

**CITY OF EUHARLEE
CITY COUNCIL MEETING MINUTES
AUGUST 2, 2022**

Mayor Craig Guyton opened the meeting immediately following the 7:00 pm Called City Council Work Session.

Council Member David Duncan motioned to amend the agenda to add the discussion of the millage rate. Council Member Abbott seconded the motion. The motioned carried with all voting in favor.

Approval of Minutes

Council Member Greg Free motioned to approve the minutes for Council Meeting, July 5, 2022, and Work Session July 19, 2022. Council Member David Duncan seconded the motion. The motioned carried with all voting in favor.

2021 Audit Presentation – Christian Hatch, Williamson & Co. CPAs

On behalf of Williamson, CPA's, Christian Hatch, CPA said thank you to Mayor, City Council, and management for allowing them to conduct the audit of the city's financial statements for fiscal year ending December 31, 2021. He provided council with a bound copy of the audit report and a summarized financial statement with yearly comparisons. The audit was conducted in accordance with the auditing standards generally accepted in the United States and the standards that apply to financial audits of local government. The purpose of the audit was for them to issue their opinion of the city's basic financial statements, and to report on the city's internal controls over financial reporting and compliance. The document contains two audit reports. The independent auditors report on the financial statements on page 1, where their opinion on the financial statements is located. For the year end December 31, 2021, the city received an unmodified audit opinion on its financial statements. It means the basic financial statements were fairly presented in all material respects in conformity with the general accepted accounting principles. In other words, they had a clean opinion. The other audit report is on page 31, relates to the city's internal controls over financial reporting and compliance. The report outlines the management and the auditor's responsibilities regarding the auditors' considerations of the city's internal controls over financial reporting, as well as its regulatory compliance. For the 2021 audit period they identified no material weaknesses in the city's internal controls over financial reporting, no material compliance violations, and no financial statement findings. He reviewed some of the financial points of interest for the fiscal year ending December 31, 2021.

Page 4 – Statement of Net Position – Year-end the city assets exceeded total liabilities by \$11,262,384. It was an increase from net position in 2020 in the amount of \$225,860.

Page 5- Statement of Activities – Total tax revenue for 2021 including SPLOST collections came in at \$2.7 million dollars representing an increase of \$224,929 in overall tax revenue from 2020. Sales tax, auto tax, insurance premium tax, and excise tax all increased, compared to 2020.

Page 7- Balance Sheet of Governmental Funds – The total cash balance at year end including cd's increased by \$790,516 and totaled a little over 2.89 million at year end. Of that amount, roughly \$2.1 million was externally restricted for capital projects, local road maintenance improvements, and law enforcement activities. The increase in cash was driven by an accumulation of unspent SPLOST collections and federal American Rescue Plan funds. The city received \$815,398 dollars from the ARPF, all of which was unspent at year end. These federal funds are considered deferred revenue until spent within the guidelines of the American Rescue Plan Act of March 2021. The funds will be recognized as revenue as they are spent down. At year-end there was \$1489 of unspent bonds funds and accumulated interest funds left over from the

2013 issuance. These funds are to be used on approved projects listed in the city's Urban Redevelopment Plan such as public buildings restorations, sewer, and bridges.

Page 10 - General Fund Budget and Actual Statement- The general fund which is the city's main operating fund ending 2021 with a balance of \$1,083,838. This was a decrease of \$103,646 from the adjusted year end 2020 fund balance. On the revenue side, the total general fund revenue decreased by \$350,857 from 2020. The revenue decrease was expected due to non-recurring received in 2020, the insurance claim reimbursement and federal CARES Act funding. Even with the decrease in revenue, the general fund still collected \$28,887 more than the final budgeted amount of 2.13 million dollars. On the expenditure side, the general fund came in at \$9,072 under the total final budget and departmental expenditures for 2021. The total actual general fund expenditures for 2021 were about \$9,000 higher than the 2020 amounts.

Page 11-22 - Notes to the Financial Statements – It provides additional information pertaining to the city's financial operations and position such as capital assets and long-term debt.

Pages 17 – Capital Assets – There were many capital additions during the year including (5) vehicle purchases, RV site work at Frankie Harris Park, new mower, public works equipment, and building improvements at the Presbyterian Church.

Page 18 -Note Disclosures - Long term debt - In 2021, the city's police vehicles was paid off leaving the city debt free at year end.

Pages 22, 23, and 24 contained statements for the activities related to 2014 SPLOST funds, and 2020 SPLOST funds for the 2021 year with accumulated information for prior year results. The city collected \$868,737 dollars in SPLOST revenue for the fiscal year 2021. Total expenditures came in at \$639,076 which included debt service payment and for the capital leases that were paid off during the year. At year end the city had a total of unspent SPLOST funds from the 2014 referendum totaling \$608,782 dollars that are restricted for approved capital expenditures. For a look at current and historic SPLOST project activity you can also see the schedules on page 33, the last page of the report.

Mr. Hatch said the items he had spoken on were just a brief summary of the financial activities for the city of Euharlee and asked if they had any questions about what he just spoke about. He would try to address them at that time or any time after the meeting. Basically, it was a good year for the city. You invested in capital assets, paid down debt and overall, the city-wide net position was able to grow even in the general fund he saw small improvements city wide, it was a good year.

Mayor Craig Guyton said thank you to Mr. Hatch and asked if there were any questions.

Council Member Tim Abbott said he thinks he asked the same question last year, if there was anything that concerned him privy to the conversation they just had. He stated, Mr. Hatch has the knowledge and the intelligence he does not have. He was not concerned about risk just things to watch out for.

Mr. Hatch said the only thing in the millage rate discussion he was curious of why they have a policy of a minimum of 4-months. City Manager James Stephens stated a minimum of 4-months up to 6- months. Based on the audited numbers he believed it calculated to 5.7 months which is 4%.

Mr. Hatch said it is a tricky thing. He was not against Council Member Duncan about not going back and forth, but he is more in the component of accessing it each year and if you have those reserves roll it back.

Mr. Hatch felt like the citizens may appreciate that you are managing it that way. If you have the reserves and 6-months of fund balance at audited year end and actually tracking the LOST postings for those 6-months into the new year; if they are tracking well, he is not against rolling it back to zero with an open

mind of bringing it back. It is good to build up those reserves, but again if you are watching your policy, you thought about in the past, he thinks it means something on the citizens' level as well, to keep it rolled back until you need it. Financially, the city looks good at year end. He had not seen much of 2022, so he did not see a risk from that report on not having a property tax in year 2022.

Mr. Stephens said to Mr. Hatch, you specialize in government audits and clients that are larger operations and to answer Council Member Free who asked about the 6-months; for Euharlee 6-months is not much for others, and more than 3-months from where they once were. Mr. Hatch stated he thinks once the property tax is ingrained, it becomes an after-thought. Once it is entrenched in the city, it is something they do annually, and the fund balance is not always considered. Whereas the city, it is still fresh, and they are always giving thought to it publicly and in the other meetings. Mayor Craig Guyton said, what he is hearing him say is most cities do not have the policy to begin with and assume they are going to have a millage tax and that is the end of the discussion. Mr. Hatch said it is needed, but they operate in a way that it has become a necessity. Mr. Stephens commended the council.

UNFINISHED BUSINESS

Millage Rate Discussion – Mayor Craig Guyton

Mayor Craig Guyton what he liked about what Mr. Hatch said was, that most cities it is not a question every year. They are going to have a millage rate, and this is what it is going to be. One of the reasons he voted for the policy back in 2018 was to set parameters for the city council, and the city staff they would have to think about. He is open the policy being adjusted, but not in favor of ending the policy. He would like to discuss the policy before discussing the millage rate. If the council wants to change the fund balance that is currently no less than 4-months and no more than 6-months; it is not a big window and they need to look at that in terms of a millage rate, he is open to that.

Council Member Abbott agreed with Council Member Duncan and the yo-yoing and the aesthetics with that. He said, he did not pay any attention the to the city's budget until he got on the city council. So, if he heard one-year they had a tax and one year they did not, it would seem odd. However, with that said, the 4 and 6-months can be as equally confusing. He would support a policy adjustment not to exceed 2-million dollars of reserve in fund a balance. If 2-million sounds too big for people, he said it early and will say it again, he is not thinking currently, next year, five years, he is thinking about 10, 20, 30 years down the road. He also thinks it is easier to explain to citizens no taxes this year we met the 2-million reserve, and the reason we institute a tax is because they no longer have two million in reserve. They need to feel comfortable in a city that delivers services as promised.

Mayor Guyton said if they go with Council Member Abbott's opinion, would it be prudent also to adjust the first number, the 4-months as well.

Mr. Stephens stated parameters and consistency, it sounds good. He was certainly not uncomfortable with a 2-million-dollar amount for the upper threshold, realizing everybody does not think on an accumulated fund balance as he does because of his academic background and his governmental auditing experience. The minimum 4-months make a lot of sense, and he may have trouble explaining it, but he knows the city clerk understands based on working with her. Although it may look inconsistent to have 4-months with a maximum up to two million, he thinks it would be effective to leave the minimum at that number of months of expenditures. The two million may sound like a high number, right now the city is around 1.3 million which is a little under 6-months. The two million would be about a year on the current budget. In 10 years, \$500,000 may not be close to 4-months.

Council Member David Duncan said so they would remove the 4-6 months and keep it at two million. Mayor Guyton said keep the minimum of 4-months, and the maximum threshold at two million.

Council Member Abbott said he understood the reason for the 4-month threshold for some boundaries if that is the correct word.

Council Member Greg Free said he liked the 4-month minimum, and he agreed with Council Member Abbott keeping that number at the maximum. He said he thinks that number should grow. As Mayor Guyton said, the 4-6 is a small window, and would love to give as much cushion as a city needs if they are going to look at doing that you need a bigger plan built to operate on.

Mr. Stephens said he cannot predict the future, but while he is there if they get back close to 4-months they will hear from him regularly. The policy does help staff, it gives criteria, and he assured them he would keep them informed with the financial status good or bad.

Mayor Guyton said Mr. Stephens would not be shocked when it gets down to 4-months because he would have heard about the six previous months.

Council Member Joe Turner said he was not sure about setting a high number like that. Mr. Stephens remembers when they were scraping the barrel for 3-months and made changes in policies to get up over the 4-months. They have managed to stay above the 4-months and have not dropped back down. He does not know if changing the 4-6 months is technically going to change a whole lot, so leave it like it is.

Mayor Guyton said it may not do anything but give city staff a little more leeway. You are looking at a 4-6-month difference, and it is a pretty tight balance they have to walk on. Council Member Turner said it has been working for 4 years. Mayor Guyton said, and it will work next year.

Mr. Stephens said the reality is, it is a good policy, and he is grateful that it passed, but the automatic trigger to zero at 6-months was executed and he is still not uncomfortable with it and not opposed to serving citizens and improving the way the city looks. The trigger all the way to zero, 6-months they hit that in a short period of time. He thinks the two million is prudent as he asked Mr. Hatch about the city being a larger government; he may say he was very comfortable with the 6-months because of the size of the city, the two million he is not uncomfortable with. He further stated, he is not saying put a millage rate in, and he is not saying do not put a millage rate in, or you are dead in the water. They are the elected officials, but he tries to operate in the parameters of the policies. Changing it to two million he is not going to get less frugal or change the way he manages the daily operations.

Council Member Free said he thinks it is a great point when you look at the world around them, things cost more money. He does not see that changing for the foreseeable future and many beyond. As a city, they need to take that in consideration because it will cost more to provide essential services that they should not sacrifice. Like anything else, if you are going to be the best-in-class city, sometimes you have to have the revenue coming in increase your visibility, your streetlights, sidewalks, and the things they talk about they want to offer the citizens. Therefore, he likes having a bigger cap to help continue to grow, and 5-years from now the cap may be four million because things change. He supports the 2-million cap. Council Member Turner said, he did not say he did not support it.

Council Member Free said if they left it, they would be going back and forth with the millage rate. If there is a larger number, it would take time to build up some steam. He said it was his opinion.

Mr. Stephens said to Mayor Guyton, if they delete the last sentence in total, and it still stated the goal 6-months they do not put themselves in a paper bag. He could operate with that policy, and they would not have had the automatic rollback. He was just trying to simplify it.

Mayor Guyton said he is not against yo-yo's and based on what Mr. Hatch said, not being one of the governments that automatically assumed. He has talked to some people in the city that have told him they were crazy for taking that off. They should be paying a couple of mills every year and he understands

their opinions. But, from someone that trying their best to be as fiscally conservative as he can, if the city of Euharlee has 2-million dollars in reserve, there is no reason to tax. He is only one person on the council. If the general consensus is to eliminate the last sentence, that is fine. A motion for that would be acceptable, but he would be comfortable with what Council Member Abbott had discussed at 4-months minimum and 2-million maximum and the last sentence read, in the event the reserve fund balance exceeds two million of annual expenditures, the millage rate will roll back to zero. He said he also recognized what Council Member Free just said, in 10-years, the city may be different, and the policy can be adjusted to be 4-million and instead of rolling it back to zero it may need to say cut it in half, whatever the case may be. This is not something that will handcuff a future council; however, it is something, he hopes, will give a future council something after they are all gone. Parameters are set that the city of Euharlee is a fiscally conservative city that values their citizens money in a very frugal way. He would hope the policy will be in existence 50 years from now even if the numbers are changed. He understands his neighbor's point going from 0 to 2 mills. If the room were full, they may would decide to have a millage rate every year, every 4-years, and if that is political heat for them, he does not mind it. He wants to do the right thing for the city and for the citizens regardless of if he is re-elected ever again. He prefers to keep the last sentence and change 6-months in two different spots in the policy, to 2-million dollars and keeping the millage rate could be cut in half, but he was not comfortable saying they have to have a millage rate in the city of Euharlee. If they hit the two million mark this year, they will not have to have a millage rate.

Mr. Stephens said unless they cause him to fall out his chair by the next instructions, they will not hit 2-million dollars for the next 3 to 4 years. Council Member Free said, he doesn't have the math skills as Mr. Stephens, but he tallied it up in his head and it may take them 7 to 9 years to get close to getting it, so that will give them a pretty good window to figure out what is going on, and it will be a lot of new faces. He agreed with Mayor Guyton that the policy with the cap will set the future council for success in making sure the citizens money is being put in the right place.

Council Member Tim Abbott motioned to amend the policy to remove the references, to 6-months of reserve funds, and replace it with a cap of 2-million and keep the 4-month minimum. Council Member Greg Free seconded the motion. Motion passed with all voting in favor.

Mayor Guyton said the council needed to make a decision on the second part of the discussion pertaining to having millage rate in Euharlee this year. They will need a vote on what that number is and what to advertise.

Council Member David Duncan said he stated his thoughts earlier. Council Member Greg Free said if you advertise at 1 mill of tax you cannot go to two mills. He asked; if you advertise two mills, can you go back to 1 1/2 mill. Mr. Stephens said they absolutely can do that. The window is not as big, and he would be speaking with the county commissioner and the county tax office, but they can go less than they advertise. Council Member Duncan said if you set and advertise at 2-mills, you can go lower.

Council Member Turner said, they know where his objections have been on where they are spending money he cannot vote for a tax. He said spending money on something with him as a representative for the citizens all the way from Ferguson Fields to Covered Bridge Springs he cannot vote for a tax. There is money available they could be using. As he has said many times before, he is one man's opinion.

Council Member Tim Abbott motioned to allow the City Manager to advertise a 2-mill proposed tax increase. Council Member David Duncan seconded the motion.

Mr. Stephens said to call a special meeting on August 16, 2022, would give time to meet the legal requirements and the notifications in the newspaper. Mayor Guyton asked him for tentative dates and

when would he have to inform the tax assessor's office. Mr. Stephens said they typically generate mills on September 1st. He was hoping they could finalize by the 16th was his goal. He would have a public hearing on August 9th, August 15th, and August 16th; one is required before 5 pm and one after 5 pm. Mayor Guyton said they will have the work session and a called meeting. Council Member Joe Turner asked if they advertise 2-mills, when will they vote on it. Mayor Guyton said 2-weeks from that day which would be August 16th.

Mayor Guyton said from their discussion, he did not think they needed a millage for this year, but that was not final, he had numbers he needed to look at. Council Member Abbott said he agreed with the mayor's thoughts and understands they must meet the regulatory requirements to advertise. The motion passed four in favor and one opposed.

Council Member Tim Abbott motioned to adjourn. Council Member Greg Free seconded the motion. The motion passed with all voting in favor.

With no further discussion the meeting adjourned at 8:22 pm.