net position for business type activities increased \$2,932,002, or 14.73%, from the prior fiscal year. The activities of each enterprise fund are discussed below.

Natural Gas Fund. Operating income for this fund decreased \$704,142 or 23.55%, from \$2,989,762 in 2023 to \$2,285,620 in the current year. Natural gas revenues increased modestly by \$328,618 or 3.77%. Overall, operating expenses increased \$1,032,760 or 18.07%. Supply and equipment expenses, which include wholesale natural gas purchases, increased \$994,398 or 23.53%. Most of the increase was from additional natural gas costs. Personnel services and benefits increased \$106,302 or 10.5% as wages rates have increased.

Natural Gas Fund, Summary of Changes in Net Position

| | 2024 | 2023 | \$ Change | % Change | |
|-----------------------------------|--------------------|--------------------|---------------------|-----------------|---|
| OPERATING REVENUES | | | | | |
| Charges for sales and services | \$ 9,034,155 | \$ 8,705,537 | \$ 328,618 | 3.77 | % |
| | <u>9,034,155</u> | <u>8,705,537</u> | <u>328,618</u> | <u>3.77</u> | |
| OPERATING EXPENSES | | | | | |
| Personnel services and benefits | 1,118,701 | 1,012,399 | 106,302 | 10.50 | |
| Purchased and contracted services | 200,954 | 256,567 | (55,613) | (21.68) | |
| Supplies and equipment | 5,221,368 | 4,226,970 | 994,398 | 23.53 | |
| Depreciation and amortization | 183,936 | 195,330 | (11,394) | (5.83) | |
| Repairs and maintenance | 23,576 | 24,509 | (933) | (3.81) | |
| Total operating expenses | <u>6,748,535</u> | <u>5,715,775</u> | <u>1,032,760</u> | <u>18.07</u> | |
| Operating income | <u>2,285,620</u> | <u>2,989,762</u> | <u>(704,142)</u> | <u>(23.55)</u> | |
| NONOPERATING REVENUES | | | | | |
| Investment earnings | <u>18,624</u> | <u>5,920</u> | <u>12,704</u> | <u>214.59</u> | |
| Total nonoperating revenues | <u>18,624</u> | <u>5,920</u> | <u>12,704</u> | <u>214.59</u> | |
| Income before transfers | <u>2,304,244</u> | <u>2,995,682</u> | <u>12,704</u> | <u>0.42</u> | |
| Transfers out | <u>(2,187,904)</u> | <u>(2,226,456)</u> | <u>38,552</u> | <u>(1.73)</u> | |
| Change in net position | <u>\$ 116,340</u> | <u>\$ 769,226</u> | <u>\$ (652,886)</u> | <u>(84.88)</u> | % |

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Golf Fund. Operating income for the golf fund was \$268,033 for fiscal year 2024, compared to \$202,637 in the prior fiscal year, an increase of \$65,396 or 32.27%. Revenues increased by \$192,108 or 11.04% as the popularity of the course increases. Operating expenses increased \$126,712 or 8.24%. Personnel services increased \$32,450 or 4.18% as wages and benefits increased. Supplies increased \$56,753 or 13.04% based on increased usage of the course. Depreciation increased \$38,334, or 25.62%, because of capital asset additions. The course realized a gain of \$207,539 on the trade-in of the golf cart fleet.

Golf Fund, Summary of Changes in Net Position

| | 2024 | 2023 | \$ Change | % Change |
|-----------------------------------|-------------------|-------------------|-------------------|-----------------|
| OPERATING REVENUES | | | | |
| Charges for sales and services | \$ 1,883,625 | \$ 1,605,433 | \$ 278,192 | 17.33 % |
| Miscellaneous Income | <u>48,858</u> | <u>134,942</u> | <u>(86,084)</u> | <u>-</u> |
| | <u>1,932,483</u> | <u>1,740,375</u> | <u>192,108</u> | <u>11.04</u> |
| OPERATING EXPENSES | | | | |
| Personnel services and benefits | 809,103 | 776,653 | 32,450 | 4.18 |
| Purchased and contracted services | 55,727 | 61,788 | (6,061) | (9.81) |
| Supplies and equipment | 491,823 | 435,070 | 56,753 | 13.04 |
| Depreciation and amortization | 187,934 | 149,600 | 38,334 | 25.62 |
| Repairs and maintenance | <u>119,863</u> | <u>114,627</u> | <u>5,236</u> | <u>4.57</u> |
| Total operating expenses | <u>1,664,450</u> | <u>1,537,738</u> | <u>126,712</u> | <u>8.24</u> |
| Operating income | <u>268,033</u> | <u>202,637</u> | <u>65,396</u> | <u>32.27</u> |
| NONOPERATING REVENUES | | | | |
| Lease revenue | 78,710 | 49,409 | 29,301 | 59.30 |
| Gain on sale assets | <u>207,539</u> | <u>-</u> | <u>207,539</u> | <u>-</u> |
| Total nonoperating revenues | <u>286,249</u> | <u>49,409</u> | <u>236,840</u> | <u>479.35</u> |
| Change in net position | <u>\$ 554,282</u> | <u>\$ 252,046</u> | <u>\$ 367,632</u> | <u>145.86 %</u> |

City of Sugar Hill, Georgia
Management's Discussion and Analysis
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Stormwater Fund. This Fund was created to properly segregate infrastructure utility charges in accordance with state statutes. Operating income for this fund decreased from \$77,152 in 2023 to \$14,780 in the current year. Revenues decreased slightly by \$27,831 or 3.87%. General operating expenses increased \$90,203 or 14.06%. Personnel services increased \$27,281 or 4.92% as wages and benefit costs increased. Purchased services increased \$24,922 or 329% primarily from increases in consultant and contract labor costs. Depreciation costs have increased \$36,429 or 109% as infrastructure assets have increased.

Stormwater Fund, Summary of Changes in Net Position

| | <u>2024</u> | <u>2023</u> | <u>\$ Change</u> | <u>% Change</u> | |
|-----------------------------------|------------------|------------------|--------------------|-----------------|---|
| OPERATING REVENUES | | | | | |
| Charges for sales and services | \$ 746,514 | \$ 718,683 | \$ 27,831 | 3.87 | % |
| | <u>746,514</u> | <u>718,683</u> | <u>27,831</u> | <u>3.87</u> | |
| OPERATING EXPENSES | | | | | |
| Personnel services and benefits | 581,547 | 554,266 | 27,281 | 4.92 | |
| Purchased and contracted services | 32,476 | 7,554 | 24,922 | 329.92 | |
| Supplies and equipment | 41,194 | 41,540 | (346) | (0.83) | |
| Depreciation and amortization | 69,700 | 33,271 | 36,429 | 109.49 | |
| Repairs and maintenance | 6,817 | 4,900 | 1,917 | 39.12 | |
| Total operating expenses | <u>731,734</u> | <u>641,531</u> | <u>90,203</u> | <u>14.06</u> | |
| Operating income | <u>14,780</u> | <u>77,152</u> | <u>(62,372)</u> | <u>(80.84)</u> | |
| Change in net position | <u>\$ 14,780</u> | <u>\$ 77,152</u> | <u>\$ (62,372)</u> | <u>(81)</u> | % |

City of Sugar Hill, Georgia
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Downtown Development Authority Fund. Operating losses decreased \$40,754 or 3.32%, from an operating loss of \$1,228,058 in 2023 to \$1,187,304 in 2024. Operating revenues increased \$228,370 or 20.94% primarily from the additional lease income from the opening of the Lyric development. Operating expenses increased \$187,616 or 8.09% as the Lyric development began operations. Investment earnings increased \$92,388 or 221% as available cash balances and interest rates have increased. Interest expense has decreased \$81,205 or 6.61% as outstanding debt balances have decreased. Prior year non-operating revenues benefitted by \$350,091 from the sale of property related to the Sugar Hill Distillery. Transfers from the general fund to support operations of the Downtown Development Authority increased from \$4,082,942 to \$4,446,300, an increase of \$363,358 or 8.9%.

Downtown Development Authority Fund, Summary of Changes in Net Position

| | 2024 | 2023 | \$ Change | % Change | |
|---|---------------------|---------------------|-------------------|-----------------|---|
| OPERATING REVENUES | | | | | |
| Charges for sales and services | \$ 1,164,992 | \$ 952,660 | \$ 212,332 | 22.29 | % |
| Miscellaneous Income | 154,023 | 137,985 | 16,038 | 11.62 | |
| | <u>1,319,015</u> | <u>1,090,645</u> | <u>228,370</u> | <u>20.94</u> | |
| OPERATING EXPENSES | | | | | |
| Purchased and contracted services | 76,791 | 147,503 | (70,712) | (47.94) | |
| Supplies and equipment | 556,850 | 475,904 | 80,946 | 17.01 | |
| Depreciation and amortization | 1,756,915 | 1,490,426 | 266,489 | 17.88 | |
| Repairs and maintenance | 115,763 | 204,870 | (89,107) | (43.49) | |
| Total operating expenses | <u>2,506,319</u> | <u>2,318,703</u> | <u>187,616</u> | <u>8.09</u> | |
| Operating income | <u>(1,187,304)</u> | <u>(1,228,058)</u> | <u>40,754</u> | <u>(3.32)</u> | |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment earnings | 134,159 | 41,771 | 92,388 | 221.18 | |
| Interest expense | (1,146,555) | (1,227,760) | 81,205 | (6.61) | |
| Gain on sale assets | - | 350,091 | (350,091) | (100.00) | |
| Total nonoperating revenues (expenses) | <u>(1,012,396)</u> | <u>(835,898)</u> | <u>(176,498)</u> | <u>21.11</u> | |
| Income (loss) before transfers | <u>(2,199,700)</u> | <u>(2,063,956)</u> | <u>(135,744)</u> | <u>6.58</u> | |
| Transfers in | <u>4,446,300</u> | <u>4,082,942</u> | <u>363,358</u> | <u>8.90</u> | |
| Change in net position | <u>\$ 2,246,600</u> | <u>\$ 2,018,986</u> | <u>\$ 227,614</u> | <u>11.27</u> | % |

City of Sugar Hill, Georgia
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Governmental Funds

As noted earlier, the City of Sugar Hill uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's combined fund balances as of the end of the current fiscal year for governmental funds, presented on page 23, were \$36,132,931 compared to \$32,449,874 in the prior fiscal year, an increase of \$3,683,057 or 11.35%.

City of Sugar Hill Summary of Governmental Fund Balances

| | 2024 | 2023 | \$ Change |
|----------------------------------|----------------------|----------------------|---------------------|
| General Fund | \$ 21,181,305 | \$ 21,858,268 | \$ (676,963) |
| SPLOST Fund | 14,699,618 | 10,591,606 | 4,108,012 |
| Capital Projects Fund | 252,008 | - | 252,008 |
| Total Governmental Fund Balances | <u>\$ 36,132,931</u> | <u>\$ 32,449,874</u> | <u>\$ 3,683,057</u> |

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City of Sugar Hill, Georgia
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City of Sugar Hill Summary Changes in Governmental Fund Balance

| | <u>2024</u> | <u>2023</u> | <u>\$ Change</u> | <u>% Change</u> |
|---|----------------------|-----------------------|---------------------|-------------------|
| Revenues | | | | |
| Property taxes | \$ 6,999,596 | \$ 6,930,054 | \$ 69,542 | 1.00 % |
| Franchise taxes | 1,283,482 | 1,161,721 | 121,761 | 10.48 |
| Insurance premium taxes | 2,391,568 | 2,223,317 | 168,251 | 7.57 |
| Business taxes | 622,167 | 612,021 | 10,146 | 1.66 |
| Alcohol taxes | 294,080 | 255,985 | 38,095 | 14.88 |
| Excise taxes | 15,922 | 28,387 | (12,465) | (43.91) |
| Licenses and permits | 548,280 | 477,677 | 70,603 | 14.78 |
| Intergovernmental | 7,341,107 | 6,602,282 | 738,825 | 11.19 |
| Charges for services | 1,954,878 | 1,555,326 | 399,552 | 25.69 |
| Investment earnings | 1,094,650 | 381,089 | 713,561 | 187.24 |
| Other revenues | 157,236 | 162,136 | (4,900) | (3.02) |
| Total revenues | <u>\$ 22,702,966</u> | <u>\$ 20,389,995</u> | <u>\$ 2,312,971</u> | <u>11.34</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | \$ 4,155,588 | \$ 5,350,884 | \$ (1,195,296) | (22.34) |
| Judicial | 37,562 | 38,401 | (839) | (2.18) |
| Public safety | 2,217,922 | 1,813,610 | 404,312 | 22.29 |
| Public works | 1,625,608 | 2,040,228 | (414,620) | (20.32) |
| Culture and recreation | 3,845,596 | 3,565,694 | 279,902 | 7.85 |
| Housing and development | 1,247,508 | 1,432,062 | (184,554) | (12.89) |
| Capital outlay | 3,641,517 | 8,846,251 | (5,204,734) | (58.84) |
| Debt service: | | | | |
| Principal | 66,729 | 29,550 | 37,179 | 125.82 |
| Interest | 2,946 | - | 2,946 | - |
| Total expenditures | <u>16,840,976</u> | <u>23,116,680</u> | <u>(6,275,704)</u> | <u>(27.15)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,861,990</u> | <u>(2,726,685)</u> | <u>8,588,675</u> | <u>(314.99)</u> |
| Other Financing Sources (Uses) | | | | |
| Issuance of SBITA liability | 79,463 | 140,288 | (60,825) | (43.36) |
| Proceeds from sale of capital assets | - | 23,448 | (23,448) | - |
| Transfers in | 3,264,819 | 6,684,740 | (3,419,921) | (51.16) |
| Transfers out | (5,523,215) | (8,541,226) | 3,018,011 | (35.33) |
| Total other financing sources (uses) | <u>(2,178,933)</u> | <u>(1,692,750)</u> | <u>(486,183)</u> | <u>28.72</u> |
| Net change in fund balances | <u>\$ 3,683,057</u> | <u>\$ (4,419,435)</u> | <u>\$ 8,102,492</u> | <u>(183.34) %</u> |

Fund balance for 2024 improved by \$3,683,057 compared to a reduction of \$4,419,435 in 2023. Total governmental revenues increased \$2,312,971 or 11.34%. Property taxes increased \$69,542 or 1%. Franchise taxes increased \$121,761 or 10.48% primarily from increases in franchise taxes received from Georgia Power. Insurance premium taxes increased \$168,251 or 7.57% as insurance premiums in Georgia continue to increase. Alcohol taxes increased \$38,095 or 14.88% as additional restaurants serving alcohol open in the City. Licenses and permits revenues increased \$70,603 or 14.78% primarily from increases in residential building permits. Intergovernmental revenues increased \$738,825 or 11.19% as the City received reimbursement from state government for the Homeowners Tax Relief Grant in the amount of \$347,155 as well as \$310,962 of additional funds from the state road maintenance grant (LMIG). Charges for services increased \$399,552 or 25.69% primarily from increases in

City of Sugar Hill, Georgia
Management's Discussion and Analysis
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charges for street improvement services. Investment earnings increased \$713,561 or 187% as interest rates and available cash balances have increased.

Total governmental expenditures decreased \$6,275,704 or 27.15%. General government expenditures decreased \$1,195,296 or 22.34% primarily because prior year expenditures included significant land acquisitions. Public safety expenditures increased \$404,312 or 22.29% because of increases in wages and benefits as well as increases in equipment purchases. Public works expenses decreased \$414,620 or 20.32% as more road resurfacing projects were completed in the prior year. Cultural and recreation expenses increased \$279,902 or 7.85% primarily from increases in staffing. Housing and development expenses decreased \$184,554 or 12.89% primarily from a staffing gap and related benefits when the city's long-time planning director left the city to become the city administrator of another local city, as well as significant advertising expenses incurred in the prior year. Capital outlay expenses decreased \$5,204,734 or 59% as the prior year expenditures included \$3,412,507 for construction of Ridge Lake Park and \$3,456,787 for Bowl stormwater improvements and construction of The Landing.

Analysis of Major Funds

General Fund

Below is a comparison of general fund expenditures for 2024 and 2023.

City of Sugar Hill Summary Changes in General Fund Balance

| | <u>2024</u> | <u>2023</u> | <u>\$ Change</u> | <u>% Change</u> |
|---|----------------------|-----------------------|---------------------|------------------|
| Revenues | | | | |
| Property taxes | \$ 6,999,596 | \$ 6,930,054 | \$ 69,542 | 1.00 % |
| Franchise taxes | 1,283,482 | 1,161,721 | 121,761 | 10.48 |
| Insurance premium taxes | 2,391,568 | 2,223,317 | 168,251 | 7.57 |
| Business taxes | 622,167 | 612,021 | 10,146 | 1.66 |
| Alcohol taxes | 294,080 | 255,985 | 38,095 | 14.88 |
| Excise taxes | 15,922 | 28,387 | (12,465) | (43.91) |
| Licenses and permits | 548,280 | 477,677 | 70,603 | 14.78 |
| Intergovernmental | 351,298 | 14,963 | 336,335 | 2,247.78 |
| Charges for services | 1,954,878 | 1,555,326 | 399,552 | 25.69 |
| Investment earnings | 601,515 | 256,084 | 345,431 | 134.89 |
| Other revenues | 157,236 | 162,136 | (4,900) | (3.02) |
| Total revenues | <u>\$ 15,220,022</u> | <u>\$ 13,677,671</u> | <u>\$ 1,542,351</u> | <u>11.28</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | \$ 4,155,588 | \$ 5,350,884 | \$ (1,195,296) | (22.34) |
| Judicial | 37,562 | 38,401 | (839) | (2.18) |
| Public safety | 2,217,922 | 1,813,610 | 404,312 | 22.29 |
| Public works | 1,067,286 | 1,089,235 | (21,949) | (2.02) |
| Culture and recreation | 3,845,596 | 3,565,694 | 279,902 | 7.85 |
| Housing and development | 1,247,508 | 1,432,062 | (184,554) | (12.89) |
| Debt service: | | | | |
| Principal | 66,729 | 29,550 | 37,179 | 125.82 |
| Interest | 2,946 | - | 2,946 | - |
| Total expenditures | <u>12,641,137</u> | <u>13,319,436</u> | <u>(678,299)</u> | <u>(5.09)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,578,885</u> | <u>358,235</u> | <u>2,220,650</u> | <u>619.89</u> |
| Other Financing Sources (Uses) | | | | |
| Issuance of SBITA liability | 79,463 | 140,288 | (60,825) | (43.36) |
| Proceeds from sale of capital assets | - | 23,448 | (23,448) | - |
| Transfers in | 2,187,904 | 2,226,456 | (38,552) | (1.73) |
| Transfers out | (5,523,215) | (8,541,226) | 3,018,011 | (35.33) |
| Total other financing sources (uses) | <u>(3,255,848)</u> | <u>(6,151,034)</u> | <u>2,895,186</u> | <u>(47.07)</u> |
| Net change in fund balances | <u>\$ (676,963)</u> | <u>\$ (5,792,799)</u> | <u>\$ 5,115,836</u> | <u>(88.31) %</u> |

City of Sugar Hill, Georgia
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General Fund, continued

General fund balance for 2024 decreased by \$676,963 compared to a reduction of \$5,792,799 in 2023. Total general fund revenues increased \$1,542,351 or 11.28%. Property taxes increased \$69,542 or 1%. Franchise taxes increased \$121,761 or 10.48% primarily from increases in franchise taxes received from Georgia Power. Insurance premium taxes increased \$168,251 or 7.57% as insurance premiums in Georgia continue to increase. Alcohol taxes increased \$38,095 or 14.88% as additional restaurants serving alcohol open in the City. Licenses and permits revenues increased \$70,603 or 14.78% primarily from increases in residential building permits. Intergovernmental revenues increased \$336,335 as the City benefitted by \$347,155 from the state Homeowners Relief Grant. Charges for services increased \$399,552 or 25.69% primarily from increases in charges for street improvement services. Investment earnings increased \$345,431 or 135% as interest rates and available cash balances have increased.

Total general fund expenditures decreased \$678,299 or 5.09%. General government expenditures decreased \$1,195,296 or 22.34% primarily because prior year expenditures included significant land acquisitions. Public safety expenses increased \$404,312 or 22.29% because of increases in wages and benefits as well as increases in equipment purchases. Cultural and recreation expenses increased \$279,902 or 7.85% primarily from increases in staffing. Housing and development expenses decreased \$184,554 or 12.89% due to a staffing gap and related benefits when the city's long-time planning director left the city to become a city administrator of another local city.

SPLOST Fund

This fund accounts for the proceeds of the special purpose local option sales tax (SPLOST) for the various improvement projects approved by voter referendum. Intergovernmental revenues for this fund were \$6,431,487 and \$6,339,961 for fiscal 2024 and 2023, respectively. Investment earnings increased \$368,130 or 295% as interest rates and surplus cash balances have increased. Capital outlays for this fund were \$2,816,610 and \$5,051,310 for fiscal 2024 and 2023, respectively. Capital outlay was significantly less than 2023 which included \$3,412,507 for Ridge Lake Park construction.

Capital Projects Fund

The Capital Projects Fund accounts for the acquisition and construction of capital expenditures which are financed by intergovernmental revenues and transfers from the general fund. Revenues for this fund are primarily derived from state supported road maintenance grants (LMIG). LMIG funding was \$558,322 and \$247,358 for fiscal 2024 and 2023, respectively. Expenditures for this fund were \$1,383,229 and \$4,745,934 for fiscal 2024 and 2023, respectively, a decrease of \$3,362,705 or 71%. The large decrease is a result of significant expenditures for Bowl stormwater improvements, including the related Landing incurred in 2023.

Transfers from the General fund to support capital projects were \$1,076,915 and \$4,458,284 in fiscal 2024 and 2023, respectively. This is a decrease of \$3,381,369 or 76% and is directly related to the decrease in capital expenditures noted above. Transfers for 2024 include \$252,008 to be used toward projects for 2025.

**City of Sugar Hill, Georgia
Management's Discussion and Analysis
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General Fund Budgetary Highlights

A comparison of the final budgets to actual results is located on page 57.

- General Fund revenues in total were \$1,936,498 higher than budgeted. Budgeted revenues are generally based on prior years' activity and trends. Franchise taxes were \$243,382 better than budgeted as Georgia Power franchise taxes were significantly higher in 2024. Intergovernmental revenues were \$300,608 better than budgeted as the budgets did not anticipate the Homeowner's Tax Relief revenues. Charges for services were \$435,412 higher than budgeted as street improvement revenues were greater than anticipated. Investment earnings were \$501,515 better than budgeted as actual interest rates were far greater than estimated in the budget.
- The actual expenditures of \$12,641,137 were \$1,798,019 less than budgeted as management continued control measures implemented in prior years as well as very conservative budget estimates.

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City of Sugar Hill, Georgia
Management's Discussion and Analysis
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Capital Asset and Debt Administration

Capital Assets

The City has invested \$149,871,533 in capital assets (net of accumulated depreciation). Capital assets held by the City at the end of the current and previous fiscal years are summarized as follows:

City of Sugar Hill, Summary of Capital Assets, net of Accumulated Depreciation

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 24,180,768 | \$ 24,101,018 | \$ 6,794,511 | \$ 6,794,511 | \$ 30,975,279 | \$ 30,895,529 |
| Construction in progress | 1,383,439 | 6,304,282 | 19,700 | 2,891,316 | 1,403,139 | 9,195,598 |
| Buildings and improvements | 15,632,708 | 16,342,641 | 43,655,671 | 42,239,402 | 59,288,379 | 58,582,043 |
| Site improvements | 1,878,894 | 1,894,720 | - | - | 1,878,894 | 1,894,720 |
| Machinery and equipment | 470,255 | 468,552 | 743,148 | 431,000 | 1,213,403 | 899,552 |
| Furniture and fixtures | 193,562 | 235,813 | 162,119 | 184,597 | 355,681 | 420,410 |
| Vehicles | 862,937 | 935,758 | 291,916 | 189,232 | 1,154,853 | 1,124,990 |
| Infrastructure | 35,903,447 | 30,476,944 | 3,592,450 | 2,896,742 | 39,495,897 | 33,373,686 |
| Sprayfield | 104,412 | 109,663 | 82,687 | 102,143 | 187,099 | 211,806 |
| Recreational upgrades | 13,328,558 | 13,294,830 | 466,446 | 357,117 | 13,795,004 | 13,651,947 |
| Right-to-use assets | 123,905 | 112,231 | - | - | 123,905 | 112,231 |
| | <u>\$ 94,062,885</u> | <u>\$ 94,276,452</u> | <u>\$ 55,808,648</u> | <u>\$ 56,086,060</u> | <u>\$ 149,871,533</u> | <u>\$ 150,362,512</u> |

Net capital assets for governmental activities had a net decrease of \$213,567 and included asset additions of \$3,765,785 offset by depreciation expenses of \$3,979,352. The significant governmental additions for 2024 included \$1,524,506 for the Level Creek – Alton Tucker extension; \$488,207 for the Highway 20 pedestrian bridge; \$487,476 for Gary Pirkle Park stream restoration; as well as normal additions for vehicles and equipment and other infrastructure projects. Net capital assets for business-type activities decreased \$277,412 and included asset additions of \$2,371,889 offset by depreciation expenses of \$2,622,520. The significant business-type additions included \$431,680 for a new golf cart fleet; \$571,890 to upgrade gas utility interconnectivity; \$210,268 to install stormwater pipe at \$4605 Creek Bluff; as well as normal additions for vehicles and equipment and other infrastructure projects. The detailed capital assets schedule is reported in Note 7 of the footnotes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had long-term debt related to business-type activities of \$32,760,000 in bonds payable. Governmental activities has long-term debt of \$123,473 related to subscription-based IT arrangements and \$187,468 for landfill post closure liabilities, Business-type activities debt is secured by golf, stormwater, and real estate rental revenues while governmental debt is secured by general revenues.

City of Sugar Hill, Georgia
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The long-term debt position of the City is summarized below and is more fully analyzed in Note 9 of the footnotes to the financial statements.

City of Sugar Hill Outstanding Long-Term Liabilities

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------------|-----------------------------|
| <u>Business-Type Activities</u> | | |
| Series 2020 | \$ 17,645,000 | \$ 18,875,000 |
| Series 2018A | 9,220,000 | 9,875,000 |
| Series 2018B | - | 45,000 |
| Series 2021C | <u>5,895,000</u> | <u>6,480,000</u> |
| | <u><u>\$ 32,760,000</u></u> | <u><u>\$ 35,275,000</u></u> |

Sugar Hill Economic and Social Snapshot

Sugar Hill is strategically located midway between I-85 to the east and GA 400 to the west. The City is bordered on the west by the Chattahoochee River, Lake Lanier to the north, and is dissected east-west by Georgia Highway 20 and Peachtree Industrial Boulevard north-south. Sugar Hill is a growing and vibrant community sitting at the crossroads of commerce.

The City is blessed with wonderful natural resources, including a popular city-owned and operated 18-hole golf course, greenspace, multi-use pedestrian greenway, passive, and active parks with two new parks in the planning and public input stage. Sugar Hill's award-winning downtown includes The Bowl, a 1600-seat outdoor amphitheater, the 406-seat Eagle Theatre, the Dawn P. Gober Community Plaza, the E Center, The Landing, and The Veterans Memorial. It is also home to a variety of restaurants, retail, offices and other commercial establishments as well as serving as a regional entertainment center for concerts, events, and community engagement. Downtown Sugar Hill hosts, on average, over 75,000 visitors a month.

The City also owns and operates a growing and efficient natural gas utility that serves over 12,500 meters inside and outside the city. Sugar Hill's natural gas rates and annual cost to the customer are 55 to 100% lower than every natural gas marketer in the state. Sugar Hill's gas cost to customers is the second lowest of ALL but one municipal gas system in the state. Sugar Hill's gas rates have not changed since a monthly service fee increase was adopted in 2016.

In addition to the provision of natural gas, the city operates a stormwater utility, has a highly efficient public works operation that provides a wide spectrum of services to city's residents, a full service planning, development and code enforcement department, a recreation department that manages a wide range of recreation assets and services, as well as an events department that programs or facilitates events in the Bowl, Plaza, The Landing, and Eagle Theatre almost every day of the year.

Service levels remain high in all sectors of the City and revenue estimates are conservatively made. Property taxes for general operations were 3.5 mills for the September 2024 billing.

Sugar Hill is a desirable place to live, work, play, and invest. It is a place to "Enjoy the Sweet Life".

**City of Sugar Hill, Georgia
Management's Discussion and Analysis
December 31, 2024**

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in Sugar Hill's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department, City Hall, 5039 West Broad Street, Sugar Hill, Georgia 30518.

BASIC FINANCIAL STATEMENTS

CITY OF SUGAR HILL, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2024

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|----------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total | Housing Authority |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 33,976,574 | \$ 3,180,687 | \$ 37,157,261 | \$ - |
| Investments | - | - | - | 215,159 |
| Taxes receivable, net | 1,937,242 | - | 1,937,242 | - |
| Accounts receivable, net | 34,134 | 1,354,910 | 1,389,044 | - |
| Lease receivable, due within one year | - | 913,906 | 913,906 | - |
| Lease receivable, due in more than one year | - | 4,047,404 | 4,047,404 | - |
| Prepays | - | 621,818 | 621,818 | - |
| Due from other governments | 1,166,000 | - | 1,166,000 | - |
| Internal balances | 784,368 | (784,368) | - | - |
| Inventory | 169,596 | 342,620 | 512,216 | - |
| Assets held for resale | - | 189,864 | 189,864 | - |
| Capital assets, nondepreciable | 25,564,207 | 6,814,211 | 32,378,418 | - |
| Capital assets, depreciable, net of accumulated depreciation/amortization | 68,498,678 | 48,994,437 | 117,493,115 | - |
| Total assets | 132,130,799 | 65,675,489 | 197,806,288 | 215,159 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | 863,988 | 307,146 | 1,171,134 | - |
| Total deferred outflows of resources | 863,988 | 307,146 | 1,171,134 | - |
| LIABILITIES | | | | |
| Accounts payable | 1,048,622 | 1,457,870 | 2,506,492 | - |
| Accrued liabilities | 255,758 | 80,380 | 336,138 | - |
| Accrued interest | - | 89,365 | 89,365 | - |
| Retainage payable | 12,056 | - | 12,056 | - |
| Customer deposits payable | - | 850,255 | 850,255 | - |
| Compensated absences, due within one year | 346,449 | 78,081 | 424,530 | - |
| SBITA liability, due within one year | 66,650 | - | 66,650 | - |
| SBITA liability, due in more than one year | 56,822 | - | 56,822 | - |
| Bonds payable, due within one year | - | 2,600,000 | 2,600,000 | - |
| Bonds payable, due in more than one year | - | 32,131,590 | 32,131,590 | - |
| Landfill postclosure, due within one year | 37,493 | - | 37,493 | - |
| Landfill postclosure, due in more than one year | 149,975 | - | 149,975 | - |
| Net pension liability, due in more than one year | 1,062,372 | 602,430 | 1,664,802 | - |
| Total liabilities | 3,036,197 | 37,889,971 | 40,926,168 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred charges on refunding | - | 547,609 | 547,609 | - |
| Deferred revenue - leases | - | 4,663,203 | 4,663,203 | - |
| Pension related items | 153,172 | 39,964 | 193,136 | - |
| Total deferred inflows of resources | 153,172 | 5,250,776 | 5,403,948 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 93,582,473 | 21,518,105 | 115,100,578 | - |
| Restricted for: | | | | |
| Capital construction | 15,024,263 | - | 15,024,263 | - |
| Unrestricted | 21,198,682 | 1,323,783 | 22,522,465 | 215,159 |
| Total net position | \$ 129,805,418 | \$ 22,841,888 | \$ 152,647,306 | \$ 215,159 |

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, 2024

| Functions/Programs | Net (Expenses) Revenues and Changes in Net Position | | | | | | | |
|--------------------------------------|--|-------------------------|--|--|----------------------------|-----------------------------|----------------|----------------------|
| | Program Revenues | | | | Primary Government | | | Component Unit |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Housing Authority |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 4,857,718 | \$ 915,378 | \$ - | \$ 351,298 | \$ (3,591,042) | \$ - | \$ (3,591,042) | \$ - |
| Judicial | 50,164 | 8,538 | - | - | (41,626) | - | (41,626) | - |
| Public safety | 2,310,809 | 95,625 | - | - | (2,215,184) | - | (2,215,184) | - |
| Public works | 3,456,451 | 418,120 | - | 7,482,944 | 4,444,613 | - | 4,444,613 | - |
| Culture and recreation | 5,182,898 | 1,081,718 | - | - | (4,101,180) | - | (4,101,180) | - |
| Housing and development | 1,255,050 | 141,015 | - | - | (1,114,035) | - | (1,114,035) | - |
| Interest on long-term debt | 2,946 | - | - | - | (2,946) | - | (2,946) | - |
| Total governmental activities | 17,116,036 | 2,660,394 | - | 7,834,242 | (6,621,400) | - | (6,621,400) | - |
| Business-type activities: | | | | | | | | |
| Natural Gas Fund | 6,748,535 | 9,034,155 | - | - | - | 2,285,620 | 2,285,620 | - |
| Golf Fund | 1,664,450 | 2,011,193 | - | - | - | 346,743 | 346,743 | - |
| Stormwater Fund | 731,734 | 746,514 | - | - | - | 14,780 | 14,780 | - |
| Downtown Development Authority | 3,652,874 | 1,319,015 | - | - | - | (2,333,859) | (2,333,859) | - |
| Total business-type activities | 12,797,593 | 13,110,877 | - | - | - | 313,284 | 313,284 | - |
| Total primary government | \$ 29,913,629 | \$ 15,771,271 | \$ - | \$ 7,834,242 | (6,621,400) | 313,284 | (6,308,116) | - |
| Component unit: | | | | | | | | |
| Housing Authority | \$ - | \$ - | \$ - | \$ - | - | - | - | - |
| Total component unit | \$ - | \$ - | \$ - | \$ - | - | - | - | - |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 6,887,168 | - | 6,887,168 | - |
| Franchise taxes | | | | | 1,283,482 | - | 1,283,482 | - |
| Insurance premium tax | | | | | 2,391,568 | - | 2,391,568 | - |
| Business taxes | | | | | 622,167 | - | 622,167 | - |
| Alcohol taxes | | | | | 294,080 | - | 294,080 | - |
| Excise taxes | | | | | 15,922 | - | 15,922 | - |
| Unrestricted investment earnings | | | | | 601,515 | 152,783 | 754,298 | 2,453 |
| Gain on sale of capital assets | | | | | - | 207,539 | 207,539 | - |
| Transfers | | | | | (2,258,396) | 2,258,396 | - | - |
| Total general revenues and transfers | | | | | 9,837,506 | 2,618,718 | 12,456,224 | 2,453 |
| Change in net position | | | | | 3,216,106 | 2,932,002 | 6,148,108 | 2,453 |
| Net position, beginning of year | | | | | 126,589,312 | 19,909,886 | 146,499,198 | 212,706 |
| Net position, end of year | | | | | \$ 129,805,418 | \$ 22,841,888 | \$ 152,647,306 | \$ 215,159 |

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

CITY OF SUGAR HILL, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2024

| | Major Governmental Funds | | | |
|---|--------------------------|----------------------|-----------------------|--------------------------|
| | General | SPLOST Fund | Capital Projects Fund | Total Governmental Funds |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 17,743,206 | \$ 16,233,368 | \$ - | \$ 33,976,574 |
| Taxes receivable, net | 1,937,242 | - | - | 1,937,242 |
| Accounts receivable | 24,284 | 9,850 | - | 34,134 |
| Intergovernmental receivable | - | 1,166,000 | - | 1,166,000 |
| Due from other funds | 3,449,667 | - | 284,303 | 3,733,970 |
| Advances to other funds | 1,000,000 | - | - | 1,000,000 |
| Prepaid items | 169,596 | - | - | 169,596 |
| Total assets | <u>\$ 24,323,995</u> | <u>\$ 17,409,218</u> | <u>\$ 284,303</u> | <u>\$ 42,017,516</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 703,738 | \$ 312,589 | \$ 32,295 | \$ 1,048,622 |
| Retainage payable | - | 12,056 | - | 12,056 |
| Due to other funds | 1,564,647 | 2,384,955 | - | 3,949,602 |
| Accrued salaries | 255,758 | - | - | 255,758 |
| Total liabilities | <u>2,524,143</u> | <u>2,709,600</u> | <u>32,295</u> | <u>5,266,038</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | <u>618,547</u> | <u>-</u> | <u>-</u> | <u>618,547</u> |
| Total deferred inflows of resources | <u>618,547</u> | <u>-</u> | <u>-</u> | <u>618,547</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid items | 169,596 | - | - | 169,596 |
| Advances to other funds | 1,000,000 | - | - | 1,000,000 |
| Restricted: | | | | |
| Capital construction | - | 14,699,618 | - | 14,699,618 |
| Assigned: | | | | |
| Capital construction | - | - | 252,008 | 252,008 |
| Unassigned | <u>20,011,709</u> | <u>-</u> | <u>-</u> | <u>20,011,709</u> |
| Total fund balances | <u>21,181,305</u> | <u>14,699,618</u> | <u>252,008</u> | <u>36,132,931</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 24,323,995</u> | <u>\$ 17,409,218</u> | <u>\$ 284,303</u> | |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. 94,062,885</p> <p>Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds. 618,547</p> <p>The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.</p> <p>Net pension liability (1,062,372)</p> <p>Deferred inflows of resources (153,172)</p> <p>Deferred outflows of resources 863,988 (351,556)</p> <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p> <p>SBITA liability (123,472)</p> <p>Landfill postclosure (187,468)</p> <p>Compensated absences (346,449) (657,389)</p> <p>Net position of governmental activities \$ 129,805,418</p> | | | | |

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, 2024

| | Major Governmental Funds | | | |
|---|--------------------------|---------------|-----------------------|--------------------------|
| | General | SPLOST Fund | Capital Projects Fund | Total Governmental Funds |
| Revenues | | | | |
| Taxes: | | | | |
| Property taxes | \$ 6,999,596 | \$ - | \$ - | \$ 6,999,596 |
| Franchise taxes | 1,283,482 | - | - | 1,283,482 |
| Insurance premium taxes | 2,391,568 | - | - | 2,391,568 |
| Business taxes | 622,167 | - | - | 622,167 |
| Alcohol taxes | 294,080 | - | - | 294,080 |
| Excise taxes | 15,922 | - | - | 15,922 |
| Licenses and permits | 548,280 | - | - | 548,280 |
| Intergovernmental | 351,298 | 6,431,487 | 558,322 | 7,341,107 |
| Charges for services | 1,954,878 | - | - | 1,954,878 |
| Investment earnings | 601,515 | 493,135 | - | 1,094,650 |
| Other revenues | 157,236 | - | - | 157,236 |
| Total revenues | 15,220,022 | 6,924,622 | 558,322 | 22,702,966 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 4,155,588 | - | - | 4,155,588 |
| Judicial | 37,562 | - | - | 37,562 |
| Public safety | 2,217,922 | - | - | 2,217,922 |
| Public works | 1,067,286 | - | 558,322 | 1,625,608 |
| Culture and recreation | 3,845,596 | - | - | 3,845,596 |
| Housing and development | 1,247,508 | - | - | 1,247,508 |
| Capital outlay | - | 2,816,610 | 824,907 | 3,641,517 |
| Debt service: | | | | |
| Principal | 66,729 | - | - | 66,729 |
| Interest | 2,946 | - | - | 2,946 |
| Total expenditures | 12,641,137 | 2,816,610 | 1,383,229 | 16,840,976 |
| Excess (deficiency) of revenues over (under) expenditures | 2,578,885 | 4,108,012 | (824,907) | 5,861,990 |
| Other financing sources (uses): | | | | |
| Issuance of SBITA liability | 79,463 | - | - | 79,463 |
| Transfers in | 2,187,904 | - | 1,076,915 | 3,264,819 |
| Transfers out | (5,523,215) | - | - | (5,523,215) |
| Total other financing sources (uses) | (3,255,848) | - | 1,076,915 | (2,178,933) |
| Net change in fund balances | (676,963) | 4,108,012 | 252,008 | 3,683,057 |
| Fund balances, beginning of year | 21,858,268 | 10,591,606 | - | 32,449,874 |
| Fund balances, end of year | \$ 21,181,305 | \$ 14,699,618 | \$ 252,008 | \$ 36,132,931 |

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, 2024

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

| | |
|--|----------------------------|
| Net change in fund balances - total governmental funds | \$ 3,683,057 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period. | (213,567) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 24,759 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | (112,428) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | <u>(165,715)</u> |
| Change in net position - governmental activities | <u>\$ 3,216,106</u> |

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

CITY OF SUGAR HILL, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2024

| ASSETS | Natural Gas Fund | Golf Fund | Stormwater Fund | Downtown Development Authority | Totals |
|---|---------------------|--------------|--------------------|--------------------------------------|---------------|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,382,043 | \$ 1,300 | \$ - | \$ 1,797,344 | \$ 3,180,687 |
| Accounts receivable, net | 1,187,647 | - | 167,263 | - | 1,354,910 |
| Lease receivable, due in one year | - | 32,178 | - | 881,728 | 913,906 |
| Due from other funds | - | 247,311 | 413,415 | 623,722 | 1,284,448 |
| Inventory | 313,398 | 29,222 | - | - | 342,620 |
| Prepays | 589,081 | 11,105 | 5,336 | 16,296 | 621,818 |
| Total current assets | 3,472,169 | 321,116 | 586,014 | 3,319,090 | 7,698,389 |
| NONCURRENT ASSETS | | | | | |
| Lease receivable, due in more than one year | - | 913,651 | - | 3,133,753 | 4,047,404 |
| Asset held for resale | - | - | 189,864 | - | 189,864 |
| Capital assets: | | | | | |
| Nondepreciable | 10,900 | 4,247,948 | 19,700 | 2,535,663 | 6,814,211 |
| Depreciable assets, net of accumulated depreciation | 2,385,335 | 1,387,521 | 1,661,320 | 43,560,261 | 48,994,437 |
| Total noncurrent assets | 2,396,235 | 6,549,120 | 1,870,884 | 49,229,677 | 60,045,916 |
| Total assets | 5,868,404 | 6,870,236 | 2,456,898 | 52,548,767 | 67,744,305 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension related items | 151,898 | 101,622 | 53,626 | - | 307,146 |
| Total deferred outflows of resources | 151,898 | 101,622 | 53,626 | - | 307,146 |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | 1,036,402 | 20,738 | 233,358 | 167,372 | 1,457,870 |
| Accrued salaries | 39,324 | 28,506 | 12,550 | - | 80,380 |
| Accrued interest | - | - | - | 89,365 | 89,365 |
| Due to other funds | 1,064,712 | - | - | 4,104 | 1,068,816 |
| Bonds payable, due within one year | - | - | - | 2,600,000 | 2,600,000 |
| Compensated absences payable, due within one year | 40,233 | 28,376 | 9,472 | - | 78,081 |
| Customer deposits payable | 732,825 | - | - | 117,430 | 850,255 |
| Total current liabilities | 2,913,496 | 77,620 | 255,380 | 2,978,271 | 6,224,767 |
| NONCURRENT LIABILITIES | | | | | |
| Advance from other funds | - | - | - | 1,000,000 | 1,000,000 |
| Bonds payable, due in more than one year | - | - | - | 32,131,590 | 32,131,590 |
| Net pension liability | 390,778 | 142,305 | 69,347 | - | 602,430 |
| Total noncurrent liabilities | 390,778 | 142,305 | 69,347 | 33,131,590 | 33,734,020 |
| Total liabilities | 3,304,274 | 219,925 | 324,727 | 36,109,861 | 39,958,787 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred charges on refunding | - | - | - | 547,609 | 547,609 |
| Leases | - | 915,878 | - | 3,747,325 | 4,663,203 |
| Pension related items | 18,310 | 14,539 | 7,115 | - | 39,964 |
| Total deferred inflows of resources | 18,310 | 930,417 | 7,115 | 4,294,934 | 5,250,776 |
| NET POSITION | | | | | |
| Net investment in capital assets | 2,361,235 | 5,635,469 | 1,451,051 | 12,070,350 | 21,518,105 |
| Unrestricted | 336,483 | 186,047 | 727,631 | 73,622 | 1,323,783 |
| Total net position | \$ 2,697,718 | \$ 5,821,516 | \$ 2,178,682 | \$ 12,143,972 | \$ 22,841,888 |

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

CITY OF SUGAR HILL, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

| | Natural Gas Fund | Golf Fund | Stormwater Fund | Downtown Development Authority | Totals |
|---|---------------------|--------------|--------------------|--------------------------------------|---------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 8,868,315 | \$ - | \$ 746,514 | \$ 129,638 | \$ 9,744,467 |
| Tap fees | 165,840 | - | - | - | 165,840 |
| Leasing income | - | - | - | 1,035,354 | 1,035,354 |
| Green and cart fees | - | 1,629,275 | - | - | 1,629,275 |
| Concessions and merchandise | - | 254,350 | - | - | 254,350 |
| Miscellaneous | - | 48,858 | - | 154,023 | 202,881 |
| Total operating revenues | 9,034,155 | 1,932,483 | 746,514 | 1,319,015 | 13,032,167 |
| OPERATING EXPENSES | | | | | |
| Personnel services and benefits | 1,118,701 | 809,103 | 581,547 | - | 2,509,351 |
| Purchased and contracted services | 200,954 | 55,727 | 32,476 | 76,791 | 365,948 |
| Supplies and equipment | 5,221,368 | 491,823 | 41,194 | 556,850 | 6,311,235 |
| Depreciation and amortization | 183,936 | 187,934 | 69,700 | 1,756,915 | 2,198,485 |
| Repairs and maintenance | 23,576 | 119,863 | 6,817 | 115,763 | 266,019 |
| Total operating expenses | 6,748,535 | 1,664,450 | 731,734 | 2,506,319 | 11,651,038 |
| Operating income (loss) | 2,285,620 | 268,033 | 14,780 | (1,187,304) | 1,381,129 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment earnings | 18,624 | - | - | 134,159 | 152,783 |
| Lease revenue | - | 78,710 | - | - | 78,710 |
| Interest expense | - | - | - | (1,146,555) | (1,146,555) |
| Gain on sale of asset | - | 207,539 | - | - | 207,539 |
| Total nonoperating revenues (expenses) | 18,624 | 286,249 | - | (1,012,396) | (707,523) |
| Income (loss) before transfers | 2,304,244 | 554,282 | 14,780 | (2,199,700) | 673,606 |
| Transfers in | - | - | - | 4,446,300 | 4,446,300 |
| Transfers out | (2,187,904) | - | - | - | (2,187,904) |
| | (2,187,904) | - | - | 4,446,300 | 2,258,396 |
| Change in net position | 116,340 | 554,282 | 14,780 | 2,246,600 | 2,932,002 |
| NET POSITION, beginning of year | 2,581,378 | 5,267,234 | 2,163,902 | 9,897,372 | 19,909,886 |
| NET POSITION, end of year | \$ 2,697,718 | \$ 5,821,516 | \$ 2,178,682 | \$ 12,143,972 | \$ 22,841,888 |

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, 2024

| | Gas Fund | Golf Fund | Stormwater Fund | Downtown Development Authority | Total |
|--|--------------|--------------|-----------------|--------------------------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 9,018,588 | \$ 1,349,628 | \$ 1,001,616 | \$ 1,319,015 | \$ 12,688,847 |
| Payments to vendors | (5,552,849) | (254,577) | (85,607) | (1,382,110) | (7,275,143) |
| Payments to or on behalf of employees | (1,096,040) | (789,807) | (574,244) | - | (2,460,091) |
| Net cash provided by (used in) operating activities | 2,369,699 | 305,244 | 341,765 | (63,095) | 2,953,613 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Amounts received from other funds | - | - | 119,416 | - | 119,416 |
| Paid advance from other fund | - | - | - | (1,000,000) | (1,000,000) |
| Transfers from other funds | - | - | - | 4,446,300 | 4,446,300 |
| Transfers to other funds | (2,187,904) | - | - | - | (2,187,904) |
| Net cash provided by (used in) noncapital financing activities | (2,187,904) | - | 119,416 | 3,446,300 | 1,377,812 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Principal payments on bonds payable | - | - | - | (2,515,000) | (2,515,000) |
| Interest paid | - | - | - | (1,154,418) | (1,154,418) |
| Lease revenues | - | 78,710 | - | - | 78,710 |
| Purchases of capital assets | (183,363) | (618,275) | (461,181) | (1,109,070) | (2,371,889) |
| Proceeds from sale of asset | - | 234,321 | - | - | 234,321 |
| Net cash used in capital and related financing activities | (183,363) | (305,244) | (461,181) | (4,778,488) | (5,728,276) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 18,624 | - | - | 134,159 | 152,783 |
| Net cash provided by investing activities | 18,624 | - | - | 134,159 | 152,783 |
| Net increase (decrease) in cash and cash equivalents | 17,056 | - | - | (1,261,124) | (1,244,068) |
| Cash and cash equivalents, beginning of year | 1,364,987 | 1,300 | - | 3,058,468 | 4,424,755 |
| Cash and cash equivalents, end of year | \$ 1,382,043 | \$ 1,300 | \$ - | \$ 1,797,344 | \$ 3,180,687 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ 2,285,620 | \$ 268,033 | \$ 14,780 | \$ (1,187,304) | \$ 1,381,129 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | 183,936 | 187,934 | 69,700 | 1,756,915 | 2,198,485 |
| Change in assets and liabilities: | | | | | |
| Accounts receivables | (15,567) | - | 23,120 | - | 7,553 |
| Lease receivable | - | (582,855) | - | (1,553,018) | (2,135,873) |
| Due from other funds | - | (133,652) | - | (623,722) | (757,374) |
| Inventory | 194,298 | 7,320 | - | - | 201,618 |
| Prepays | (574,449) | (3,408) | (5,120) | (3,093) | (586,070) |
| Deferred outflows for pension items | (4,707) | (3,738) | (1,829) | - | (10,274) |
| Accounts payable | 202,070 | (19,436) | 231,982 | 117,201 | 531,817 |
| Accrued salaries | 9,931 | 7,532 | 659 | - | 18,122 |
| Due to other funds | 72,699 | - | - | - | 72,699 |
| Compensated absences | (689) | 1,121 | 1,431 | - | 1,863 |
| Customer deposits payable | (1,569) | - | - | 10,353 | 8,784 |
| Net pension liability | 104 | 83 | 40 | - | 227 |
| Deferred inflows for pension items | 18,022 | 14,298 | 7,002 | - | 39,322 |
| Deferred inflows for leases | - | 562,012 | - | 1,419,573 | 1,981,585 |
| Net cash provided by (used in) operating activities | \$ 2,369,699 | \$ 305,244 | \$ 341,765 | \$ (63,095) | \$ 2,953,613 |

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

CITY OF SUGAR HILL, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

The Downtown Development Authority has been included as a blended component unit (enterprise fund) in the accompanying financial statements as there is a financial benefit or burden relationship as the City provides support to the Authority. The Authority was created for the purpose of revitalization and redevelopment of the central business district of the City of Sugar Hill and to develop and promote for the public good and general welfare trade, commerce, industry, and employment opportunities. The Authority is governed by a separate board appointed by the Mayor and Council and is a separate legal, public body created, and existing under an instrumentality of the City of Sugar Hill, Georgia. The Downtown Development Authority utilizes City employees to conduct daily operations including finance activities. The Downtown Development Authority does not issue separate financial statements.

The Sugar Hill Housing Authority (Housing Authority) has been included as a discretely presented component unit, in the accompanying financial statements, due to the City’s ability to exercise its will over the Authority. The Housing Authority is governed by a separate board appointed by the Mayor and Council and is a separate legal, public body created and existing under instrumentality of the City of Sugar Hill, Georgia for the purpose of providing safe and sanitary dwelling accommodations to persons of low income. The Housing Authority is reported on the City’s financial statements as a discretely presented component unit. The Housing Authority does not issue separate financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis* of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Other taxes are recognized predominately when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and pension liabilities are recorded only when payment is due.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

D. Budgets

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

E. Deposits and Investments

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets Held for Resale

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

G. Receivables

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

H. Interfund Receivables and Payables

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

I. Leases

Lessor

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

I. Leases (Continued)

Lessor (Continued)

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

J. Subscription-Based Information Technology Arrangements (SBITAs)

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

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

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

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

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

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

K. Inventory

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2024, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

M. Capital Assets

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

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

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

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

N. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused paid time off ("PTO") benefits up to a maximum of 240 hours. All compensated absences classified as PTO are accumulated, and an estimate for the time to be used during employment has been accrued. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

O. Long-Term Obligations

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

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

P. Fund Equity and Net Position

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

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution including the verbiage “committed for the purpose of.” Only the City Council may modify or rescind the commitment through a subsequent resolution.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Equity and Net Position (Continued)

- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager to assign fund balances through a written memorandum, in addition to the City Council being able to assign fund balance through a motion at a public meeting.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction, or improvement of those capital assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Deferred Outflows of Resources/Deferred Inflows of Resources

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

R. Pensions

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

S. Management Estimates

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

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NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.” The details of this \$213,567 difference are detailed below:

| | |
|--|---------------------|
| Capital outlay | \$ 3,765,785 |
| Depreciation expense | (3,911,563) |
| Amortization expense - SBITA assets | <u>(67,789)</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ (213,567)</u> |

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$24,759 difference are as follows:

| | |
|--|------------------|
| Issuance of SBITA liability | \$ (79,463) |
| Reduction of landfill postclosure liability | 37,493 |
| Principal repayments of SBITA liability | <u>66,729</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ 24,759</u> |

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$165,715 difference are as follows:

| | |
|--|---------------------|
| Compensated absences | \$ (52,869) |
| Net pension liability and related deferred outflows and inflows of resources | <u>(112,846)</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ (165,715)</u> |

NOTES TO FINANCIAL STATEMENTS

Note 3. Legal Compliance - Budgets

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

Transfers of appropriations within a department budget or within a nondepartmental expenditure category require only the approval of the Finance Director. Increases in appropriations in a departmental budget or in a nondepartmental expenditure category, require approval of the governing body in the form of amendments to the budget ordinance.

Note 4. Deposits and Investments

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

Custodial Credit Risk - Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either: (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations back by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2024, the three (3) financial institutions holding the City's deposits have properly collateralized the City's deposits in accordance with state law.

Investments - At December 31, 2024, the City's investments consisted solely of certificates of deposit which do not qualify as cash equivalents under the City's policy. All certificates of deposit are covered under the custodial credit risk – deposit footnote above.

NOTES TO FINANCIAL STATEMENTS

Note 5. Receivables

The City set its millage rate for the 2024 fiscal year on September 16, 2024 at 3.50 mills. Property taxes attach as an enforceable lien on property as of January 1 and are based on property values as of January 1. Property taxes were levied September 16, 2024 and were due on November 29, 2024. After this date, the bill becomes delinquent and penalties and interest may be assessed by the City.

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

In the enterprise funds, stormwater fees are billed annually on July 2 along with property taxes and are due and payable in two installments. The first installment was due on September 30, 2024, and the second installment was due on October 15, 2024. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

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

| | General | SPLOST | Natural Gas | Stormwater |
|----------------------|---------------------|---------------------|------------------------|-------------------|
| Receivables: | | | | |
| Taxes | \$ 2,077,134 | \$ - | \$ - | \$ - |
| Accounts | 24,284 | 9,850 | 1,247,647 | 197,263 |
| Intergovernmental | - | 1,166,000 | - | - |
| Less allowance | | | | |
| for uncollectible | (139,892) | - | (60,000) | (30,000) |
| Net total receivable | <u>\$ 1,961,526</u> | <u>\$ 1,175,850</u> | <u>\$ 1,187,647</u> | <u>\$ 167,263</u> |

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NOTES TO FINANCIAL STATEMENTS

Note 6. Lease Receivables

Business-Type Activities – Golf Course Fund

The City leased two parcels of land to a third party for cell towers. The City receives variable annual payments in amounts ranging from \$20,988 to \$52,445 which includes the principal and interest components of the payments. As the leases do not contain a specific interest rate, the City has used its incremental borrowing rate of 2% as the discount rate for the leases. For the current year, the City recognized \$52,744 in lease revenue and \$25,966 in interest revenue related to the leases. As of December 31, 2024, the City's receivable for lease payments was \$945,829. Also, the City has a deferred inflow of resources associated with the leases that will be recognized over the lease terms which end on December 31, 2040 and December 31, 2043. This deferred inflow of resources has a balance of \$915,878 as of December 31, 2024.

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------|----------------------|-------------------|--------------------|-------------------|------------------------|
| Lease receivable - ATT | \$ 362,974 | \$ - | \$ (15,449) | \$ 347,525 | \$ 16,269 |
| Lease receivable - Vertex | - | 614,755 | (16,451) | 598,304 | 15,909 |
| | <u>\$ 362,974</u> | <u>\$ 614,755</u> | <u>\$ (31,900)</u> | <u>\$ 945,829</u> | <u>\$ 32,178</u> |

Business-Type Activities – Downtown Development Authority

The Downtown Development Authority entered into 17 leases with restaurant, retail, and professional services companies for the right-to-use buildings in the downtown area. The Authority receives variable monthly payments in the amounts ranging from \$2,477 to \$7,969 and provide for annual escalations. The lease terms vary between 36 and 125 months and provide options for extensions. Lease receivables are measured as the present value of the future minimum rent payments expected to be received during the lease terms at imputed discount rates ranging between 0.43% and 3.06%. During the current fiscal year, the Authority recognized \$943,559 of lease revenue. Also, the City has a deferred inflow of resources associated with the leases that will be recognized over the various lease terms. This deferred inflow of resources has a balance of \$3,747,325 as of December 31, 2024.

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|------------------------|----------------------|---------------------|---------------------|---------------------|------------------------|
| Lease receivable - DDA | \$ 2,462,462 | \$ 2,363,133 | \$ (847,325) | \$ 3,978,270 | \$ 881,728 |
| | <u>\$ 2,462,462</u> | <u>\$ 2,363,133</u> | <u>\$ (847,325)</u> | <u>\$ 3,978,270</u> | <u>\$ 881,728</u> |

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|---------------------|-------------|--------------------|----------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 24,101,018 | \$ 79,750 | \$ - | \$ - | \$ 24,180,768 |
| Construction in progress | 6,304,282 | 3,182,935 | - | (8,103,778) | 1,383,439 |
| Total | <u>30,405,300</u> | <u>3,262,685</u> | <u>-</u> | <u>(8,103,778)</u> | <u>25,564,207</u> |
| Capital assets, being depreciated/amortized: | | | | | |
| Buildings and improvements | 22,617,784 | - | - | 81,189 | 22,698,973 |
| Site improvements | 2,346,158 | - | - | 150,626 | 2,496,784 |
| Machinery and equipment | 2,152,622 | 104,460 | - | - | 2,257,082 |
| Furniture and fixtures | 372,966 | - | - | - | 372,966 |
| Vehicles | 2,297,537 | 141,307 | - | - | 2,438,844 |
| Infrastructure | 58,786,836 | 16,051 | - | 7,367,073 | 66,169,960 |
| Sprayfield | 226,914 | - | - | - | 226,914 |
| Recreational upgrades | 18,227,892 | 161,819 | - | 504,890 | 18,894,601 |
| Right-to-use SBITA assets | 140,288 | 79,463 | - | - | 219,751 |
| Total | <u>107,168,997</u> | <u>503,100</u> | <u>-</u> | <u>8,103,778</u> | <u>115,775,875</u> |
| Less accumulated depreciation/amortization | | | | | |
| Buildings and improvements | (6,275,143) | (791,122) | - | - | (7,066,265) |
| Site improvements | (451,438) | (166,452) | - | - | (617,890) |
| Machinery and equipment | (1,684,070) | (102,757) | - | - | (1,786,827) |
| Furniture and fixtures | (137,153) | (42,251) | - | - | (179,404) |
| Vehicles | (1,361,779) | (214,128) | - | - | (1,575,907) |
| Infrastructure | (28,309,892) | (1,956,621) | - | - | (30,266,513) |
| Sprayfield | (117,251) | (5,251) | - | - | (122,502) |
| Recreational upgrades | (4,933,062) | (632,981) | - | - | (5,566,043) |
| Right-to-use SBITA assets | (28,057) | (67,789) | - | - | (95,846) |
| Total | <u>(43,297,845)</u> | <u>(3,979,352)</u> | <u>-</u> | <u>-</u> | <u>(47,277,197)</u> |
| Capital assets, net depreciation/amortization | <u>63,871,152</u> | <u>(3,476,252)</u> | <u>-</u> | <u>8,103,778</u> | <u>68,498,678</u> |
| Governmental activities capital assets, net | <u>\$ 94,276,452</u> | <u>\$ (213,567)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 94,062,885</u> |

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (Continued)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|---------------------|--------------------|--------------------|----------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 6,794,511 | \$ - | \$ - | \$ - | \$ 6,794,511 |
| Construction in progress | 2,891,316 | 19,700 | - | (2,891,316) | 19,700 |
| Total | <u>9,685,827</u> | <u>19,700</u> | <u>-</u> | <u>(2,891,316)</u> | <u>6,814,211</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 53,424,362 | 1,109,070 | - | 2,500,000 | 57,033,432 |
| Machinery and equipment | 2,043,405 | 477,680 | (208,310) | - | 2,312,775 |
| Furniture and fixtures | 392,595 | - | - | - | 392,595 |
| Vehicles | 831,564 | 164,391 | - | - | 995,955 |
| Sprayfield | 583,676 | - | - | - | 583,676 |
| Stormwater improvements | 866,733 | 360,702 | - | 391,316 | 1,618,751 |
| Gas distribution system | 4,682,615 | 99,751 | - | - | 4,782,366 |
| Golf renovations | 1,072,375 | 140,595 | - | - | 1,212,970 |
| Total | <u>63,897,325</u> | <u>2,352,189</u> | <u>(208,310)</u> | <u>2,891,316</u> | <u>68,932,520</u> |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | (11,184,960) | (2,192,801) | - | - | (13,377,761) |
| Machinery and equipment | (1,612,405) | (138,751) | 181,529 | - | (1,569,627) |
| Furniture and fixtures | (207,998) | (22,478) | - | - | (230,476) |
| Vehicles | (642,332) | (61,707) | - | - | (704,039) |
| Sprayfield | (481,533) | (19,456) | - | - | (500,989) |
| Stormwater improvements | (91,184) | (43,355) | - | - | (134,539) |
| Gas distribution system | (2,561,422) | (112,706) | - | - | (2,674,128) |
| Golf renovations | (715,258) | (31,266) | - | - | (746,524) |
| Total | <u>(17,497,092)</u> | <u>(2,622,520)</u> | <u>181,529</u> | <u>-</u> | <u>(19,938,083)</u> |
| Capital assets, net depreciation | <u>46,400,233</u> | <u>(270,331)</u> | <u>(26,781)</u> | <u>2,891,316</u> | <u>48,994,437</u> |
| Business-type activities capital assets, net | <u>\$ 56,086,060</u> | <u>\$ (250,631)</u> | <u>\$ (26,781)</u> | <u>\$ -</u> | <u>\$ 55,808,648</u> |

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

| | |
|---|---------------------|
| General government | \$ 648,241 |
| Public safety | 75,926 |
| Public works | 1,898,496 |
| Culture and recreation | 1,356,381 |
| Housing and development | 308 |
| Total depreciation/amortization expense - governmental activities | <u>\$ 3,979,352</u> |
| Business-type activities: | |
| Natural gas | \$ 183,936 |
| Golf course | 187,934 |
| Stormwater | 69,700 |
| Downtown development authority | 2,180,950 |
| Total depreciation expense - business-type activities | <u>\$ 2,622,520</u> |

NOTES TO FINANCIAL STATEMENTS

Note 8. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2024, is as follows:

Interfund balances from/to other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------------|
| General Fund | SPLOST Fund | \$ 2,384,955 |
| General Fund | Gas Fund | 1,064,712 |
| Capital Projects Fund | General Fund | 280,199 |
| Capital Projects Fund | DDA Fund | 4,104 |
| Golf Fund | General Fund | 247,311 |
| Stormwater Fund | General Fund | 413,415 |
| DDA Fund | General Fund | 623,722 |
| | | <u>\$ 5,018,418</u> |

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

Advances from/to other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-------------------------------------|---------------|
| General Fund | Downtown Development Authority Fund | \$ 1,000,000 |

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

Interfund transfers for the year ended December 31, 2024:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|-------------------------------------|----------------------|---------------------|
| General Fund | Natural Gas Fund | \$ 2,187,904 |
| Capital Projects Fund | General Fund | 1,076,915 |
| Downtown Development Authority Fund | General Fund | 4,446,300 |
| | | <u>\$ 7,711,119</u> |

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt

Long-term liability activity for the year ended December 31, 2024, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 293,580 | \$ 359,433 | \$ (306,564) | \$ 346,449 | \$ 346,449 |
| Landfill postclosure | 224,961 | - | (37,493) | 187,468 | 37,493 |
| SBITA liability | 110,738 | 79,463 | (66,729) | 123,472 | 66,650 |
| Net pension liability | 1,061,502 | 1,043,397 | (1,042,527) | 1,062,372 | - |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 1,690,781</u> | <u>\$ 1,482,293</u> | <u>\$ (1,453,313)</u> | <u>\$ 1,719,761</u> | <u>\$ 450,592</u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ 76,218 | \$ 116,183 | \$ (114,320) | \$ 78,081 | \$ 78,081 |
| Net pension liability | 602,203 | 272,235 | (272,008) | 602,430 | - |
| Revenue bonds | 35,275,000 | - | (2,515,000) | 32,760,000 | 2,600,000 |
| Plus: original issue premium | 2,345,076 | - | (373,486) | 1,971,590 | - |
| Total revenue bonds | 37,620,076 | - | (2,888,486) | 34,731,590 | 2,600,000 |
| Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 38,298,497</u> | <u>\$ 388,418</u> | <u>\$ (3,274,814)</u> | <u>\$ 35,412,101</u> | <u>\$ 2,678,081</u> |

For governmental activities, SBITA liability and the net pension liability are liquidated by the General Fund. For business-type activities, the net pension liability is liquidated by the fund which funds the related personnel costs. The beginning balance for the governmental activities landfill closure/postclosure liability is restated following the recalculation of the remaining postclosure costs.

Governmental Activities

Landfill Postclosure

Effective February 14, 2000, the Sugar Hill landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, the City must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. As of December 31, 2024, the City has 5 years of monitoring remaining. Engineering studies estimate postclosure costs of approximately \$187,468 over the 5 year period. These costs are based on what it would cost to perform all postclosure care in 2024, adjusted annually for inflation. Actual costs may be higher due to changes in inflation, changes in technology, or changes in regulations. Should any problems occur during this postclosure period, the costs, and time period required for the maintenance and monitoring functions may substantially increase laws or regulations.

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt (Continued)

Subscription-Based Information Technology Arrangements (SBITAs)

In fiscal year 2024, the City had three (3) subscription-based information technology arrangements for the use of different software for terms of five (5) years. As of December 31, 2024, the value of the subscription liability was \$123,472. The City is required to make annual variable principal and interest payments ranging from \$8,147 to \$40,125. The subscriptions did not have a specified interest rate. The City used its incremental borrowing rate ranging from 2.00% – 2.72%. The subscriptions have a useful life equal to the remaining subscription term of three (3) years and the value of the right-to-use assets as of the end of the current fiscal year was \$219,751 and had accumulated amortization of \$95,846.

The debt service requirements to maturity are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|--------------------------|-------------------|-----------------|-------------------|
| 2025 | \$ 66,650 | \$ 2,238 | \$ 68,888 |
| 2026 | 28,038 | 1,512 | 29,550 |
| 2027 | 28,784 | 766 | 29,550 |
| Total | <u>\$ 123,472</u> | <u>\$ 4,516</u> | <u>\$ 127,988</u> |

Business-Type Activities - Downtown Development Authority

On May 29, 2018, the Downtown Development Authority entered into a contract to issue \$9,875,000 in Revenue Bonds, Series 2018A, and \$4,050,000 in taxable Revenue Bonds, Series 2018B. The Series 2018A Bonds carry a rate of ranging from 3% to 3.375% per annum and mature on December 1, 2035. The Series 2018B Bonds carry a rate ranging from 2.45% to 3.21% per annum and mature on December 1, 2024. The Bonds were issued to construct the E Center. Under the contract, the City will fund the bond payments as rent for the portion of the facilities rented by the City along with commercial lease tenants until the bond principal, premium, and interest have been fully paid. The E Center building will be owned and managed by the Downtown Development Authority.

The annual debt service requirements for the Series 2018 A and B Revenue Bonds as of December 31, 2024, are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|---------------------|----------------------|
| 2025 | \$ 720,000 | \$ 283,545 | \$ 1,003,545 |
| 2026 | 740,000 | 262,125 | 1,002,125 |
| 2027 | 765,000 | 239,925 | 1,004,925 |
| 2028 | 785,000 | 216,975 | 1,001,975 |
| 2029 | 810,000 | 193,425 | 1,003,425 |
| 2030-2034 | 4,430,000 | 586,308 | 5,016,308 |
| 2035 | <u>970,000</u> | <u>32,737</u> | <u>1,002,737</u> |
| Total | <u>\$ 9,220,000</u> | <u>\$ 1,815,040</u> | <u>\$ 11,035,040</u> |

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt (Continued)

Business-Type Activities - Downtown Development Authority (Continued)

On December 1, 2021, the Downtown Development Authority entered into a contract to issue \$21,560,000 in Revenue Bonds, Series 2020, as an advanced refunding of the nontaxable Revenue Bonds, Series 2016A. The Series 2020 Bonds carry a rate of ranging from 2% to 5% per annum and mature on December 1, 2035. The Bonds were issued to refund the Series 2016A Bonds which were issued to construct the E Center. Under the contract, the City will fund the bond payments as rent for the portion of the facilities rented by the City along with commercial lease tenants until the bond principal, premium, and interest have been fully paid. The E Center building will be owned and managed by the Downtown Development Authority. The net proceeds from the Series 2020 Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$2,815,000 and a present value savings, or economic gain, of \$3,374,105. The refunded bonds are considered defeased and thus the assets in the trust fund along with the \$19,705,000 in outstanding refunded bonds at December 31, 2024 are not reported in the City's financial statements.

The annual debt service requirements for the Series 2020 Revenue Bonds as of December 31, 2024, are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| 2025 | \$ 1,280,000 | \$ 670,150 | \$ 1,950,150 |
| 2026 | 1,330,000 | 618,950 | 1,948,950 |
| 2027 | 1,400,000 | 552,450 | 1,952,450 |
| 2028 | 1,470,000 | 482,450 | 1,952,450 |
| 2029 | 1,540,000 | 408,950 | 1,948,950 |
| 2030-2034 | 8,715,000 | 1,025,050 | 9,740,050 |
| 2035 | 1,910,000 | 38,200 | 1,948,200 |
| Total | <u>\$ 17,645,000</u> | <u>\$ 3,796,200</u> | <u>\$ 21,441,200</u> |

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt (Continued)

Business-Type Activities - Downtown Development Authority (Continued)

The annual debt service requirements for the Series 2021C Revenue Bonds as of December 31, 2024, are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 600,000 | \$ 118,490 | \$ 718,490 |
| 2026 | 610,000 | 106,430 | 716,430 |
| 2027 | 625,000 | 94,168 | 719,168 |
| 2028 | 640,000 | 81,606 | 721,606 |
| 2029 | 655,000 | 68,742 | 723,742 |
| 2030-2033 | 2,765,000 | 140,499 | 2,905,499 |
| Total | <u>\$ 5,895,000</u> | <u>\$ 609,935</u> | <u>\$ 6,504,935</u> |

Annual debt service requirements, as of December 31, 2024, for all revenue bonds outstanding, are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------|---------------------|----------------------|
| 2025 | \$ 2,600,000 | \$ 1,072,185 | \$ 3,672,185 |
| 2026 | 2,680,000 | 987,504 | 3,667,504 |
| 2027 | 2,790,000 | 886,544 | 3,676,544 |
| 2028 | 2,895,000 | 781,031 | 3,676,031 |
| 2029 | 3,005,000 | 671,117 | 3,676,117 |
| 2030-2034 | 15,910,000 | 1,751,857 | 17,661,857 |
| 2035 | 2,880,000 | 70,937 | 2,950,937 |
| Total | <u>\$ 32,760,000</u> | <u>\$ 6,221,175</u> | <u>\$ 38,981,175</u> |

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan

Plan Description

The City, as authorized by the City Council, has established a noncontributory defined benefit pension plan (The "City of Sugar Hill Retirement Plan"), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 2% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472. The plan was effective on April 1, 2018.

Plan Membership. As of July 1, 2024, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

| | |
|--|-------|
| Active employees | 87 |
| Active elected officials | 6 |
| Vested former participants | 13 |
| Retired participants and beneficiaries | 6 |
| | <hr/> |
| | 112 |

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the fiscal year ended December 31, 2024, the City's contribution rate was 9.69% of annual payroll. City contributions to the Plan were \$458,960 for the fiscal year ended December 31, 2024. Employees of the City of Sugar Hill do not contribute to the Plan.

Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2024 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2024.

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Net Pension Liability of the City (Continued)

Actuarial Assumptions. The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – June 30, 2019.

Cost-of-living adjustments were assumed to be 1.70% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2024 are summarized in the table on the following page.

| Asset class | Target allocation | Long-term expected real rate of return* |
|-----------------------|----------------------|---|
| Domestic equity | 45% | 6.91% |
| International equity | 20% | 7.21 |
| Real estate | 10% | 3.61 |
| Global fixed income | 5% | 1.67 |
| Domestic fixed income | 20% | 1.61 |
| Total | 100% | |

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

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2024 were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
|---|-----------------------------------|---------------------------------------|---|
| Balances at 12/31/2023 | \$ 7,127,938 | \$ 5,464,233 | \$ 1,663,705 |
| Changes for the year: | | | |
| Service cost | 341,653 | - | 341,653 |
| Interest | 548,252 | - | 548,252 |
| Differences between expected and actual experience | 411,184 | - | 411,184 |
| Contributions—employer | - | 364,458 | (364,458) |
| Net investment income | - | 950,077 | (950,077) |
| Benefit payments, including refunds of employee contributions | (71,340) | (71,340) | - |
| Administrative expense | - | (14,543) | 14,543 |
| Net changes | <u>1,229,749</u> | <u>1,228,652</u> | <u>1,097</u> |
| Balances at 12/31/2024 | <u>\$ 8,357,687</u> | <u>\$ 6,692,885</u> | <u>\$ 1,664,802</u> |

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

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

| | 1% Decrease (6.375%) | Discount Rate (7.375%) | 1% Increase (8.375%) |
|------------------------------|-------------------------|---------------------------|-------------------------|
| City's net pension liability | \$ 3,019,174 | \$ 1,664,802 | \$ 554,083 |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2024 and the current sharing pattern of costs between employer and employee.

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Net Pension Liability of the City (Continued)

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

For the fiscal year ended December 31, 2024, the City recognized pension expense of \$570,712. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 833,662 | \$ - |
| Changes in assumptions | - | (1,968) |
| Net difference between projected and actual earnings on pension plan investments | - | (191,168) |
| City contributions subsequent to the measurement date | <u>337,472</u> | <u>-</u> |
| Total | <u>\$ 1,171,134</u> | <u>\$ (193,136)</u> |

City contributions subsequent to the measurement date of \$337,472 are reported as deferred outflows of resources and will be recognized as an addition to the net pension asset in the fiscal year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|--------------------------|-------------------|
| Year ending December 31: | |
| 2025 | \$ (14,736) |
| 2026 | 209,597 |
| 2027 | 195,410 |
| 2028 | 44,672 |
| 2029 | 146,842 |
| Thereafter | 58,741 |
| | <u>\$ 640,526</u> |

NOTES TO FINANCIAL STATEMENTS

Note 11. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During its year ended December 31, 2024, the City's dues were paid by Gwinnett County, which did not request reimbursement from the City. According to the ARC, all dues are billed to the County and the management of the County determined if each municipality within the County should be billed for their pro-rata share of the dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The ARC's Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from Atlanta Regional Commission, 40 Courtland Street, N.E., Atlanta, GA, 30303.

Note 12. Risk Management

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

NOTES TO FINANCIAL STATEMENTS

Note 13. Contingent Liabilities

Litigation

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

Grant Contingencies

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

Note 14. Economic Dependency/Commitments

Agreements with the Municipal Gas Authority of Georgia

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2014, and may be extended through 2026, are general obligations of the City to which the City's full faith, credit, and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$4,401,604 in 2024.

At December 31, 2024, the outstanding debt of MGAG was approximately \$71.3 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$1.4 million at December 31, 2024.

Contractual Commitments

As of December 31, 2024, the City has contractual commitments on uncompleted contracts of \$6,861,365 primarily for various public works, parks and recreation, infrastructure, and downtown development projects that are ongoing throughout the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUGAR HILL, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2024

| | Budget | | Actual | Variance With Final Budget |
|--|---------------|---------------|---------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 6,892,753 | \$ 6,892,753 | \$ 6,999,596 | \$ 106,843 |
| Franchise taxes | 1,040,100 | 1,040,100 | 1,283,482 | 243,382 |
| Insurance premium taxes | 2,240,000 | 2,240,000 | 2,391,568 | 151,568 |
| Business taxes | 600,000 | 600,000 | 622,167 | 22,167 |
| Alcohol taxes | 260,000 | 260,000 | 294,080 | 34,080 |
| Excise taxes | 10,000 | 10,000 | 15,922 | 5,922 |
| Licenses and permits | 426,900 | 426,900 | 548,280 | 121,380 |
| Intergovernmental | 50,690 | 50,690 | 351,298 | 300,608 |
| Charges for services | 1,519,466 | 1,519,466 | 1,954,878 | 435,412 |
| Investment earnings | 100,000 | 100,000 | 601,515 | 501,515 |
| Other revenues | 143,615 | 143,615 | 157,236 | 13,621 |
| Total revenues | 13,283,524 | 13,283,524 | 15,220,022 | 1,936,498 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 4,755,080 | 4,755,080 | 4,155,588 | 599,492 |
| Judicial | 37,562 | 37,562 | 37,562 | - |
| Public safety | 2,469,485 | 2,469,485 | 2,217,922 | 251,563 |
| Public works | 1,227,100 | 1,227,100 | 1,067,286 | 159,814 |
| Culture and recreation | 4,413,025 | 4,413,025 | 3,845,596 | 567,429 |
| Housing and development | 1,467,229 | 1,467,229 | 1,247,508 | 219,721 |
| Debt service: | | | | |
| Principal | 66,729 | 66,729 | 66,729 | - |
| Interest | 2,946 | 2,946 | 2,946 | - |
| Total expenditures | 14,439,156 | 14,439,156 | 12,641,137 | 1,798,019 |
| Excess (deficiency) of revenues over (under) expenditures | (1,155,632) | (1,155,632) | 2,578,885 | 3,734,517 |
| Other financing sources (uses): | | | | |
| Issuance of SBITA | - | - | 79,463 | 79,463 |
| Transfers in | 3,986,000 | 3,986,000 | 2,187,904 | (1,798,096) |
| Transfers out | (2,830,368) | (2,830,368) | (5,523,215) | (2,692,847) |
| Total other financing sources (uses) | 1,155,632 | 1,155,632 | (3,255,848) | (4,411,480) |
| Net change in fund balances | - | - | (676,963) | (676,963) |
| Fund balances, beginning of year | 21,858,268 | 21,858,268 | 21,858,268 | - |
| Fund balances, end of year | \$ 21,858,268 | \$ 21,858,268 | \$ 21,181,305 | \$ (676,963) |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Service cost | \$ 341,653 | \$ 335,678 | \$ 277,331 | \$ 277,374 | \$ 242,645 |
| Interest on total pension liability | 548,252 | 477,738 | 416,576 | 343,682 | 312,413 |
| Differences between expected and actual experience | 411,184 | 195,475 | 120,397 | 406,133 | 51,162 |
| Changes of assumptions | - | - | - | - | (4,425) |
| Change of benefit terms | - | - | - | - | - |
| Benefit payments, including refunds of employee contributions | (71,340) | (46,163) | (40,513) | (36,995) | (246,874) |
| Net change in total pension liability | 1,229,749 | 962,728 | 773,791 | 990,194 | 354,921 |
| Total pension liability - beginning | 7,127,938 | 6,165,210 | 5,391,419 | 4,401,225 | 4,046,304 |
| Total pension liability - ending (a) | \$ 8,357,687 | \$ 7,127,938 | \$ 6,165,210 | \$ 5,391,419 | \$ 4,401,225 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 364,458 | \$ 485,944 | \$ 295,467 | \$ 332,105 | \$ 385,478 |
| Contributions - employee | - | - | - | - | 68,205 |
| Net investment income | 950,077 | (341,115) | 295,486 | 1,451,778 | (227,551) |
| Benefit payments, including refunds of employee contributions | (71,340) | (46,163) | (40,513) | (36,995) | (246,874) |
| Administrative expenses | (14,543) | (17,551) | (16,571) | (15,682) | (16,322) |
| Net change in plan fiduciary net position | 1,228,652 | 81,115 | 533,869 | 1,731,206 | (37,064) |
| Plan fiduciary net position - beginning | 5,464,233 | 5,383,118 | 4,849,249 | 3,118,043 | 3,155,107 |
| Plan fiduciary net position - ending (b) | \$ 6,692,885 | \$ 5,464,233 | \$ 5,383,118 | \$ 4,849,249 | \$ 3,118,043 |
| City's net pension liability - ending (a) - (b) | \$ 1,664,802 | \$ 1,663,705 | \$ 782,092 | \$ 542,170 | \$ 1,283,182 |
| Plan fiduciary net position as a percentage of the Plan fiduciary net position | 80.1% | 76.7% | 87.3% | 89.9% | 70.8% |
| Covered payroll | \$ 4,736,917 | \$ 4,392,966 | \$ 3,877,213 | \$ 3,832,149 | \$ 3,538,686 |
| City's net pension liability as a percentage of covered payroll | 35.1% | 37.9% | 20.2% | 14.1% | 36.3% |
| | 2019 | 2018 | | | |
| Total pension liability | | | | | |
| Service cost | \$ 219,509 | \$ - | | | |
| Interest on total pension liability | 274,334 | - | | | |
| Differences between expected and actual experience | 125,795 | - | | | |
| Changes of assumptions | - | - | | | |
| Change of benefit terms | - | 3,449,881 | | | |
| Benefit payments, including refunds of employee contributions | (23,215) | - | | | |
| Net change in total pension liability | 596,423 | 3,449,881 | | | |
| Total pension liability - beginning | 3,449,881 | - | | | |
| Total pension liability - ending (a) | \$ 4,046,304 | \$ 3,449,881 | | | |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 1,714,447 | \$ - | | | |
| Contributions - employee | 1,384,392 | - | | | |
| Net investment income | 93,948 | - | | | |
| Benefit payments, including refunds of employee contributions | (23,215) | - | | | |
| Administrative expenses | (14,465) | - | | | |
| Net change in plan fiduciary net position | 3,155,107 | - | | | |
| Plan fiduciary net position - beginning | - | - | | | |
| Plan fiduciary net position - ending (b) | \$ 3,155,107 | \$ - | | | |
| City's net pension liability - ending (a) - (b) | \$ 891,197 | \$ 3,449,881 | | | |
| Plan fiduciary net position as a percentage of the Plan fiduciary net position | 78.0% | 0.0% | | | |
| Covered payroll | \$ 3,210,755 | \$ 3,164,411 | | | |
| City's net pension liability as a percentage of covered payroll | 27.8% | 109.0% | | | |

Note: 2018 was the first year of the plan.
This schedule will present 10 years of information once it is accumulated.

CITY OF SUGAR HILL, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|-------------------|----------------|----------------|----------------|--------------------|
| Actuarially determined contribution | \$ 458,960 | \$ 438,418 | \$ 364,458 | \$ 312,965 | \$ 304,636 |
| Contributions in relation to the actuarially determined contribution | <u>458,960</u> | <u>438,418</u> | <u>364,458</u> | <u>312,965</u> | <u>330,022</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (25,386)</u> |
| Covered payroll | \$ 4,736,917 | \$ 4,392,966 | \$ 3,877,213 | \$ 3,832,149 | \$ 3,538,686 |
| Contributions as a percentage of covered payroll | 9.69% | 9.98% | 9.4% | 8.2% | 9.3% |
| | <u>2019</u> | | | | |
| Actuarially determined contribution | \$ 479,130 | | | | |
| Contributions in relation to the actuarially determined contribution | <u>\$ 479,130</u> | | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | | | | |
| Covered payroll | \$ 3,210,755 | | | | |
| Contributions as a percentage of covered payroll | 14.9% | | | | |

Notes to the Schedule

| | |
|----------------------------------|---|
| Valuation Date | July 1, 2024 |
| Cost Method | Projected Unit Credit |
| Actuarial Asset Valuation Method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Assumed Rate of Return | |
| On Investments | 7.375% |
| Projected Salary Increases | 2.25% plus service-based merit increases |
| Cost-of-Living Adjustment | 1.70% |

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

CITY OF SUGAR HILL, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2024

| | <u>Original Estimated Cost</u> | <u>Current Estimated Cost</u> | <u>Prior Years Cumulative Expenditures</u> | <u>Current Year Expenditures</u> | <u>Total Cumulative Expenditures</u> |
|--|--|---------------------------------------|--|--------------------------------------|--|
| SPLOST 2017 | | | | | |
| Cultural facilities | \$ 1,836,249 | \$ 1,835,249 | \$ 12,405 | \$ - | \$ 12,405 |
| Recreation facilities and equipment | 8,236,540 | 14,486,851 | 14,947,286 | 91,449 | 15,038,735 |
| Roads, streets, bridges, and related facilities and equipment | <u>9,859,121</u> | <u>7,859,121</u> | <u>3,151,451</u> | <u>2,587,981</u> | <u>5,739,432</u> |
| Total SPLOST 2017 | <u>\$ 19,931,910</u> | <u>\$ 24,181,221</u> | <u>\$ 18,111,142</u> | 2,679,430 | <u>\$ 20,790,572</u> |
| | | | | | |
| | | | Plus expenditures of local funds on roads, streets, bridges, and related facilities and equipment | <u>137,180</u> | |
| | | | Total Expenditures | <u>\$ 2,816,610</u> | |
| | | | | | |
| | <u>Original Estimated Cost</u> | <u>Current Estimated Cost</u> | <u>Prior Years Cumulative Expenditures</u> | <u>Current Year Expenditures</u> | <u>Total Cumulative Expenditures</u> |
| SPLOST 2023 | | | | | |
| Cultural facilities and equipment | \$ 5,000,000 | \$ 5,000,000 | \$ - | \$ - | \$ - |
| Recreation facilities and equipment | 7,672,912 | 7,672,912 | - | - | - |
| Roads, streets, bridges, and related facilities and equipment | 11,500,000 | 11,500,000 | - | - | - |
| Utility infrastructure and equipment | 1,000,000 | 1,000,000 | - | - | - |
| Administrative facilities and equipment | 2,500,000 | 2,500,000 | - | - | - |
| Public safety facilities and equipment | 2,000,000 | 2,000,000 | - | - | - |
| Parking facilities and equipment | <u>5,000,000</u> | <u>5,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total SPLOST 2023 | <u>\$ 34,672,912</u> | <u>\$ 34,672,912</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Sugar Hill, Georgia (the "City"), as of and for the fiscal year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 26, 2025

**CITY OF SUGAR HILL, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Section II – Financial Statement Findings and Responses

None reported