

CITY OF DACULA, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2022**



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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and Members
of City Council
City of Dacula, Georgia**

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the **City of Dacula, Georgia** (the "City"), as of and for the year ended December 31, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Dacula, Georgia as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State 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 of Dacula, Georgia, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 generally accepted auditing standards *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 generally accepted auditing standards 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 schedule of changes in the City's net pension liability and related ratios, the schedule of City contributions, and the General Fund and ARPA Fund budgetary comparison schedules, as listed in 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 the Official Code of Georgia 48-8-121, (the "supplementary information") is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 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
October 23, 202

CITY OF DACULA, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022

As management of the City of Dacula, Georgia (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 year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- ❖ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows or resources at the close of the most recent year by \$31,444,616 (net position). Of this amount, \$9,327,364 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. \$15,844,670 of net position consisted of investments in capital assets, net of related debt. The remainder of net position consisted of amounts restricted by law, with \$102,911 restricted for federal programs, \$72,862 restricted for public works, \$6,096,809 restricted for capital projects.
- ❖ The City's total net position increased by \$3,963,939 in the year ended December 31, 2022. This is compared to an increase of \$1,680,880 the prior year. This increase in net position for 2022 resulted primarily from increased unrestricted net position of \$1,624,573 and restricted for capital projects of \$1,578,788. Net investment in capital assets increased by \$584,805. The City saw an increase in tax revenues and contributions.
- ❖ As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$14,649,394. This compares to the prior year ending fund balances of \$11,867,646 showing a total increase of \$2,781,748 during the current year. The fund balance of the General Fund increased by \$1,367,514 due to tax revenues. The fund balance for the Capital Projects Fund increased by \$952,618 due to contributions. SPLOST fund balance increased by \$460,110 as revenue exceeded capital outlay.
- ❖ At the end of the current year, the total fund balance for the General Fund was \$8,615,734 or 383% of General Fund expenditures. Of this amount, \$8,508,440 was unassigned, \$72,862 was restricted for public works, and \$34,432 was non-spendable.
- ❖ At the end of the current year, the total fund balance for the SPLOST Fund was \$3,266,453. SPLOST funds are restricted for transportation projects, administrative facilities, public safety facilities and equipment, recreational facilities and equipment, and water and sewer projects.
- ❖ At the end of the current year, the total fund balance for the Capital Projects Fund was \$2,765,701. These funds are restricted for parks and beautification of the City.
- ❖ At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by \$1,173,678. Of his total net position, \$1,023,263 is unrestricted and available to meet the Sanitation Fund's on-going obligations to its customers. \$150,415 is invested in capital assets.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 like a private-sector business.

The *statement of net position* presents information on the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them 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.

The *statement of activities* presents information showing how the City's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, recreation and parks, judicial, and planning and zoning. The City's business-type activities include the Sanitation Fund.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four (4) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each major fund. The City's major funds are the General Fund, ARPA (American Rescue Plan Act) Fund, Capital Projects Fund, and the SPLOST Fund.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund and special revenue funds to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitation services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Sanitation Fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability and related ratios.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Dacula, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,444,616 at the close of the most recent year. Table 1 below is a summary of the City's net position.

Table 1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 16,936,665	\$ 13,045,698	\$ 1,179,880	\$ 786,840	\$ 18,116,545	\$ 13,832,538
Capital assets	15,819,021	15,064,524	150,415	195,341	15,969,436	15,259,865
Total assets	<u>32,755,686</u>	<u>28,110,222</u>	<u>1,330,295</u>	<u>982,181</u>	<u>34,085,981</u>	<u>29,092,403</u>
Deferred outflows of resources	<u>192,476</u>	<u>276,403</u>	<u>78,342</u>	<u>54,619</u>	<u>\$ 270,818</u>	<u>\$ 331,022</u>
Liabilities:						
Current liabilities	2,188,908	1,169,104	36,203	6,924	2,225,111	1,176,028
Long-term liabilities	371,506	477,338	151,212	94,324	522,718	571,662
Total liabilities	<u>2,560,414</u>	<u>1,646,442</u>	<u>187,415</u>	<u>101,248</u>	<u>2,747,829</u>	<u>1,747,690</u>
Deferred inflows of resources	<u>116,810</u>	<u>162,873</u>	<u>47,544</u>	<u>32,185</u>	<u>164,354</u>	<u>195,058</u>
Net position:						
Net investment in capital assets	15,694,255	15,064,524	150,415	195,341	15,844,670	15,259,865
Restricted	6,272,582	4,619,426	-	-	6,272,582	4,619,426
Unrestricted	<u>8,304,101</u>	<u>6,893,360</u>	<u>1,023,263</u>	<u>708,026</u>	<u>9,327,364</u>	<u>7,601,386</u>
Total net position	<u>\$ 30,270,938</u>	<u>\$ 26,577,310</u>	<u>\$ 1,173,678</u>	<u>\$ 903,367</u>	<u>\$ 31,444,616</u>	<u>\$ 27,480,677</u>

A portion of the City's net position (\$15,844,670 or 50.39%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, less any related debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. \$6,272,582 (19.95%) of the City's net position is restricted for federal programs, public works activities, and capital projects. The remaining portion of the City's net position (\$9,327,364 or 29.66%) is unrestricted. Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position, for the City as a whole, the unrestricted net position of the primary government increased by \$1,725,978 in 2022 from the previous year's balance of \$7,601,386 to a net balance of \$9,327,364.

Analysis of the City's Operations and Changes in Net Position

The schedule on the following page presents a summary of the City's operations for the years ended December 31, 2022 and 2021. Governmental activities during the current year increased the City's net position by \$3,693,628 for the year ended December 31, 2022. Business-type activities increased the City's net position by \$270,311 for the year ended December 31, 2022.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 454,100	\$ 463,334	\$ 702,925	\$ 518,979	\$ 1,157,025	\$ 982,313
Operating Grants and contributions	52,540	48,122	-	-	52,540	48,122
Capital grants and contributions	2,613,136	1,151,184	-	-	2,613,136	1,151,184
General revenues:						
Property taxes	2,116,010	1,660,201	-	-	2,116,010	1,660,201
Franchise taxes	395,208	386,610	-	-	395,208	386,610
Insurance premium taxes	576,805	371,096	-	-	576,805	371,096
Business and occupational taxes	134,408	175,571	-	-	134,408	175,571
Alcoholic beverage taxes	244,595	266,827	-	-	244,595	266,827
Miscellaneous Income	14,119	10,158	-	-	14,119	10,158
Unrestricted Investment Earnings	4,676	3,232	598	832	5,274	4,064
Gain on sale of capital assets	29,625	87,614	-	-	29,625	87,614
Total revenues	6,635,222	4,623,949	703,523	519,811	7,338,745	5,143,760
Expenses:						
General government	830,935	1,552,771	-	-	830,935	1,552,771
Public safety	272,570	218,466	-	-	272,570	218,466
Public works	1,006,376	640,128	-	-	1,006,376	640,128
Recreation and parks	67,325	62,034	-	-	67,325	62,034
Judicial/Municipal Court	9,930	17,171	-	-	9,930	17,171
Planning & Zoning	368,118	218,732	-	-	368,118	218,732
Sanitation	-	-	819,552	753,579	819,552	753,579
Total expenses	2,555,254	2,709,302	819,552	753,579	3,374,806	3,462,881
Transfers:						
Transfers in	-	-	386,340	329,905	386,340	329,905
Transfers out	(386,340)	(329,905)	-	-	(386,340)	(329,905)
Total Transfers	(386,340)	(329,905)	386,340	329,905	-	-
Change in net position	3,693,628	1,584,743	270,311	96,137	3,963,939	1,680,880
Net position - beginning of year	26,577,310	24,992,567	903,367	807,230	27,480,677	25,799,797
Net position - end of year	\$ 30,270,938	\$ 26,577,310	\$ 1,173,678	\$ 903,367	\$ 31,444,616	\$ 27,480,677

Governmental Activities

Revenue Charges for services of \$454,100 decreased by \$9,234 primarily due to a decrease in Municipal court fines from 2021 to 2022. The City is being more lenient towards ordinance violations and working to ensure compliance with City ordinances as opposed to being a revenue generator. The majority of charges for services comes from the Planning and Development department, which charges fees for building and other permits. There was a slight decrease in permit revenues from 2021 to 2022, which is dependent upon the types of permits applied for and the volume of applications received. Operating Grants and contributions remained relatively stable from 2021 to 2022, decreasing by \$4,418. These are ARPA funds, used for the premium pay of City employees. Capital Grants and Contributions of \$2,613,136 increased by \$1,461,952 due to an increase in SPLOST proceeds as well as a \$1,000,000 donation from the former Mayor Mr. Wilbanks' Estate. Capital grants and contributions comprises 39.4% of total governmental revenue in 2022 compared to 24.9% in 2021. Property taxes provided 31.9% of the City's total governmental revenue of year 2022 as compared with 35.9% in the year 2021. This decrease is due to the increase in revenue from Capital Grants and Contributions from a \$1,000,000 one-time donation restricted for parks, recreation, and beautification of the City. Overall, governmental revenues increased by \$2,011,273 or 43.5% while overall governmental expenses decreased by \$154,048 or 5.7%. The increase in revenues was primarily due to increases in property tax revenue caused by increases in home values, SPLOST proceeds, and the donation from the former Mayor's Estate. The decrease in expenses was primarily due to the absence of a City Administrator in 2022. For the most part, other expenses were up in 2022 when compared with 2021. The City saw an increase of \$366,248 for the

Public Works function, primarily due to increases salaries and depreciation.

Expenses The total expense for the governmental activities was \$2,555,254 in 2022, a decrease of \$154,048 or 5.7% compared to 2021. Public works accounts for the largest portion of governmental expenses. Total public works expenses were \$1,006,376 or 39.4% of total governmental expenses. General government expenses accounted for the second largest portion of governmental expenses and represented \$830,935 or 32.5% of total governmental expenses. Planning and zoning expenses are the third largest portion of governmental expenses at \$368,118 and represented 14.4% of total governmental expenses.

Business-type activities

Revenues Total revenues for the Sanitation Fund increased by \$183,712 from 2022 to 2021. The cause was due to an increase in the City's annual sanitation fees for trash and recycling services to help cover the costs of operations. The General Fund is currently subsidizing the Sanitation Fund, but the increase in fees for the service has helped lower the amount of funds needed from the General Fund. In the current year, the Sanitation Fund operating revenues were \$702,925, with a \$183,946 increase from 2021.

Expenses Total expenses for the Sanitation Fund were \$819,552 in the current year compared to \$753,579 in the prior year. The increase was due to many factors. The Public Works department added a sanitation employee and saw an increase in retirement contributions on employees' behalf. Garbage disposal costs and repairs and maintenance were up in 2022, while recycling fees were lower. In-house recycling started during the 2021 fiscal year, contributing to the decrease in costs during 2022, the first full year the City has handled those services. Gasoline costs were up in 2022 compared with 2021. Trash and recycling can purchases were lower in 2022.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$14,649,394. Of this amount, \$8,508,440 or 58.1% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is made of \$6,106,522 of restricted fund balance due to external limitations on its use, and \$34,432 was non-spendable. These restricted uses include 1) capital projects funded by SPLOST funds (\$3,266,453) and a grant (\$72,862), 2) parks, recreation, and beautification projects funded by an endowment fund (\$2,765,701), and 3) federal programs (\$1,506). The non-spendable fund balance portion of \$34,432 is for prepaid items.

General Fund – The General Fund is the central operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$8,615,734 of which \$8,508,440 was unassigned, \$72,862 was restricted for public works, and \$34,432 was non-spendable. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance of \$8,615,734 represents approximately 383.4% of total General Fund expenditures compared to 172.6% for the prior year while unassigned fund balance of \$8,508,440, represents approximately 378.6% of total General Fund expenditures compared to 171.8% of the prior year. Fund balance of the City's General Fund increased by \$1,367,514 during the current year primarily due to increased taxes.

ARPA (American Rescue Plan Act) Fund – The ARPA Fund was created in 2021 due to the Federal American Rescue Plan Act Grant administered to provide economic relief during the Coronavirus pandemic. The City received an APRA Grant Award of \$2,371,321. As of December 31, 2022, the City recorded an unearned revenue liability from this award in the amount of \$1,945,618 and recorded revenue of \$377,704 and interest revenue of \$1,506. Total expenditures and transfers out in 2022 were \$377,704.

SPLOST Fund – The SPLOST Fund was created in 2017 for a six-year SPLOST Tax. The SPLOST Fund balance at year-end 2022 of \$3,266,453 increased by \$460,110 from 2021 due to revenue exceeding expenditures. Revenues from the SPLOST tax increased in 2022 by \$134,422. The fund balance is restricted for capital outlay for facilities, infrastructure, and equipment.

Capital Projects Fund – The capital projects fund accounts for the funds provided by the former Mayor Mr. Willbanks' Estate. Total fund balance for the capital projects fund at year end was \$2,765,701, which is restricted for expenditures on parks, recreation, and beautification projects. The City received an additional \$1,000,000 contribution in 2022.

Proprietary Funds The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The City maintains one enterprise fund that accounts for the activities of the City that are operated in a business fashion. The City maintains an enterprise fund for its sanitation services.

Sanitation Fund - Sanitation fees are billed on the City property tax bills and are collected by the City annually. The Sanitation Fund increased its net position by \$270,311 in 2022. This increase in net position is attributable to the transfers in from the General Fund and increased sanitation rates.

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Table 3 below compares governmental fund revenues and expenditures for 2022 and 2021.

Table 3
Governmental Revenues, Expenditures, and Changes in Fund Balances

	Governmental Funds	
	<u>2022</u>	<u>2021</u>
Revenues:		
Taxes	\$ 3,376,053	\$ 2,860,305
Licenses and permits	437,325	434,668
Intergovernmental	1,665,461	1,198,986
Fines and forfeitures	13,491	25,016
Charges for services	3,284	3,650
Interest income	4,891	3,552
Contributions	1,000,000	-
Miscellaneous	14,119	10,158
Total Revenue	<u>6,514,624</u>	<u>4,536,335</u>
Expenditures:		
General government	1,133,582	3,590,733
Public safety	284,928	235,563
Public works	1,504,353	1,217,396
Recreation and parks	69,071	81,017
Judicial/municipal court	9,930	17,171
Planning & Zoning	374,297	218,732
Total Expenditures	<u>3,376,161</u>	<u>5,360,612</u>
Deficiency of revenues under expenditures	<u>3,138,463</u>	<u>(824,277)</u>
Other financing sources (uses):		
Transfers out	(438,840)	(329,905)
Transfers in	52,500	-
Proceeds from sale of capital assets	29,625	87,615
Total other financing sources	<u>(356,715)</u>	<u>(242,290)</u>
Net change in fund balances	2,781,748	(1,066,567)
Fund balances, beginning of year	<u>11,867,646</u>	<u>12,934,213</u>
Fund balances, end of year	<u>\$ 14,649,394</u>	<u>\$ 11,867,646</u>

General Fund Budgetary Highlights

The City's budget is prepared according to Georgia Law. A comparison of actual revenues and expenditures compared to budgeted amounts are presented in the financial statements for the General Fund and ARPA Fund. General Fund revenue was \$234,731 more than budgeted mainly due to higher-than-expected collection of taxes and licenses/permit fees. General Fund expenditures were \$660,762 less than budgeted due to the absence of a city administrator and CDBG expenditures which did not occur. ARPA revenue was \$806,687 less than what was budgeted due to fewer projects being started in 2022 than originally expected. ARPA expenditures were \$860,693 less than the budgeted amount for the same reason as the revenue variance.

Capital Assets and Long-Term Debt

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2022, amounts to \$15,969,436 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, vehicles, land improvements, and infrastructure such as streets, sidewalks, and storm water systems. Table 4 below summarizes capital assets of the City.

Table 4
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Construction in progress	\$ 358,145	\$ 307,528	\$ -	\$ -	\$ 358,145	\$ 307,528
Land	3,788,263	3,788,263	-	-	3,788,263	3,788,263
Buildings and improvements	2,193,731	2,193,731	-	-	2,193,731	2,193,731
Infrastructure	10,932,489	9,976,415	-	-	10,932,489	9,976,415
Furniture and equipment	687,032	566,531	-	-	687,032	566,531
Vehicles	310,961	310,961	735,908	735,908	1,046,869	1,046,869
Land Improvements	953,575	953,575	-	-	953,575	953,575
Less accumulated depreciation	(3,405,175)	(3,032,480)	(585,493)	(540,567)	(3,990,668)	(3,573,047)
Total	<u>\$ 15,819,021</u>	<u>\$ 15,064,524</u>	<u>\$ 150,415</u>	<u>\$ 195,341</u>	<u>\$ 15,969,436</u>	<u>\$ 15,259,865</u>

The City's total investment in capital assets increased from \$15,259,865 to \$15,969,436 in 2022. The City spent an additional \$1,006,691 on construction in progress (CIP) and transferred a total of \$956,074 of construction in progress (CIP) to Infrastructure for several projects completed in 2022. As of December 31, 2022, there was \$358,145 of construction projects in progress that are scheduled to be completed in 2023.

During fiscal year 2022, the City purchased \$134,601 of equipment for the public safety, public works, and planning and zoning departments. There were no additions to buildings, vehicles, or land improvements during 2022.

Long-Term Debt and Obligations. The City's long-term debt and obligations can be found in Note 7 in the notes to the financial statements of this report. The City's compensated absences increased by \$1,558 from 2021 to 2022. The City's long-term debt is summarized in the table on the following page.

Table 5
Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Compensated Absences	2,233	675	-	-	2,233	675
Net Pension Liability	371,506	477,338	151,212	94,324	522,718	571,662
Long-term liabilities	<u>\$ 373,739</u>	<u>\$ 478,013</u>	<u>\$ 151,212</u>	<u>\$ 94,324</u>	<u>\$ 524,951</u>	<u>\$ 572,337</u>

Economic Factors and Next Year's Budgets and Rates

The City considered the current year results as well as other factors in preparing the City's budget for 2023. The budget for 2023 reflects total revenues of \$8,486,626 and total expenditures of \$8,486,626. The SPLOST Fund represents \$1,195,000 of the total fiscal year 2023 budget for the construction of streets, sidewalks, and capital equipment purchases.

In November of 2022, Gwinnett County voters approved a referendum for a six-year Special Purpose Local Option Sales Tax restricted for capital construction of streets, sidewalks, administrative facility acquisition/improvement, parks and recreation facility and equipment, public safety facilities and equipment, and water and sewer improvements with the City estimated to receive \$9,620,184 over six years. To date the actual tax collected by the City is averaging 118.6% of the original estimate.

The net tax digest valuation for the City is estimated to increase by approximately 17.01% in 2023 and the City lowered the property tax millage rate from 4.806 mills to 4.557 mills. The valuation increase is due to a combination of increase in property values and growth. During the past few years, the City has experienced a dramatic increase in development projects. As these projects are completed over the next few years, we expect continued increases in our property tax digest and tax revenues.

The City will not be receiving any additional ARPA funds or any additional contributions from the former Mayor Mr. Wilbanks' Estate. As of December 31, 2022, the City still has much of the cash collected from these sources and has various capital improvement projects planned over the next few years. Please refer to the City's Capital Improvement Program found in the annual budget document for more details of these projects and funding sources.

The City saw an increase of \$205,709 in the Insurance Premium Tax on insurance companies from 2021 to 2022. The increase in revenue is expected to remain for future years as the cost of insurance premiums are continuing to increase. The City's revenue from occupational taxes and alcohol licenses are expected to grow steadily over the next few years as development and business investments in the City continue to increase.

This City is experiencing a decrease in municipal fines. This is intentional and evidence of the City's success in their efforts to focus more on compliance with City ordinances as opposed to fine collections. The City is continuing its desire to issue warnings of violations and give citizens and businesses a chance to correct violations prior to requiring fine payments.

The City will continue to monitor actual revenues and expenses and the economic environments, including the laws and regulations, that have an impact on those revenues and expenses. The City's goal is to keep the cost of government operations as low as it can without sacrificing the quality of services needed and desired by its citizens.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Dacula
PO Box 400
Dacula, GA 30019

CITY OF DACULA, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2022

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 16,766,002	\$ 974,662	\$ 17,740,664
Taxes receivables	162,906	-	162,906
Intergovernmental receivable	122,964	-	122,964
Accounts receivable	-	55,579	55,579
Internal balances	(149,639)	149,639	-
Prepaid items	34,432	-	34,432
Capital assets:			
Nondepreciable	4,146,408	-	4,146,408
Depreciable, net of accumulated depreciation	11,672,613	150,415	11,823,028
Total assets	32,755,686	1,330,295	34,085,981
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	192,476	78,342	270,818
Total deferred outflows of resources	192,476	78,342	270,818
LIABILITIES			
Accounts payable	85,295	27,158	112,453
Contracts payable	101,405	-	101,405
Retainage payable	23,361	-	23,361
Accrued liabilities	30,996	9,045	40,041
Unearned revenues	1,945,618	-	1,945,618
Compensated absences due within one year	2,233	-	2,233
Net pension liability due in more than one year	371,506	151,212	522,718
Total liabilities	2,560,414	187,415	2,747,829
DEFERRED INFLOWS OF RESOURCES			
Pension related items	116,810	47,544	164,354
Total deferred inflows of resources	116,810	47,544	164,354
Net investment in capital assets	15,694,255	150,415	15,844,670
Restricted for federal programs	102,911	-	102,911
Restricted for public works	72,862	-	72,862
Restricted for capital projects	6,096,809	-	6,096,809
Unrestricted	8,304,101	1,023,263	9,327,364
Total net position	\$ 30,270,938	\$ 1,173,678	\$ 31,444,616

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

CITY OF DACULA, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 830,935	\$ 96,254	\$ 52,540	\$ -	\$ (682,141)	\$ -	\$ (682,141)
Public safety	272,570	-	-	-	(272,570)	-	(272,570)
Public works	1,006,376	-	-	1,613,136	606,760	-	606,760
Recreation and parks	67,325	-	-	1,000,000	932,675	-	932,675
Judicial/municipal court	9,930	13,491	-	-	3,561	-	3,561
Planning and zoning	368,118	344,355	-	-	(23,763)	-	(23,763)
Total governmental activities	2,555,254	454,100	52,540	2,613,136	564,522	-	564,522
Business-type activities:							
Sanitation	819,552	702,925	-	-	-	(116,627)	(116,627)
Total business-type activities	819,552	702,925	-	-	-	(116,627)	(116,627)
Total primary government	\$ 3,374,806	\$ 1,157,025	\$ 52,540	\$ 2,613,136	564,522	(116,627)	447,895
General revenues:							
Property taxes					2,116,010	-	2,116,010
Franchise taxes					395,208	-	395,208
Insurance premium taxes					576,805	-	576,805
Business and occupational taxes					134,408	-	134,408
Alcoholic beverage taxes					244,595	-	244,595
Unrestricted investment earnings					4,676	598	5,274
Miscellaneous					14,119	-	14,119
Gain on sale of capital assets					29,625	-	29,625
Transfers					(386,340)	386,340	-
Total general revenues and transfers					3,129,106	386,938	3,516,044
Change in net position					3,693,628	270,311	3,963,939
Net position, beginning of year					26,577,310	903,367	27,480,677
Net position, end of year					\$ 30,270,938	\$ 1,173,678	\$ 31,444,616

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

CITY OF DACULA, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2022

ASSETS	General Fund	ARPA Fund	Capital Projects Fund	SPLOST Fund	Total Governmental Funds
Cash and cash equivalents	\$ 8,792,223	\$ 2,071,890	\$ 2,717,106	\$ 3,184,783	\$ 16,766,002
Taxes receivables	162,906	-	-	-	162,906
Intergovernmental receivable	-	-	-	122,964	122,964
Prepaid items	34,432	-	-	-	34,432
Due from other funds	-	-	48,595	-	48,595
Total assets	\$ 8,989,561	\$ 2,071,890	\$ 2,765,701	\$ 3,307,747	\$ 17,134,899
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 44,001	\$ -	\$ -	\$ 41,294	\$ 85,295
Contracts payable	-	101,405	-	-	101,405
Retainage payable	-	23,361	-	-	23,361
Accrued liabilities	30,996	-	-	-	30,996
Unearned revenue	-	1,945,618	-	-	1,945,618
Due to other funds	198,234	-	-	-	198,234
Total liabilities	273,231	2,070,384	-	41,294	2,384,909
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	100,596	-	-	-	100,596
Total deferred inflows of resources	100,596	-	-	-	100,596
FUND BALANCES					
Fund balances:					
Nonspendable:					
Prepaid items	34,432	-	-	-	34,432
Restricted:					
Federal programs	-	1,506	-	-	1,506
Public works	72,862	-	-	-	72,862
Capital projects	-	-	2,765,701	3,266,453	6,032,154
Unassigned	8,508,440	-	-	-	8,508,440
Total fund balances	8,615,734	1,506	2,765,701	3,266,453	14,649,394
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,989,561	\$ 2,071,890	\$ 2,765,701	\$ 3,307,747	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	15,819,021
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.	100,596
The net pension liability, and related deferred inflows and outflows of resources 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.	(295,840)
Long-term liabilities (compensated absences) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(2,233)
Net position of governmental activities	\$ 30,270,938

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

CITY OF DACULA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	ARPA Fund	Capital Projects Fund	SPLOST Fund	Total Governmental Funds
Revenues					
Taxes	\$ 3,376,053	\$ -	\$ -	\$ -	\$ 3,376,053
Licenses and permits	437,325	-	-	-	437,325
Intergovernmental	72,862	377,704	-	1,214,895	1,665,461
Fines and forfeitures	13,491	-	-	-	13,491
Charges for services	3,284	-	-	-	3,284
Interest income	1,997	1,506	1,173	215	4,891
Contributions	-	-	1,000,000	-	1,000,000
Miscellaneous	14,119	-	-	-	14,119
Total revenues	<u>3,919,131</u>	<u>379,210</u>	<u>1,001,173</u>	<u>1,215,110</u>	<u>6,514,624</u>
Expenditures					
Current:					
General government	1,133,542	40	-	-	1,133,582
Public safety	210,599	-	-	74,329	284,928
Public works	498,518	325,164	-	680,671	1,504,353
Recreation and parks	20,516	-	48,555	-	69,071
Judicial/municipal court	9,930	-	-	-	9,930
Planning and zoning	374,297	-	-	-	374,297
Total expenditures	<u>2,247,402</u>	<u>325,204</u>	<u>48,555</u>	<u>755,000</u>	<u>3,376,161</u>
Excess of revenues over expenditures	<u>1,671,729</u>	<u>54,006</u>	<u>952,618</u>	<u>460,110</u>	<u>3,138,463</u>
Other financing sources (uses):					
Transfers out	(386,340)	(52,500)	-	-	(438,840)
Transfers in	52,500	-	-	-	52,500
Proceeds from sale of capital assets	29,625	-	-	-	29,625
Total other financing sources (uses)	<u>(304,215)</u>	<u>(52,500)</u>	<u>-</u>	<u>-</u>	<u>(356,715)</u>
Net change in fund balances	1,367,514	1,506	952,618	460,110	2,781,748
Fund balances, beginning of year	<u>7,248,220</u>	<u>-</u>	<u>1,813,083</u>	<u>2,806,343</u>	<u>11,867,646</u>
Fund balances, end of year	<u>\$ 8,615,734</u>	<u>\$ 1,506</u>	<u>\$ 2,765,701</u>	<u>\$ 3,266,453</u>	<u>\$ 14,649,394</u>

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

CITY OF DACULA, 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, 2022

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

Net change in fund balances - total governmental funds	\$	2,781,748
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 expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		754,497
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		90,973
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.		66,410
Change in net position - governmental activities	\$	3,693,628

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

CITY OF DACULA, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUND DECEMBER 31, 2022

	Sanitation Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 974,662
Accounts receivable	55,579
Due from other funds	149,639
Total current assets	1,179,880
NONCURRENT ASSETS	
Capital assets, net of accumulated depreciation	150,415
Total noncurrent assets	150,415
Total assets	1,330,295
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	78,342
Total deferred outflows of resources	78,342
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	27,158
Accrued liabilities	9,045
Total Current liabilities	36,203
NONCURRENT LIABILITIES	
Net pension liability	151,212
Total noncurrent liabilities	151,212
Total liabilities	187,415
DEFERRED INFLOWS OF RESOURCES	
Pension related items	47,544
Total deferred inflows of resources	47,544
NET POSITION	
Investment in capital assets	150,415
Unrestricted	1,023,263
Total net position	\$ 1,173,678

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

CITY OF DACULA, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Sanitation Fund
OPERATING REVENUE	
Sanitation fees	\$ 702,264
Other charges	661
Total operating revenues	702,925
OPERATING EXPENSES	
Personnel services	452,172
Contractual services	195,985
Materials and supplies	126,469
Depreciation	44,926
Total operating expenses	819,552
Operating loss	(116,627)
NONOPERATING REVENUES	
Interest income	598
Transfers in	386,340
Total nonoperating revenues	386,938
Change in net position	270,311
Net position, beginning	903,367
Net position, ending	\$ 1,173,678

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

CITY OF DACULA, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED DECEMBER 31, 2022

	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 661,402
Payments to employees	(403,648)
Payments to vendors and suppliers	(442,814)
	(185,060)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from other funds	386,340
	386,340
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	598
	598
Net change in cash	201,878
Cash, beginning of year	772,784
Cash, end of year	\$ 974,662
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (116,627)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	44,926
Change in assets and liabilities:	
Increase in accounts receivables	(41,523)
Increase in due from other funds	(149,639)
Increase in accounts payable	20,575
Increase in accrued expenses	8,704
Increase in net pension liability and related deferred inflows and outflows	48,524
	48,524
Net cash used by operating activities	\$ (185,060)

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

CITY OF DACULA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City, which was incorporated in 1905, operates under a Mayor/Council/City Manager form of government and provides the following services as authorized by its charter to its citizens: general and administrative services, public safety and judicial, public works, recreation parks, planning and zoning and sanitation utility services. The City Manager is the head of the administrative branch of government and is responsible for the day-to-day operations of the City government. The legislative authority of the City is vested in the Mayor and four (4) members of the City Council.

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. In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in GASB Statement No. 14, "The financial reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity." Based on the criteria, the City has no entities that qualify as discretely presented or blended component units.

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 activities of the primary government. For the most part, the effect of inter-fund 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 are normally supported by taxes, intergovernmental and other general 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 non-current assets and deferred outflows of resources and non-current liabilities and deferred inflows of resources. 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 is 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 considered program revenues are reported instead as general revenues.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as is 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 as revenues in the year for which they are levied. 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 City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due. Property taxes, alcoholic beverage taxes, franchise taxes, licenses and permits, intergovernmental grants, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period, if the available 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 non-exchange 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. In accordance with GASB Statement No. 34, major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the General Fund.

The **ARPA Fund** accounts for federally restricted grant monies received under the American Rescue Plan Act.

The **Capital projects Fund** accounts for the acquisition and construction of capital assets, other than those accounted for in specific funds. The fund also accounts for the financial resources of donations received from the City's former Mayor as stated in his Last Will and Testament.

The **SPLOST Fund** accounts for the acquisition of capital assets or construction of major projects financed by special purpose local option sales tax proceeds.

The City reports the following major proprietary fund:

The **Sanitation Fund** accounts for the provision of sanitation services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in the fund, including, but not limited to administration, operation, financing and billing and collections.

The proprietary fund distinguishes operating revenues and expenses from non-operating 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 enterprise fund is charges for goods and services provided. Operating expenses of the enterprise fund includes 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 non-operating revenues and expenses.

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)

D. Budgets

Annual appropriated budgets are adopted for general fund and special revenue funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets for governmental funds are adopted on a modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America, for governmental funds. 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. A project length budget is adopted for all capital projects funds.

E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value as determined by quoted market prices. Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as a component of interest income.

F. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year, as well as all other outstanding balances between funds is 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."

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Infrastructure	40
Furniture and equipment	5-7
Vehicles	5
Land improvements	40

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, drainage, sidewalks, etc. The City implemented the provisions of GASB Statement No. 34 for the year ended December 31, 2004. The City was not required to retroactively report infrastructure assets in governmental activities.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

I. Compensated Absences

The liability for compensated absences reported in the governmental activities consists of unpaid, accumulated sick leave. Any liability accrued for unpaid vacation is liquidated at the end of each year, and thus no unpaid vacation is subject to accrual. Full-time, permanent employees can accumulate up to one hundred and sixty (160) hours of sick leave after twenty (20) years of service. At the end of the current fiscal year, the City has one (1) employee that qualifies for unused, accrued sick pay.

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types 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 type statement of net position. Bond premiums and discounts (if any) are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables are reported net of the applicable bond premium or discounts. Bond issuance costs are expensed when incurred.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types report the face amount of debt issued and any related premiums or discounts as other financing sources and debt issuance costs and debt service payments as expenditures. The City has no long-term obligations other than compensated absences as of December 31, 2022.

K. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets, deferred inflows of resources, and liabilities 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 vote of the City Council through the adoption of a resolution. The same formal action is required to subsequently remove or modify a commitment of fund balance.
- **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’s finance director to assign fund balances. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular governmental fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

- **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: (1) Committed, (2) Assigned, and (3) Unassigned.

L. Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities 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 assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the Fund Equity section. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City's unavailable revenue, which arises under a modified accrual basis of accounting and, therefore, qualifies for reporting in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Deferred outflows of resources represent a consumption of net assets that applies to future period(s). 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 ten-year period. Additionally, any contributions made by the City to the pension plan before fiscal year end, but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

N. 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, deferred inflows of resources, and liabilities 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.

O. Interfund Transactions

Interfund services provided and used in the fund financial statements are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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 Dacula 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.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances 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 *changes 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 useful lives and reported as depreciation expense." The details of this \$754,497 difference are as follows:

Capital outlays	\$ 1,141,292
Depreciation expense	<u>(386,795)</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>\$ 754,497</u>

Another element of that reconciliation explains 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 \$66,410 difference are as follows:

Change in compensated absences	\$ (1,558)
Change in net pension liability and related deferred inflows and outflows	<u>67,968</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>\$ 66,410</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budget

The City of Dacula, Georgia employs the following procedures in establishing its annual budget:

1. Prior to January 1, the Mayor and City Council members prepare a proposed budget for the fiscal year commencing January 1.
2. Public hearings are held to obtain taxpayers' comments.
3. The budget is legally enacted through the passage of a resolution.
4. All revisions to the budget must be submitted to the City Council for approval.
5. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund and special revenue fund. An operating budget is prepared for the enterprise fund for planning, control, cost allocation and evaluation purposes, but are not formally reported within the general ledger.
6. Budgetary appropriations lapse at the end of the fiscal year.

Encumbrance accounting is not used by the City.

The following fund had departments with excess of actual expenditures over appropriations for the year ended December 31, 2022:

General Fund		
General government - Mayor	\$	245
Planning and zoning		31,597

These over expenditures were funded by budgetary savings in other departments within the General Fund.

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: 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 backed 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, 2022, the financial institutions holding all of the City's deposits were participants of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. As of December 31, 2022, all of the City's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk: The City's investment policy is to invest in certificates of deposits with maturities not exceeding one year. As of December 31, 2022, the City had no investments balances that were exposed to interest rate.

Credit risk: State statutes authorize the City to invest 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 bankers' acceptances; the local government investment pool established by State law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of December 31, 2022, the City had no investments balances that were exposed to credit risk.

Fair value measurements: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. At December 31, 2022 the City has no investments and no hierarchy disclosure is presented.

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NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

The value of all real and business personal property located in the City is assessed (appraised) by the Gwinnett County Tax Commissioner. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the County. Appraised values are established by Gwinnett County. The City levies property taxes on August 1 of each year and the taxes are due on October 15, with a lien date of March 15. During 2022, the City took over the billing and collection function from the County.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the year, and therefore susceptible to accrual in accordance with GAAP, have been recognized as revenue.

Receivables at December 31, 2022, for the City's individual major funds are as follows:

	General	SPLOST	Sanitation
Receivables:			
Taxes	\$ 162,906	\$ -	\$ -
Accounts	-		55,579
Intergovernmental	-	122,964	-
Less allowance for uncollectible	-	-	-
Net total receivable	\$ 162,906	\$ 122,964	\$ 55,579

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 307,528	\$ 1,006,691	\$ (956,074)	\$ 358,145
Land	3,788,263	-	-	3,788,263
Total	<u>4,095,791</u>	<u>1,006,691</u>	<u>(956,074)</u>	<u>4,146,408</u>
Capital assets, being depreciated:				
Buildings	2,193,731	-	-	2,193,731
Infrastructure	9,976,415	-	956,074	10,932,489
Furniture and equipment	566,531	134,601	(14,100)	687,032
Vehicles	310,961	-	-	310,961
Land Improvements	953,575	-	-	953,575
Total	<u>14,001,213</u>	<u>134,601</u>	<u>941,974</u>	<u>15,077,788</u>
Less accumulated depreciation for:				
Buildings	(538,286)	(54,843)	-	(593,129)
Infrastructure	(1,431,601)	(249,414)	-	(1,681,015)
Furniture and equipment	(499,350)	(31,682)	14,100	(516,932)
Vehicles	(248,996)	(27,017)	-	(276,013)
Land Improvements	(314,247)	(23,839)	-	(338,086)
Total	<u>(3,032,480)</u>	<u>(386,795)</u>	<u>14,100</u>	<u>(3,405,175)</u>
Total capital assets, being depreciated, net	<u>10,968,733</u>	<u>(252,194)</u>	<u>956,074</u>	<u>11,672,613</u>
Governmental activities capital assets, net	<u>\$ 15,064,524</u>	<u>\$ 754,497</u>	<u>\$ -</u>	<u>\$ 15,819,021</u>
Business-type activities:				
Capital assets, being depreciated:				
Vehicles	735,908	-	-	735,908
Total	<u>735,908</u>	<u>-</u>	<u>-</u>	<u>735,908</u>
Less accumulated depreciation for:				
Vehicles	(540,567)	(44,926)	-	(585,493)
Total	<u>(540,567)</u>	<u>(44,926)</u>	<u>-</u>	<u>(585,493)</u>
Business-type activities capital assets, net	<u>\$ 195,341</u>	<u>\$ (44,926)</u>	<u>\$ -</u>	<u>\$ 150,415</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 54,843
Recreation and parks	23,839
Public works	<u>308,113</u>
Total depreciation expense - governmental activities	<u>\$ 386,795</u>
Business-type activities:	
Sanitation	<u>\$ 44,926</u>

NOTE 7. LONG TERM DEBT

Long-term liability and obligations activity for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 675	\$ 1,558	\$ -	\$ 2,233	\$ 2,233
Governmental activities	-	-	-	-	-
Long-term liabilities	<u>\$ 675</u>	<u>\$ 1,558</u>	<u>\$ -</u>	<u>\$ 2,233</u>	<u>\$ 2,233</u>

Compensated absences are liquidated by the General Fund. The entire compensated absences amount is reported as a current liability based on historical usage as determined by City management.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2022, is as follows:

Due to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 48,595
Sanitation Fund	General Fund	149,639
		<u>\$ 198,234</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) payments between funds are made.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended December 31, 2022 were as follows:

Transfer In	Transfer Out	Amount
Sanitation Fund	General Fund	\$ 386,340
General Fund	ARPA Fund	52,500

Transfers were made out of the General Fund to the Sanitation Fund to subsidize sanitation services and out of the ARPA Fund to the General Fund for premium pay made to employees.

NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description

The City, as authorized by the Mayor and City Council, has established a defined benefit pension plan (the "City of Dacula Retirement Plan") covering all full-time employees. The City Council in its role as the Plan Sponsor, has the sole authority to amend the provisions, including specific benefit provisions and contribution requirements of the Plan as provided by the Plan document. The City's pension Plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. 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 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 or on the internet at www.gmanet.com.

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by the Mayor and City Council, the Plan provides pension benefits and death and disability benefits for Plan members and beneficiaries. All employees who work at least thirty (30) hours a week are eligible to participate immediately upon hire, including elected officials. Benefits vest after seven years of service. A City employee who retires at age 65 with five (5) years of service is entitled to benefits of 2.25% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he or she has a minimum of twenty-five (25) years total credited service to receive full benefits. Employees of the City are not required to make contributions to the Plan.

At July 1, 2022, the date of the most recent actuarial valuation, there were 30 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	8
Terminated vested participants not yet receiving benefits	3
Active participants - vested	3
Active participants - nonvested	16
Total	30

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 is to contribute an amount equal to or greater than the recommended contribution described below. For year 2022, the City's contribution rate was 16.15% of covered payroll. The City makes all contributions to the Plan. For year 2022, the City's contribution to the Plan was \$121,752.

Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2022.

Actuarial assumptions. The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.0 - 8.5%, including inflation
Investment rate of return	7.375%

Mortality rates for the July 1, 2022 valuation were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25 for healthy retirees and beneficiaries and the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25 for disabled participants.

The actuarial assumptions used in the July 1, 2022 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 0.00%.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

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, 2022 are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.55%
International equity	20	7.30
Domestic fixed income	20	0.40
Real estate	10	3.65
Global fixed income	5	0.50
Cash	—	
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%, this was the same 7.375% rate used in the prior year. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and 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 the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT 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 year ended December 31, 2022, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/21	\$ 1,939,016	\$ 1,367,354	\$ 571,662
Changes for the year:			
Service cost	38,760	-	38,760
Interest	140,122	-	140,122
Differences between expected and actual experience	(32,122)	-	(32,122)
Contributions—employer	-	118,574	(118,574)
Net investment income	-	83,029	(83,029)
Benefit payments	(155,635)	(155,635)	-
Administrative expense	-	(5,899)	5,899
Net changes	(8,875)	40,069	(48,944)
Balances at 12/31/22	\$ 1,930,141	\$ 1,407,423	\$ 522,718

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 is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability	\$ 758,446	\$ 522,718	\$ 328,379

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

Sensitivity of the net pension liability to changes in the discount rate (continued). 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, 2022 and the current sharing pattern of costs between employer and employee.

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

For the year ended December 31, 2022, the City recognized pension expense of \$103,863. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 155,792	\$ (26,770)
Change of assumptions	23,712	-
Net difference between projected and actual earnings on pension plan investments	-	(137,584)
City contributions subsequent to the measurement date	91,314	-
Total	\$ 270,818	\$ (164,354)

City contributions subsequent to the measurement date of \$91,314 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. 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:

2023	\$ 29,095
2024	5,991
2025	(25,261)
2026	10,679
2027	(5,354)
Total	\$ 15,150

NOTES TO FINANCIAL STATEMENTS

NOTE 10. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by Gwinnett County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 229 Peachtree Street NE, Suite 100, Atlanta, Georgia 30303.

NOTE 11. 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 Inter-local Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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 pools' 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 or loss.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs 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.

Settled claims have not exceeded the coverages in the last three years.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions arising in the course of City operations. 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 Federal and State 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.

Construction Commitments

At December 31, 2022, the City has outstanding construction commitments of approximately \$395,669 on various construction projects.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DACULA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,578,300	\$ 2,578,300	\$ 3,376,053	\$ 797,753
Licenses and permits	409,400	409,400	437,325	27,925
Intergovernmental	675,000	675,000	72,862	(602,138)
Fines and forfeitures	20,000	20,000	13,491	(6,509)
Interest income	1,700	1,700	1,997	297
Charges for services	-	-	3,284	3,284
Miscellaneous	-	-	14,119	14,119
Total revenues	3,684,400	3,684,400	3,919,131	234,731
Expenditures				
Current:				
General government:				
City council	45,782	45,782	37,226	8,556
City administrator	162,380	162,380	7,998	154,382
Mayor	13,487	13,487	13,732	(245)
Elections	4,000	4,000	3,250	750
Finance	1,190,355	1,190,355	817,329	373,026
Legal	79,000	79,000	49,937	29,063
City hall	218,600	218,600	204,070	14,530
Total general government	<u>1,713,604</u>	<u>1,713,604</u>	<u>1,133,542</u>	<u>580,062</u>
Public safety	214,600	214,600	210,599	4,001
Public works	581,000	581,000	498,518	82,482
Recreation and parks	32,000	32,000	20,516	11,484
Judicial/municipal court	24,260	24,260	9,930	14,330
Planning and zoning	342,700	342,700	374,297	(31,597)
Total expenditures	<u>2,908,164</u>	<u>2,908,164</u>	<u>2,247,402</u>	<u>660,762</u>
Excess of revenues over expenditures	776,236	776,236	1,671,729	895,493
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	29,625	29,625
Transfers in	-	-	52,500	52,500
Transfers out	-	-	(386,340)	(386,340)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(304,215)</u>	<u>(304,215)</u>
Net change in fund balances	776,236	776,236	1,367,514	591,278
Fund balances, beginning of year	<u>7,248,220</u>	<u>7,248,220</u>	<u>7,248,220</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,024,456</u>	<u>\$ 8,024,456</u>	<u>\$ 8,615,734</u>	<u>\$ 591,278</u>

CITY OF DACULA, GEORGIA

**ARPA FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,185,897	\$ 1,185,897	\$ 377,704	\$ (808,193)
Interest income	-	-	1,506	1,506
Total revenues	<u>1,185,897</u>	<u>1,185,897</u>	<u>379,210</u>	<u>(806,687)</u>
EXPENDITURES				
Current:				
General government	585,897	585,897	40	585,857
Public works	<u>600,000</u>	<u>600,000</u>	<u>325,164</u>	<u>274,836</u>
Total expenditures	<u>1,185,897</u>	<u>1,185,897</u>	<u>325,204</u>	<u>860,693</u>
Excess of revenues over expenditures	-	-	54,006	54,006
Other Financing Uses:				
Transfers out	-	-	(52,500)	(52,500)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(52,500)</u>	<u>(52,500)</u>
Net change in fund balances	-	-	1,506	1,506
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,506</u>	<u>\$ 54,006</u>

CITY OF DACULA, GEORGIA

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

	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 38,760	\$ 39,160	\$ 29,457	\$ 25,292
Interest on total pension liability	140,122	133,482	118,634	113,780
Differences between expected and actual experience	(32,122)	76,721	181,192	70,235
Benefit payments, including refunds of employee contributions	(155,635)	(162,231)	(154,303)	(143,205)
Other	-	-	47,421	-
Net change in total pension liability	<u>(8,875)</u>	<u>87,132</u>	<u>222,401</u>	<u>66,102</u>
Total pension liability - beginning	<u>1,939,016</u>	<u>1,851,884</u>	<u>1,629,483</u>	<u>1,563,381</u>
Total pension liability - ending (a)	<u>\$1,930,141</u>	<u>\$ 1,939,016</u>	<u>\$1,851,884</u>	<u>\$1,629,483</u>
Plan fiduciary net position				
Contributions - employer	\$ 118,574	\$ 94,439	\$ 77,459	\$ 64,784
Net investment income	83,029	441,225	(72,734)	41,401
Benefit payments, including refunds of member contributions	(155,635)	(162,231)	(154,303)	(143,205)
Administrative expenses	(5,899)	(5,588)	(6,043)	(5,779)
Net change in plan fiduciary net position	<u>40,069</u>	<u>367,845</u>	<u>(155,621)</u>	<u>(42,799)</u>
Plan fiduciary net position - beginning	<u>1,367,354</u>	<u>999,509</u>	<u>1,155,130</u>	<u>1,197,929</u>
Plan fiduciary net position - ending (b)	<u>\$1,407,423</u>	<u>\$ 1,367,354</u>	<u>\$ 999,509</u>	<u>\$1,155,130</u>
City's net pension liability - ending (a) - (b)	<u>\$ 522,718</u>	<u>\$ 571,662</u>	<u>\$ 852,375</u>	<u>\$ 474,353</u>
Plan fiduciary net position as a percentage of the total pension liability	72.92%	70.52%	53.97%	70.89%
Covered payroll	\$ 763,659	\$ 585,745	\$ 463,895	\$ 424,789
City's net pension liability as a percentage of covered payroll	68.45%	97.60%	183.74%	111.67%
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 25,581	\$ 17,299	\$ 30,203	\$ 22,541
Interest on total pension liability	109,168	108,373	109,707	101,240
Differences between expected and actual experience	69,986	29,474	(48,584)	80,867
Changes of assumptions	-	(2,249)	-	(31,938)
Benefit payments, including refunds of employee contributions	(145,619)	(139,659)	(77,424)	(49,493)
Other	22,839	-	-	-
Net change in total pension liability	<u>81,955</u>	<u>13,238</u>	<u>13,902</u>	<u>123,217</u>
Total pension liability - beginning	<u>1,481,426</u>	<u>1,468,188</u>	<u>1,454,286</u>	<u>1,331,069</u>
Total pension liability - ending (a)	<u>\$1,563,381</u>	<u>\$ 1,481,426</u>	<u>\$1,468,188</u>	<u>\$1,454,286</u>
Plan fiduciary net position				
Contributions - employer	\$ 60,199	\$ 78,438	\$ 71,899	\$ 82,704
Net investment income	139,351	132,826	3,083	95,100
Benefit payments, including refunds of member contributions	(145,619)	(139,659)	(77,424)	(49,493)
Administrative expenses	(5,644)	(5,809)	(3,658)	(3,203)
Net change in plan fiduciary net position	<u>48,287</u>	<u>65,796</u>	<u>(6,100)</u>	<u>125,108</u>
Plan fiduciary net position - beginning	<u>1,149,642</u>	<u>1,083,846</u>	<u>1,089,946</u>	<u>964,838</u>
Plan fiduciary net position - ending (b)	<u>\$1,197,929</u>	<u>\$ 1,149,642</u>	<u>\$1,083,846</u>	<u>\$1,089,946</u>
City's net pension liability - ending (a) - (b)	<u>\$ 365,452</u>	<u>\$ 331,784</u>	<u>\$ 384,342</u>	<u>\$ 364,340</u>
Plan fiduciary net position as a percentage of the total pension liability	76.62%	77.60%	73.82%	74.95%
Covered payroll	\$ 384,142	\$ 578,009	\$ 595,959	\$ 579,081
City's net pension liability as a percentage of covered payroll	95.13%	57.40%	64.49%	62.92%

Notes to the Schedule: The schedule will present 10 years of information once it is accumulated.

CITY OF DACULA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS

	2022	2021	2020	2019
Actuarially determined contribution	\$ 121,752	\$ 109,392	\$ 89,455	\$ 73,460
Contributions in relation to the actuarially determined contribution	121,752	109,392	89,455	73,460
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 753,965	\$ 766,890	\$ 525,363	\$ 443,405
Contributions as a percentage of covered payroll	16.15%	14.26%	17.03%	16.57%
	2018	2017	2016	2015
Actuarially determined contribution	\$ 61,892	\$ 59,635	\$ 84,706	\$ 67,630
Contributions in relation to the actuarially determined contribution	61,892	59,635	84,706	67,630
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 418,583	\$ 372,661	\$ 646,458	\$ 579,126
Contributions as a percentage of covered payroll	14.79%	16.00%	13.10%	11.68%

Notes to the Schedule of City Contributions:

(1) Actuarial Assumptions used to determine contributions:

Valuation Date	July 1, 2022
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	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.

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

CITY OF DACULA, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS
DECEMBER 31, 2022**

PROJECT	ORIGINAL ESTIMATED COST	REVISED ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENT COMPLETE
2017 SPLOST:						
Transportation (roads, streets, bridges, and related facilities and equipment)	\$ 3,514,507	\$ 3,514,507	\$ 814,877	\$ 680,671	\$ 1,495,548	42.55 %
Recreational facilities and equipment	244,145	244,145	44,864	-	44,864	18.38
Public safety facilities and equipment	170,980	170,980	50,593	74,329	124,922	73.06
Water and sewer capital improvements	237,390	237,390	166,300	-	166,300	70.05
Administrative facilities	718,115	718,115	571,890	-	571,890	79.64
Total SPLOST	<u>\$ 4,885,137</u>	<u>\$ 4,885,137</u>	<u>\$ 1,648,524</u>	<u>\$ 755,000</u>	<u>\$ 2,403,524</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 City Council
City of Dacula, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Dacula, Georgia (the "City"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 23, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The City's Responses to Findings

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

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
October 23, 2023

CITY OF DACULA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? X yes no

Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

There was not an audit of major federal award programs as of December 31, 2022 due to the total amount of federal awards expended being less than \$750,000.

CITY OF DACULA, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2022-001 Year-End Close and Reconciliations

Criteria: Internal controls related to an entity's financial close out should be in place to ensure that transactions are reported accurately and completely throughout the year and are properly reported for year-end financial reporting, which is key to timely and reliable financial information.

Condition: During the fiscal year ended December 31, 2022 financial audit, we noted several areas pertaining to year-end financial close out that resulted in audit adjustments to correct the reported balances.

Context/Cause: The following adjustments were required to correct the various general ledger balances:

- During our testing of subsequent disbursements, adjustments were required in the ARPA Fund to record expenditures incurred during the fiscal year, but not paid until subsequent to year end. Capital related payable adjustments of \$101,405 and \$23,361 were posted to accounts payable and retainage payable, respectively. The total \$124,766 adjustment also resulted in an increase to construction in progress of the governmental activities capital assets. As a result of the additional recorded expenditures within the ARPA Fund, an adjustment was required to recognize intergovernmental revenue and reduce unearned revenue by \$124,766 within the fund.
- During our testing of purchase cards, adjustments were required in the General Fund and Sanitation Fund in the amounts of \$3,500 and \$12,504, respectively, to record year-end payables for the December 2022 purchase card expenditures/expenses incurred but not paid.

Effects: Audit adjustments totaling \$390,302 were needed to correct the City's expenditures/expenses, intergovernmental revenues, payables and capital assets.

Recommendation: We recommend that the City carefully review all year-end balances of payables, capital assets and intergovernmental revenues to ensure reporting in accordance with generally accepted accounting principles.

Auditee's Response: We concur with this finding. The City will implement a subsequent expenditure review procedure to ensure the recording and reporting of expenditures incurred before year-end but not paid until after year-end. In addition, construction related payments will be reviewed at year-end to ensure that any retainage amounts withheld are recorded and reported as expenditures and payables as applicable per GAAP.

CITY OF DACULA, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2022-002 Segregation of Duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The size of the City's accounting and administrative staff preclude internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Appropriate segregation of duties was not noted within the following areas of the City: journal entry review and cash recording and reconciliation process.

Context/Cause: Although the small size of the City's staff limits the segregation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. During our walkthrough procedures and audit test-work, we noted the finance director posts journal entries and reconciles the bank statements without an independent review or approval, thereby performing both the recording and authorization function for each transaction.

Effects: Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We recommend the City segregate duties and/or implement compensating controls in the key areas noted above, including documentation of review on the bank reconciliations and journal entries.

Auditee's Response: We concur with this finding. Any journal entries entered by the Director of Finance will be reviewed and approved by the City Administrator. Adequate support will be provided to the City Administrator for approval and properly documented. Bank reconciliations will be performed by the Director of Finance and approved by the City Administrator. All support needed for the reconciliations will be provided to the City Administrator for approval and properly documented.