# City of Clarkston, Georgia

*Auditor's Discussion & Analysis*

**Financial & Compliance Audit Summary**

*December 31, 2014*

**Meeting with the Mayor and Council**

**Presented by:**


**Doug Moses, CPA**

MAULDIN & JENKINS

**1-800-277-0080**

## PURPOSE OF ANNUAL AUDIT AGENDA

- Engagement Team and Firm Information.
- Overview of:
  - Audit Opinion;
  - Financial Statements, Footnotes and Supplementary Information;
  - Compliance Reports; and
  - Audit Scopes & Procedures.
- Required Communications under Government Auditing Standards.
- Accounting Recommendations and Related Matters.
- Other Items and Closing Thoughts.
- Answer Questions.

# MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

## General Information:

- Founded in 1920.
- Large regional firm serving the Southeastern United States.
- Offices located in Macon, Atlanta, Albany, Bradenton, Chattanooga, and Birmingham.
- Approximately 260 personnel are employed at Mauldin & Jenkins.

## Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- Serve more governmental entities in Southeast than any other certified public accounting firm requiring over 65,000 hours of service on an annual basis.
- Approximately 90 professional staff persons with current governmental experience.
- In past three (3) years, have served approx. 300 governments in the Southeast, including:
  - ✓ 75 cities;
  - ✓ 40 counties;
  - ✓ 40 school systems (8 of the 10 largest in Georgia and 9 of the 30 largest in Georgia and Florida combined) and 20 charter schools;
  - ✓ 37 state entities;
  - ✓ 90 special purpose entities (stand-alone entities: water/sewer, transit, gas, electric, airports, housing, development, other educational, retirement, libraries, etc.); and
  - ✓ 77 governments receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Auditor of a substantial part of the State of Georgia including approximately 30% of the State's General Fund, and a substantial number of the State of Georgia's component units.
- Experience performing forensic audit services and information technology consultations.
- Experience performing municipal bond debt issuance attestation services serving clients with over $8.7 billion in aggregate publicly issued debt instruments.
- 10th highest level of Single Audits conducted in U.S.A. approximating $8.0 billion annually.

## Engagement Team Leaders for City of Clarkston Include:

- Doug Moses - Engagement Lead Partner - 16 years experience, 100% governmental
- James Bence - Quality Assurance Partner - 13 years experience, 100% governmental
- Joel Black - Supporting Technical Partner - 23 years experience, 100% governmental
- Josh Carroll - Manager – 8 years experience, 100% governmental

# MAULDIN & JENKINS – ADDITIONAL INFORMATION

## Other Industries & Services by Mauldin & Jenkins:

Each of Mauldin & Jenkins' offices provides a wide variety of services to a broad range of clientele. We have partners and managers who are responsible for specialized practice areas of auditing and accounting, taxes and management advisory services. Their purpose, as leaders in the particular practice area, is to establish policies with respect to technical matters in these specific areas and ensure that the quality of the Firm's practice is maintained.

**Industries Served:** Over the years our partners have developed expertise in certain industries representative of a cross section of the Georgia economy, including:

- Governmental Entities (state entities, cities, counties, school systems, business type operations, libraries, and other special purpose entities)
- SEC Registrants
- Wholesale Distribution
- Agri-Businesses
- Manufacturing
- Professional Services
- Employee Benefit Plans
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Non-Profit Organizations
- Retail Businesses
- Long-term Healthcare
- Construction & Development
- Individuals, Estates and Trusts
- Real Estate Management

**Services Provided:** This diversity of practice enables our personnel to experience a wide variety of business, accounting and tax situations. We provide the traditional and not-so-traditional services such as:

- Financial Audit / Review / Compilation
- Compliance Audits & Single Audits
- Agreed-Upon Procedures
- Forensic Audits
- Bond Issuance Services
- Performance Audits
- State Sales Tax Matters
- International Tax Matters
- Business & Strategic Planning
- Profitability Consulting
- Budgeting
- Buy-Sell Agreements & Business Valuation Issues
- Income Tax Planning & Preparation
- Multi-State Income Tax Issues
- Information Systems Consulting
- Cost Accounting Analysis
- Healthcare Cost Reimbursement
- Outsourced Billing Services
- Fixed Asset Inventories
- Succession & Exit Strategy Consulting
- Estate Planning
- Management Information Systems
- Employee Benefit Plan Administration
- Merger / Acquisition & Expansion Financing

## INDEPENDENT AUDITOR'S REPORT

The independent auditor's report has specific significance to readers of the financial report.

### Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

### Auditor's Responsibility

Our responsibility, as external auditors, is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We planned and performed our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

### Opinion

We have issued an unmodified audit report (i.e., "clean opinion"). The respective financial statements are considered to present fairly the financial position and results of operations as of, and for the year ended December 31, 2014.

### Other Matters

Certain required supplementary information and other information is included in the financial report, and as directed by relevant auditing standards, we have not expressed an opinion or provided any assurance on the respective information.

### Other Reporting

*Government Auditing Standards* require auditors to issue a report on our consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. We have issued such a report and reference to this report is included in the independent auditor's report.

## OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements include three components:

1) Government-wide financial statements;
2) Fund financial statements; and
3) Notes to the financial statements.

The **government-wide financial statements** provide a broad overview of all of the City's funds. The *Statement of Net Position* presents information on all assets (and deferred outflows) and liabilities (and deferred inflows) of the City, with the resulting difference reported as net position. The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. Revenues are categorized as program revenues or general revenues. Expenses are categorized by function.

The **fund financial statements** more closely resemble the financial statements as presented prior to the adoption of GASB Statement No. 34. All of the funds of the City can be divided into two (2) categories: governmental funds (includes the General Fund) and business-type funds.

The City also includes the following information:

1) Yellow Book Report – 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*

### Government-Wide (Full-Accrual) Financial Statements

As noted above, the financial report of the Government includes two (2) entity-wide financial statements: a *Statement of Net Position*; and a *Statement of Activities*.

This statement attempts to provide a reader of the financial statements with a full accrual perspective and reflects separately the governmental activities from the business-type activities. Both such columns are on the full accrual basis of accounting.

The City's governmental activities net position increased from $3,527,117 to $3,704,920 while the City's business-type activities net position decreased from $679,030 to $535,206. These changes are reconciled on the City's "Statement of Activities." It should be noted that a very large portion of the City's net position is capital assets net of related debt. While the City is reflecting approximately $3,705,000 in net position (or equity) for its governmental activities, only approximately $1,546,000 is unrestricted and considered available for operations. In the end, the statement of net position reflects the fact that the City has invested heavily in itself over the history of the organization.

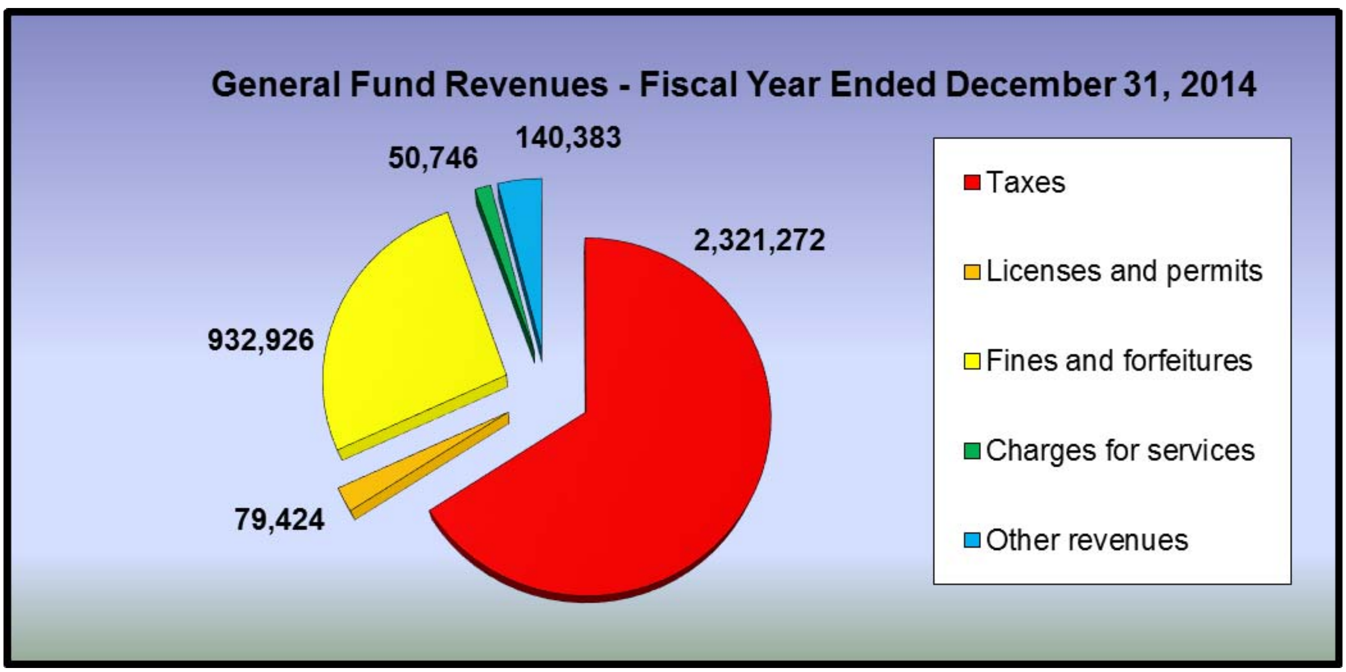
The *Statement of Activities* attempts to report expenses in the first column with direct offsetting program revenues to the adjacent columns to arrive a net cost of the functional areas of operation. General revenues (primarily property taxes and sales taxes) come to the rescue of the net cost functional areas resulting in the City reporting a change in net position of approximately $178,000 for the fiscal year ended December 31, 2014 for the City's governmental activities.

## General Fund

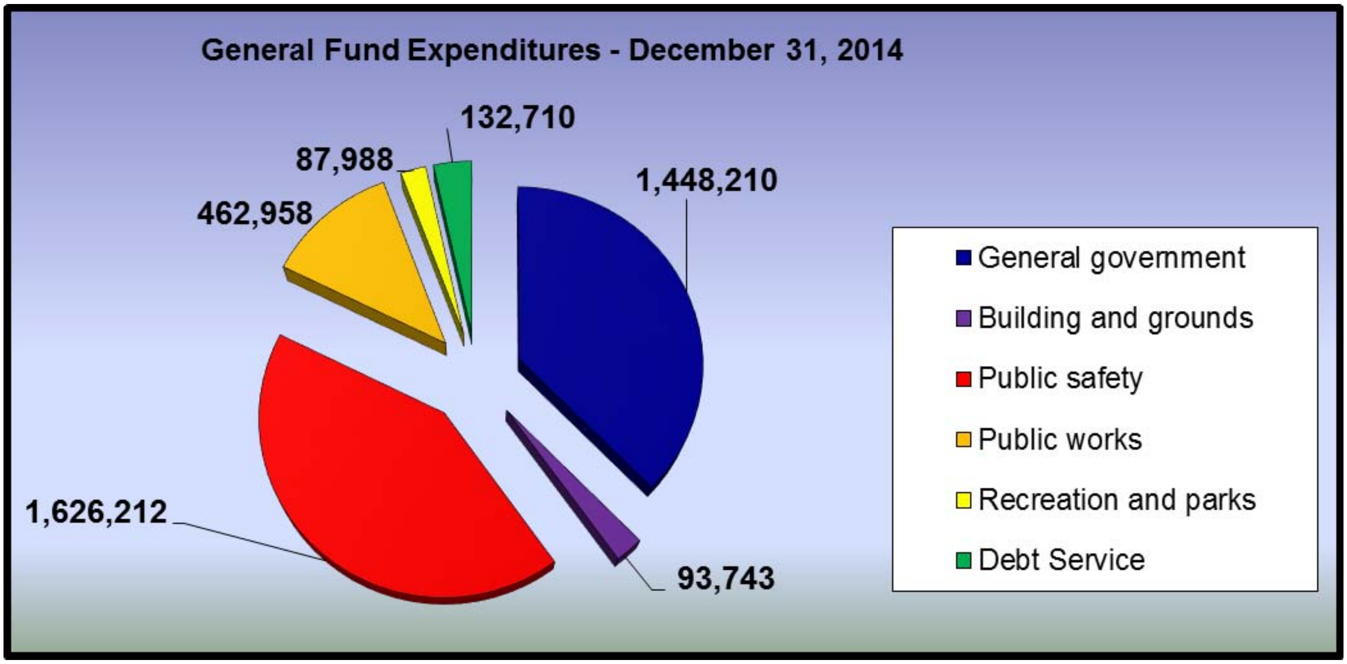
Of primary interest to the City is the **General Fund**, which accounts for the majority of revenues received and funds expended in the operations of the City, including general government activities, building and grounds, public safety, public works, and recreation and parks. Additionally, the City reports debt service as separate line items in the financial statements.

The following charts present the sources of revenues and the expenditures of the General Fund for the fiscal year ended December 31, 2014:

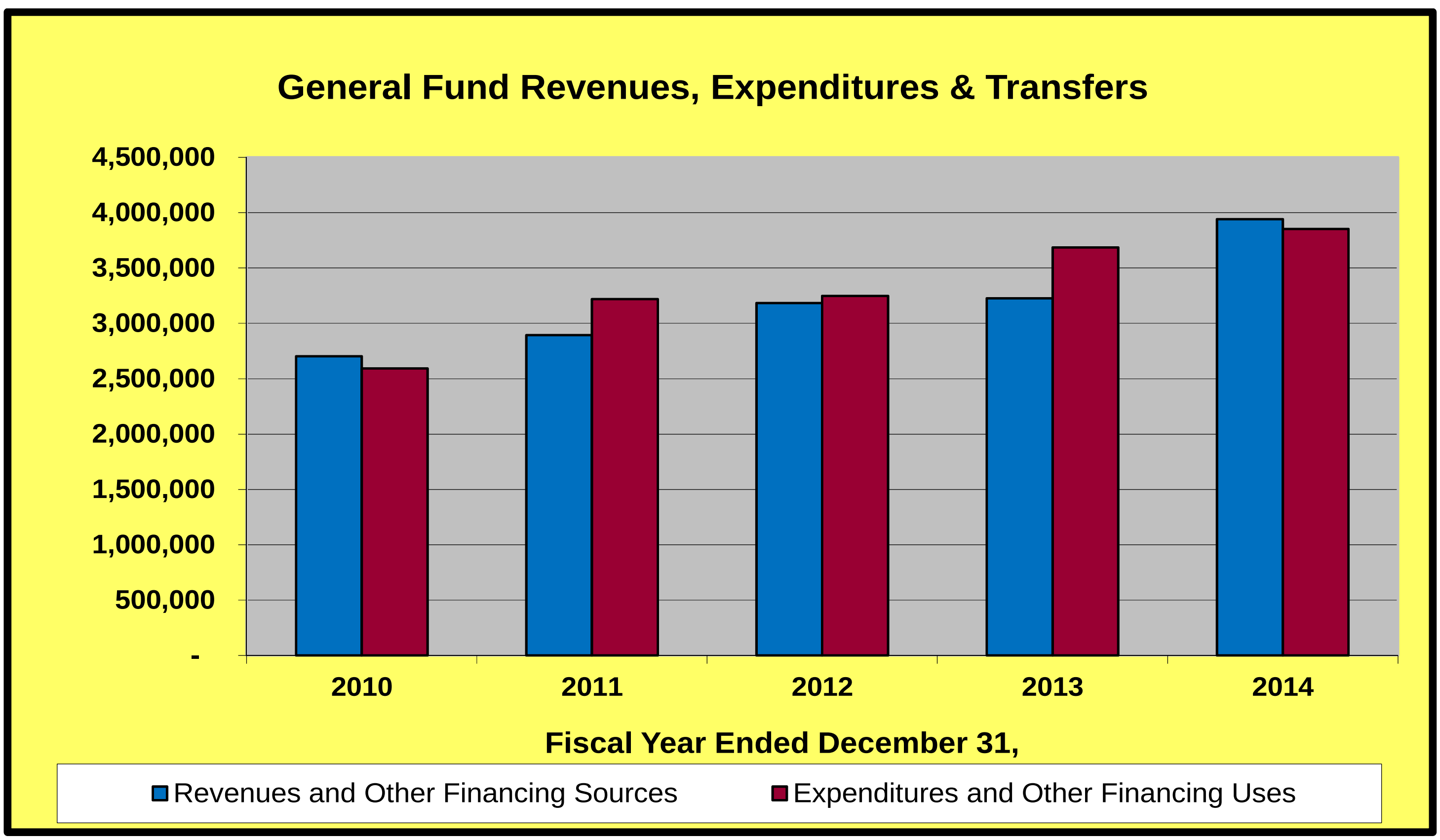
**General Fund Revenues:** The following chart depicts the primary revenue sources of the General Fund for the 2014 fiscal year. Taxes represent a key component of revenue (representing 66% of total revenues).



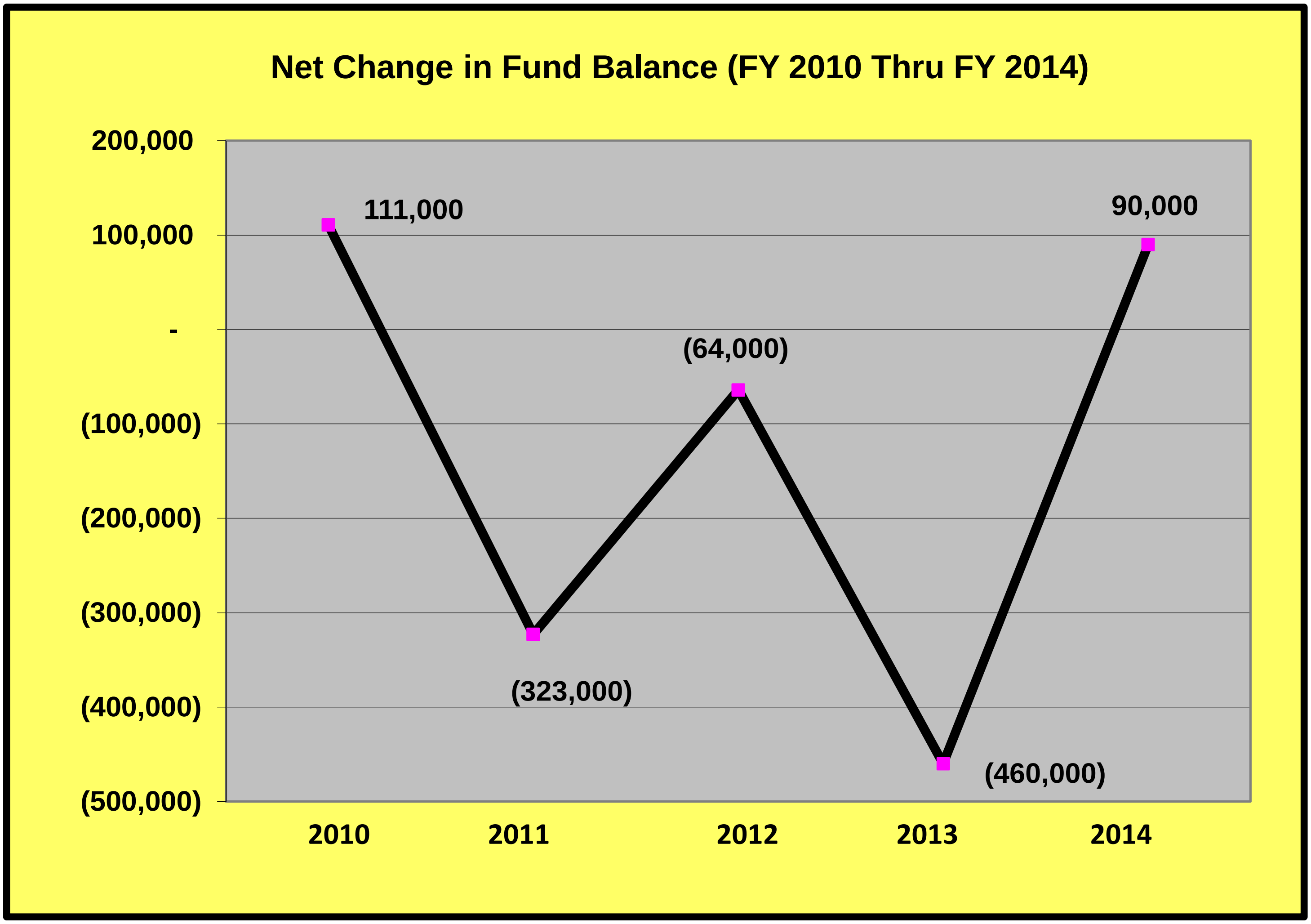

**General Fund Expenditures:** The following chart presents the General Fund's expenditures by major function for the fiscal year ended December 31, 2014. As expected, public safety is the primary expenditure of the City representing 42% of total expenditures.



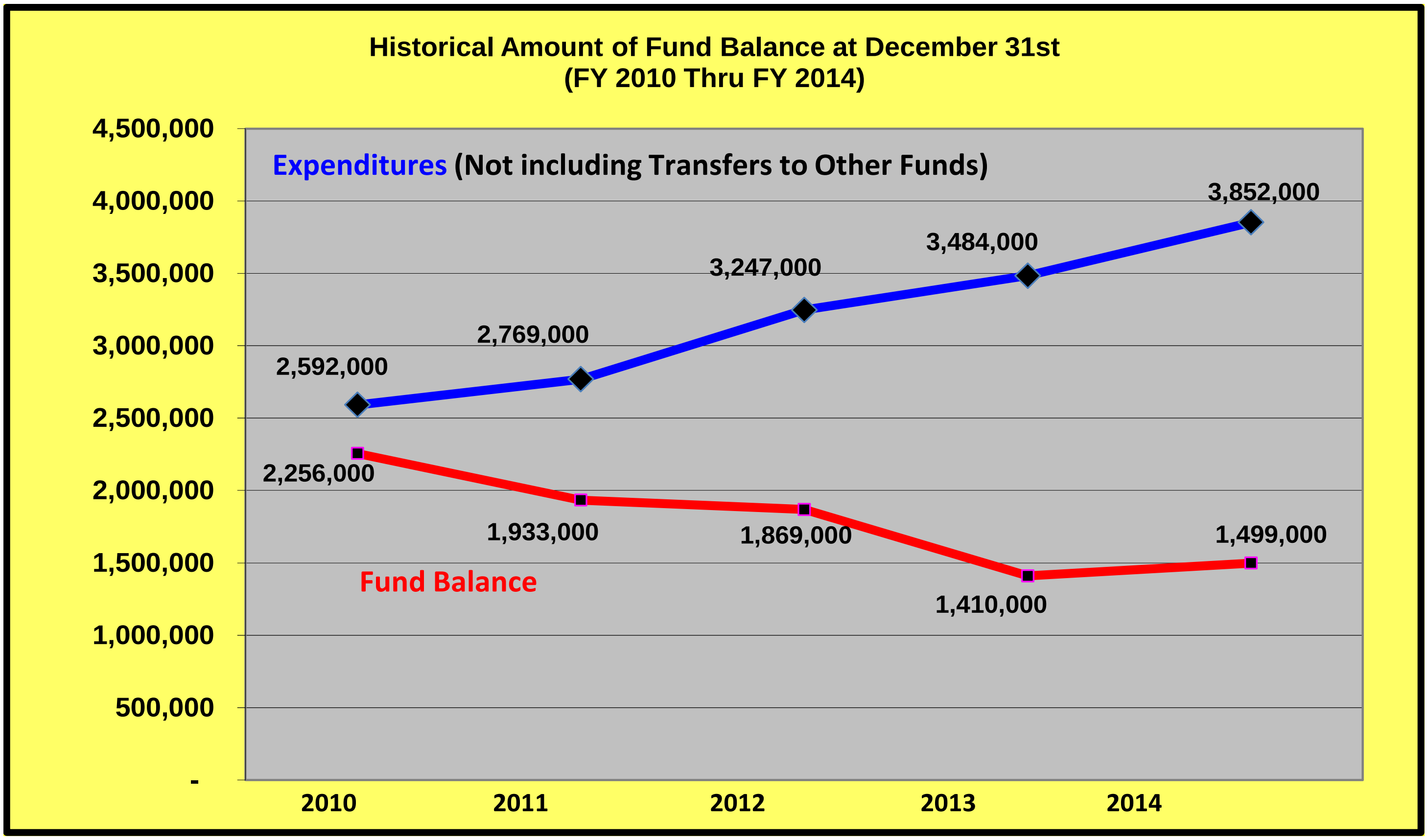

**Net Change in Fund Balance and the Revenues and Expenditures of the General Fund.** The following chart demonstrates General Fund revenues verses expenditures for a fixed (5) year period.



The following chart presents the annual net change in fund balance of the General Fund for the past five (5) fiscal years. Most years have resulted in a negative change (or use of) fund balance.



The following graph reflects the overall financial strength of the City's General Fund as of each calendar year ended December 31st. The wider the gap between expenditures and the fund balance, the less leverage the City has each year as it enters a new fiscal year. As of December 31, 2014, the City reflected a fund balance that is available to cover approximately 142 days or roughly 4.6 months.




In observation of the above chart, the relationship of year-end fund balance as compared to each year's expenditures should be further considered. The following is the relative percentage of fund balance as compared to annual expenditures for each of the past five (5) fiscal years:

- 2010 = 80%
- 2011 = 70%
- 2012 = 58%
- 2013 = 40%
- 2014 = 39%

The percentages noted above are indicative of the City's ability to be proactive with its initiatives and general operations, and also its ability to proceed into the new fiscal year with or without certain seasonal revenue streams. Of course, it is of great importance to further reflect that fund balance does not always equate to cash and investments. Fund balance is simply the difference in all assets (and deferred outflows) and all liabilities (and deferred inflows). Cash and investments are simply a component of this equation.

## Other Governmental Funds

The City also maintains two (2) *special revenue funds.* These funds account for revenues derived from specific sources which are either legally restricted or committed to finance particular functions or activities. *Capital projects funds* are used to account for revenues and expenditures related to the renovation and/or construction of major capital assets. Two (2) capital projects funds are maintained by the City.

## Business-Type Funds

The City maintains two (2) *enterprise funds,* which are used to account for operations in a manner similar to private business enterprises. The enterprise funds maintained are the Sanitation Fund and Stormwater Utility Fund.

## Business-Type Statement of Net Position

**Assets:** The City's assets recognized a slight decrease during the year ended December 31, 2014. Assets decreased approximately $179,000 or 25% from $728,000 to $549,000. This decrease can be attributed to the increase in advances from other funds which gets eliminated at the government-wide level.

**Liabilities:** The City's liabilities decreased during the year ended December 31, 2014. Total liabilities went from approximately $49,000 to $14,000. The decrease is primarily attributed to the City's decrease in accounts payable and compensated absences.

**Net Position:** The City's equity position decreased from approximately $679,000 to $535,000. This decrease is reconciled on the City's "Statement of Revenues, Expenses and Changes in Net Position". It should be noted that a very large portion of the City's net position is capital assets net of related debt. While the City is reflecting approximately $535,000 in net position (or equity), only $48,000 is unrestricted and considered available for operations. In the end, the statement of net position reflects the fact that the City has invested heavily in itself over the history of the organization.

## Business-Type Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues of the City decreased from approximately $280,000 to $266,000. This represents a decline of 5.1%. Considering these type of enterprise funds are not cash cows but normally either just break even and/or depends on transfers from a government's General Fund, this slight decline is not unexpected. Total operating expenses of the City increased from approximately $395,000 to $410,000. This represents growth of 3.8%. The effect of the decreased revenues and increase in expenses resulted in an increase in operating loss of approximately $29,000 (or 26%) and ending at approximately $144,000.

Non-operating income (expense) reflects reduced investment income and reduced capital contributions. During the current year, the City did not receive any intergovernmental grants for its proprietary funds which heavily contributed to the net non-operating income of $14 in current year vs. approximately $87,000 in the prior year.

## ***Footnotes***

**Note 1 – Accounting Policies**

This footnote discusses the overall organization of the City and the nature of its operations. This note also discloses pertinent information regarding the governing body of the City.

This footnote continues by sharing with a reader of the financial statements the significant accounting policies and principles utilized in the preparation of the financial statements.

This footnote also discusses GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities.*

**Note 2 – Reconciliation of Government-wide Financial Statements and Fund Financial Statements**

This footnote provides additional detailed information, which is not already shown within the financial statements themselves, on the differences between the City’s fund level financial statements and its government-wide financial statements.

**Notes 3 – Budget Compliance**

This footnote discloses the City’s procedures in establishing its annual budget and discloses the City’s excesses of actual expenditures over appropriations for the year and discloses any deficit equity positions within the City’s funds and the City’s plans to alleviate such deficits.

**Note 4 – Deposits and Investments**

This disclosure addresses common deposit and investment risks related to credit risk, concentration of credit risk, and interest rate risk.

**Note 5 – Receivables**

This footnote discloses the City’s detailed information on various receivable (and allowances for doubtful receivables) balances.

**Note 6 – Capital Assets**

This footnote discloses the City’s capital asset activity and its related accumulated depreciation for the year.

**Note 7 – Long-Term Debt**

This footnote discloses the City's long-term debt activity for the year, and other information and maturities for this long-term debt.

**Note 8 – Short-Term Borrowings**

This footnote discloses the City's short-term borrowings activity for the year, specifically the Tax Anticipation Note.

**Note 9 – Interfund Receivables, Payables, and Transfers**

This footnote discloses detailed information on the City's interfund balances and transfers and the purpose for these balances and transactions.

**Notes 10 – Pension Plans**

This footnote discloses the details of the City's Defined Benefit Pension Plan. This footnote also discloses information regarding the City's pension plan, including funding policies and the amount of required contributions as compared to actual contributions.

**Notes 11 & 12 – Joint Venture and Related Organization**

These footnotes disclose the City's relationship with the Atlanta Regional Commission and the Clarkston Housing Authority.

**Note 13 – Risk Management**

This footnote discloses the City's various risks of loss and the measures the City has taken to mitigate those potential losses.

**Note 14 – Commitments and Contingencies**

This footnote discloses the contingencies from potential litigation, claims, and assessments filed against the City, significant contractual commitments of the City at year-end.

**Note 15 – Subsequent Events**

This footnote discloses the material events of the City that have occurred after December 31, 2014.

## COMPLIANCE REPORT

The financial report package contains one (1) compliance report.

**Yellow Book Report:** The first compliance report is a report on our tests of the City's internal controls and compliance with laws, regulations, etc. The tests of internal controls were those we determined to be required as a basis for designing our financial statement auditing procedures. Such tests also considered the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. In accordance with the respective standards, the report is **not** intended to provide an opinion, but to provide a form of negative assurance as to the City's internal controls and compliance with applicable rules and regulations.

## AUDIT SCOPES AND PROCEDURES

1. Governmental audit programs were used in all areas.
2. We confirmed property taxes and Sanitation and Stormwater revenues that are attached to the property tax bills with DeKalb County Tax Commissioner's Office.
3. For purposes of assessing the adequacy of the allowance for doubtful accounts, we reviewed the aging of accounts receivable, and considered the current economic environment coupled with recent history of the City. We also reviewed subsequent collection activity.
4. We reviewed supporting documentation for a sample of additions to capital assets during the year ended December 31, 2014.
5. We performed a search for unrecorded liabilities via review of unpaid vouchers and subsequent disbursements.

## REQUIRED COMMUNICATIONS

### The Auditor's Responsibility Under *Government Auditing Standards* and Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of City of Clarkston, Georgia (the "City") for the year ended December 31, 2014 was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

In accordance with *Government Auditing* Standards, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the City's internal control or compliance with laws and regulations.

### Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. There are several new accounting standards which will be required to be implemented in the coming years. These are discussed later in this document.

In considering the qualitative aspects of the City's accounting policies, we did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. The City's policies relative to the timing of recording of transactions are consistent with GAAP and typical government organizations.

### Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We considered this information and the qualitative aspects of management's calculations in evaluating the City's significant accounting policies. Estimates significant to the financial statements include such items as the estimated lives of depreciable assets, and the estimated allowance for uncollectible accounts.

## Financial Statement Disclosures

The footnote disclosures to the financial statements are also an integral part of the financial statements. The process used by management to accumulate the information included in the disclosures was the same process used in accumulating the financial statements, and the accounting policies described above are included in those disclosures. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit and in forming our opinion on the financial statements.

## Significant Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

## Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

## Representation from Management

We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

## Management's Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

## Significant Issues Discussed with Management

There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements. We are not aware of any consultations management had with us or other accountants about accounting or auditing matters. No major issues were discussed with management prior to our retention to perform the aforementioned audit.

## Audit Adjustments

During our audit of the City's basic financial statements as of and for the year ended December 31, 2014, there were several adjustments proposed to the funds of the City. The detail of all proposed adjustments for each fund are included with our Audit Agenda package of information for your review and discussion.

## Uncorrected Misstatements

We had no passed adjustments.

## Independence

We are independent of the City, and all related organizations, in accordance with auditing standards promulgated by the American Institute of Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the City.

## ACCOUNTING RECOMMENDATIONS AND RELATED MATTERS

### Recommendations for Improvement and Other Matters

During our audit of the financial statements as of and for the year ended December 31, 2014, we noted some areas within the accounting and internal control systems that we believe can be improved. We have reported several findings (material weaknesses). Additionally, we noted certain items management should consider as part of its decision making process. Further, we noted other matters which we wish to communicate to you in an effort to keep the City abreast of accounting matters that could present challenges in financial reporting in future periods. Our recommendations and proactive thoughts and communications are presented in the following paragraphs.

### Item Cited in the City's Financial Statements as Material Weaknesses

As noted in our supplemental reports on internal controls and compliance, we reported the following material weaknesses:

**2014-001 Segregation of Duties - Repeat**

***Criteria:*** Internal controls should be in place that 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 precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Substantial duties relative to the receipt and disbursement process, payroll, journal entries, and general ledger functions are handled by one (1) individual. More specifically, the following was noted:

- Check signing (including control of mechanical check signers and signature plates) is not independent of the initiator of purchases, approver of purchases, preparer of checks, cash receipts, accounts payable, and cash bookkeeping.
- Stale checks (or outstanding checks) are followed up on periodically by individuals who are not independent of accounts payable and cash disbursement functions.
- The list of daily cash receipts listing from the bank is compared to postings to deposits and to a validated deposit slip by a person not independent of the cash receipts and accounts receivable functions.
- Bank accounts are reconciled by individuals not independent of cash receipts and disbursements functions.
- Invoice processing and accounts payable are not segregated from the general ledger function.
- Persons preparing payroll are independent of other payroll and personnel duties (for example, timekeeping, distribution of checks, and hiring employees) but are not restricted from access to other payroll data or cash.
- Responsibilities for payroll accounting are not segregated from the general ledger function.
- Journal entries are not reviewed and approved by an appropriate independent person.

***Context/Cause:*** We addressed this matter with City officials who understand that the size of the City's accounting and administrative staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

***Effect:*** Failure to properly segregate duties between recording, distribution, and reconciliation of accounts may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

***Recommendation:*** We understand the staffing limitations which result in these overlapping duties; however, we recommend the Mayor and City Council implement additional controls that further reduce the risk of fraudulent activity and the risk that such activities go unnoticed by management and the Mayor and City Council.

**2014-002 Year-End Financial Close and Reporting Controls**

***Criteria:*** Internal controls should be in place to ensure that all amounts reported within the general ledger (an ultimately in the financial statements) are accurate in accordance with generally accepted accounting principles and have been reconciled to subsidiary ledgers and underlying accounting records.

***Condition:*** Due to ineffective controls surrounding the year-end financial close procedures, three (3) audit adjustments were necessary at December 31, 2014.

***Context/Cause:*** During our testing, audit adjustments were required as follows:

- To balance inter-fund transactions (due to/from) in the General Fund for $7,139.
- To properly record accounts payable in the General Fund for $15,420. This amount is also included in the capital asset portion of Finding 2014-003 on the following page as we found this error during our testing of capital assets.
- To write off the compensated absence balance of $8,699 in the Stormwater Fund and move balance to governmental activities as the City will no longer allocate salaries to the Stormwater Fund going forward.

***Effect:*** Audit adjustments of $31,258 were required as detailed above.

***Recommendation:*** We recommend the City's finance department implement and/or strengthen internal controls surrounding the year-end financial close out procedures.

### 2014-003 Expenditure/Revenue and Related Liability/Capital Asset Recognition

***Criteria:*** Generally, expenditures and related liabilities as well as revenues and related receivables should be recognized as soon as the liability or revenue is incurred or earned, regardless of the timing of the related cash flows.

***Condition:*** Internal controls were not sufficient to detect certain misstatements in reporting of the City's expenditures/revenue and related balance sheet accounts as well as government-wide debt and capital assets as related to the City's governmental activities.

***Context/Cause:*** During our testing of debt and capital assets, the follow adjustments were required:

- To record cash and loan proceeds in the General Fund for $185,980 for loan proceeds received by the City prior to December 31, 2014. This entry was also required to record debt on the government wide statement of net position for the City's governmental activities.
- To record accounts payable for $172,212 in the General Fund for capital purchases of vehicles which were received prior to December 31, 2014 but the City had not remitted payment as of December 31, 2014. This entry was also required to record capital asset on the government wide statement of net position for the City's governmental activities.
- To record loan proceeds and accounts receivable in the General Fund for $101,173 for services rendered and paid for prior to year-end in which the City had not yet drawn down loan proceeds for reimbursement. This entry was also required to record debt and capital assets on the government wide statement of net position for the City's governmental activities.

***Effect:*** Audit adjustments of $459,365 were required to correct the reporting of long-term financing of capital projects for the year ended December 31, 2014.

***Recommendation:*** We recommend the City review all expenditures and related liabilities as well as revenues are related receivables to ensure all necessary transactions (including debt and capital assets) are reported in the proper period in accordance with generally accepted accounting principles.

## Management Points

We have discussed various matters with management pertaining to operations and controls including, but not limited to:

1. **Repeat -** During our discussions with management surrounding internal controls in relations to cash receipts and cash disbursements for the general administrative services, the following was noted:

    a. Checks payable to cash or bearer are not prohibited. The City should consider establishing a comprehensive accounting policy and procedures manual that addresses this issue.
    b. Individuals opening the mail do not prepare pre-numbered cash receipts and attach remittance data to the cash receipts prior to forwarding the documentation to accounting.
    c. A mechanical check protector is not used to inscribe checks (seizure handwritten checks) so that alteration of amounts or payees might be more easily detected.

2. **Repeat -** During our documentation of the system controls in place at the City of Clarkston, we noted the following deficiency in controls:
    a. During our documentation of the process to prepare and review bank reconciliations on a timely basis, we noted there is no review of the bank reconciliation by another employee. We recommend the Finance Officer properly reconcile bank accounts to the general ledger and the reviewer document his or her initials and dates in which approval of the reconciliations were performed so that an independent person can determine if bank reconciliations are done correctly and reviewed in a timely manner.

3. During our testing of the City's debt, we noted the City is not accruing interest on payments due in the next calendar year. Although the amount is currently immaterial, the City's debt is growing with the issuance of the State Road and Tollway Authority loan. We recommend the City monitor and record accrued interest on all debt payments.

    We recommend the City implement changes in the functions listed above to help mitigate or eliminate these risks.

## Other Matters for Communication to the Board and Management

During our audit of the financial statements as of and for the year ended December 31, 2014, we noted other matters which we wish to communicate to you in an effort to keep the City abreast of accounting matters that could present challenges in financial reporting in future periods.

### 1) New Governmental Accounting Standards Board (GASB) Pronouncements

As has been the case for the past 10 years, GASB has issued several other new pronouncements which will be effective in future years. The following is a brief summary of the new standards:

a) **Statement No. 68, *Accounting and Reporting for Pensions*** and **Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68)*** are effective for the City's fiscal year ended December 31, 2015, and will be adopted as part of the financial reports to be prepared and issued by the City as of and for the ended December 31, 2015. This pronouncement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria, including agent and cost-sharing multiple employer plans.

   Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

   The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

   **Defined Benefit Pension Plans.** Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

   Statement No. 68 calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of: (1) changes in economic and demographic assumptions used to project benefits; and, (2) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

Statement No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense. These changes include:

- **Projections of Benefit Payments.** Projections of benefit payments to employees will be based on the then-existing benefit terms and incorporate projected salary changes and projected service credits (if they are factors in the pension formula), as well as projected automatic postemployment benefit changes (those written into the benefit terms), including automatic cost-of-living-adjustments (COLAs). For the first time, projections also will include ad hoc postemployment benefit changes (those not written into the benefit terms), including ad hoc COLAs, if they are considered to be substantively automatic.

- **Discount Rate.** The rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specific conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met.

- **Attribution Method.** Governments will use a single actuarial cost allocation method – "entry age," with each period's service cost determined as a level percentage of pay.

**Note Disclosures and Required Supplementary Information.** Statement No. 68 also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Single and agent employers will disclose additional information, such as the composition of the employees covered by the benefit terms and the sources of changes in the components of the net pension liability for the current year. A single or agent employer will also present RSI schedules covering the past 10 years regarding:

- Sources of changes in the components of the net pension liability

- Ratios that assist in assessing the magnitude of the net pension liability

- Comparisons of actual employer contributions to the pension plan with actuarially determined contribution requirements, if an employer has actuarially determined contributions.

Cost-sharing employers are required to present the RSI schedule of net pension liability, information about contractually required contributions, and related ratios.

**Defined Contribution Pensions.** The existing standards for governments that provide defined contribution pensions are largely carried forward in this new statement. These governments will recognize pension expenses equal to the amount of contributions or credits to employees' accounts, absent forfeited amounts. A pension liability will be recognized for the difference between amounts recognized as expense and actual contributions made to a defined contribution pension plan.

**Special Funding Situations.** Certain governments are legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another government. For example, a state may be legally required to contribute to a pension plan that covers local school districts' teachers. In specific circumstances called special funding situations, the statement requires governments that are non-employer contributing entities to recognize in their own financial statements their proportionate share of the other governmental employers' net pension liability and pension expense.

The changes noted above by Statement No. 68 are significant to Governments who sponsor retirement plans, and we strongly encourage City officials to continue to review the actual pronouncement and always consider the potential effects on the financial reporting of the Government.

b) **Statement No. 69, *Government Combinations and Disposals of Government Operations*** was effective for the City's fiscal year ended December 31, 2014. This pronouncement primarily applies to governments involved in some form of mergers, acquisitions, transfers of operations or disposal of operations. Unless the City enters into any agreements whereby such actions are anticipated, this pronouncement should not affect the City. As of December 31, 2014, we are not aware of any applications of this pronouncement to the City, but City officials should proceed forward always considering the potential effects of any prospective government combinations and disposal of operations.

c) **Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees,*** requires the recording of a liability, by the guarantor, when certain criteria are met with regard to guarantees on debt. Implemented by the City in 2014 – required evaluation of all past City guarantees, but no additional liabilities were required to be recorded.

d) **Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68,*** clarifies some guidance on accounting for contributions after the measurement date. Must be implemented at the same time as GASB Statement No. 68.

e) **Statement No. 72, *Fair Value Measurement and Application*** was issued in February of 2015, and is effective for financial statements for periods beginning after June 15, 2015 resulting in the City's fiscal year ending December 31, 2016.

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of ***fair value*** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

This statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

f) **Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68*** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2015. Certain of these requirements will be applicable for December 31, 2016 while others December 31, 2017. This should not have an impact on the City.

The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

The requirements of this statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and non-employer contributing entities.

This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

This statement also clarifies the application of certain provisions of Statements No.'s 67 and 68 with regard to the following issues:

- **Information** that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- **Accounting** and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- **Timing** of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

g) **Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2016 resulting in the City's fiscal year ending December 31, 2017. This statement could easily be described as the GASB No. 67 for postemployment benefit plans due to the fact that it will closely follow the provisions of GASB No. 67 for pension plans. The City currently doesn't have a trust fund for OPEB benefits.

The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This statement replaces Statements No. 43, *Financial Reporting for Post- employment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures.*

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this statement includes OPEB plans (defined benefit and defined contribution) administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

The requirements of this statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability.

The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

h) **Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2017 resulting in the City's fiscal year ending December 31, 2018. This statement could easily be described as the GASB No. 68 for postemployment benefit plans due to the fact that it will closely follow the provisions of GASB No. 68 for pension plans.

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

i) **Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2015 resulting in the City's fiscal year ending December 31, 2016. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

The objective of this statement is to identify (in the context of the current governmental financial reporting environment) the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two (2) categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

The requirements in this statement improve financial reporting by: (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

j) **Other Pending or Current GASB Projects.** As noted by the numerous pronouncements issued by GASB over the past decade, the GASB continues to research various projects of interest to governmental units. Subjects of note include:

- **Fiduciary responsibilities** and new definitions for fiduciary funds and use of whether a government has "control" and who benefits to determine accounting as fiduciary. Final standard expected in October 2015.
- **Capital leases or operating leases** continues to be a hot topic. Looking into whether all leases should be treated the same way. Final standard expected in November 2015.
- **Asset retirement obligations** in which the GASB is considering standards for reporting liabilities related to obligations to perform procedures to close certain capital assets, such as nuclear power plants. This concept would not change existing standards such as GASB 18 (landfills) or GASB 49 (pollution remediation). Final standard expected in December 2015.
- **External investment pools.** Current standards allow pools that are considered to be 2a7-like to report investments at amortized cost rather than fair value; however, the SEC recently made significant changes to Rule 2a7 making it hard to be 2a7 like.

  An exposure draft created criteria (which are based on old 2a7 criteria) for an external investment pools to continue to be accounted for using amortized cost. Final standard expected in December 2015.
- **Irrevocable split-interest agreements** which are prevalent at colleges and universities whereby split-interest agreements in which an asset is given to government in trust. During stated term of the trust the income generated by the trust goes to the donor and when the trust ends then the assets become the governments. Final standard expected in January 2016.
- **Blending requirements for certain business-type activities.** GASB is considering revising the standards regarding how certain component units of business-type activities should be presented. There is diversity in practice, with some component units blended for reasons not included in Statement 14 (such as sole member of an LLC). Final standard expected in March 2016.
- **Tax abatement** issues resulting from an agreement between government and a taxpayer in which: (1) a government promises to forgo revenues from taxes for which the taxpayer otherwise would have been obligated; and (2) the taxpayer promises to take a specific action that contributes to economic development or otherwise benefits the government or its citizens. Final standard was issued in August 2015 and effective for December 31, 2016.
- **Conceptual Framework** is a constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense thing such as supplies and prepaid assets at acquisition. Will look into which balances (at all statement levels) are measured at acquisition and which need to be re-measured at year-end. Project placed on hold for now.

- **Economic Condition Reporting** is another long-term matter being looked into by GASB. Includes presentation of information on fiscal sustainability (including projections). Tabled for now pending resolution to issues raised on GASBs scope.

**2) Single Audit Standards**

There continues to be changes to auditing standards relative to the conduct and reporting of Single Audits. This year's financial and compliance audit recognized the implementation of the new Uniform Grant Guidance (UG) which included significant changes to cost principles and other requirements for auditees receiving Federal funds.

These changes are driven based on the grant award date as awarded by the Federal agency. As such, auditors and auditees will follow requirements from both the "old" and "new" guidance for a few years to come.

Beginning with fiscal years ending December 31, 2015, additional changes to audit requirements will be effective. These include changes to the:

- Threshold requiring a Single Audit (from $500,000 to $750,000);
- Major program thresholds; and
- Percentage coverage thresholds (for low risk from 25% to 20% and for high risk from 50% to 40%).

**Summations of Thoughts Noted Above**

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures.

## FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

**Free Continuing Education.** We provide free continuing education (quarterly is the goal and objective) for all of our governmental clients. Each quarter we pick a couple of significant topics tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking among our governmental clients. We normally see approximately 100 people per quarter. We obtain the input and services of experienced outside speakers along with providing the instruction utilizing our in-house professionals. We hope the City staff and officials have been able to participate in this opportunity, and that it has been beneficial to you. Examples of subjects addressed in the past few quarters include:

- Accounting for Debt Issuances
- American Recovery & Reinvestment Act (ARRA) Updates
- Best Budgeting Practices, Policies and Processes
- CAFR Preparation (several times including a two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Collateralization of Deposits and Investments
- Evaluating Financial and Non-Financial Health of a Local Government
- GASB No. 51, Intangible Assets
- GASB No. 54, Governmental Fund Balance (subject addressed twice)
- GASB No. 60, Service Concession Arrangements (webcast)
- GASB No. 61, the Financial Reporting Entity (webcast)
- GASB No.'s 63 & 65, Deferred Inflows and Outflows (webcast)
- GASB No.'s 67 & 68, New Pension Stds. (presented several occasions)
- GASB Updates (ongoing and several sessions)
- Grant Accounting Processes and Controls
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- Internal Revenue Service (IRS) Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances & Disclosure Requirements
- Policies and Procedures Manuals
- Segregation of Duties
- Single Audits for Auditees
- Special Purpose Local Option Sales Tax (SPLOST) Accounting, Reporting & Compliance
- Uniform Grant Reporting Requirements and the New Single Audit

**Governmental Newsletters.** We periodically produce newsletters tailored to meet the needs of governments. The newsletters have addressed a variety of subjects and are intended to be timely in their subject matter. The newsletters are authored by Mauldin & Jenkins partners and managers, and are not purchased from an outside agency. The newsletters are intended to keep you informed of current developments in the government finance environment.

**Communication.** In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpa.com (send corresponding copy to dmoses@mjcpa.com), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.

## CLOSING

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures. If you have any questions regarding any comments, suggestions or recommendations set forth in this memorandum, we will be pleased to discuss it with you at your convenience.

This information is intended solely for the use of the City's management, and others within the City's organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve the City of Clarkston, Georgia and look forward to serving the City in the future. Thank you.