



Presentation of 2021 Auditor's Discussion and Analysis

**City of Forest Park, Georgia
Mayor/Council Meeting**



Auditor's Discussion and Analysis

- Engagement Team
- Results of the 2021 Audit
- Comments, Recommendations, and Other Issues
- Questions





Engagement Team



CONSISTENTLY RANKED AS A TOP ACCOUNTING FIRM IN THE U.S.

100+ year
HISTORY
OF QUALITY SERVICE

Serve 650+
GOVERNMENT CLIENTS

GOVERNMENTAL PARTNERS **16**



140+

TEAM MEMBERS DEDICATED TO SERVING THE GOVERNMENTAL INDUSTRY



VISION

To be a trusted advisor, earning trust and building respect through our consistent commitment to sustainable excellence, leadership, and integrity.



225+

SINGLE AUDITS PERFORMED LAST YEAR COVERING OVER \$4 BILLION OF FEDERAL GRANTS



135,000+

HOURS ANNUALLY PROVIDED TO GOVERNMENTAL CLIENTS

150+

CURRENT CLIENTS AWARDED THE GFOA CERTIFICATE OF EXCELLENCE

5

STATES

13

OFFICES





Engagement Team (Continued)

Engagement Team Leaders for the City of Forest Park Include:

- Doug Moses, Engagement Partner – 23 years experience, 100% governmental
- James Bence, Quality Assurance Review Partner – 18 years experience, 100% governmental
- Ryan Jones, Director – 13 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)
- Agri-Businesses
- Professional Services
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Long-term Healthcare
- Individuals, Estates and Trusts
- SEC Registrants
- Wholesale Distribution
- Manufacturing
- Employee Benefit Plans
- Non-Profit Organizations
- Retail Businesses
- Construction & Development
- Real Estate Management





Results of June 30, 2021 Audit

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS)
 - We considered the internal control structure for the purpose of expressing our opinion on the City’s basic financial statements and not providing assurance on the internal control structure.
 - Our audit was performed in accordance with GAAS.
 - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
 - The basic financial statements are the responsibility of the City’s management.
- Report on 2021 Basic Financial Statements
 - Unmodified (“clean”) opinion on basic financial statements. Audit report date of August 5, 2022.
 - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
 - Our responsibility does not extend beyond financial information contained in our report.
- Report in accordance with *Government Auditing Standards* for 2021
 - Five (5) material weaknesses noted in the internal control over financial reporting; one (1) instance of noncompliance cited. Audit report date of August 5, 2022.





Results of June 30, 2021 Audit (Continued)

■ Significant Accounting Policies

- The significant accounting policies used by the City are described in Note 1 to the basic financial statements.
- The policies used by the City are in accordance with generally accepted accounting principles and similar government organizations, with no significant new policies to qualitative aspects of its policies.
- In considering the qualitative aspects of its policies, the City is not involved in any controversial or emerging issues for which guidance is not available.

■ Management Judgment/Accounting Estimates

- The City uses various estimates as part of its financial reporting process – including valuation of accounts receivable (recording of allowance for uncollectible accounts).
- Management’s estimates used in preparation of financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management’s calculations in evaluating the City’s significant accounting estimates.

■ Financial Statement Disclosures

- The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit.





Results of June 30, 2021 Audit (Continued)

■ Relationship with Management

- We received full cooperation from the City's management, staff, and others.
- There were no disagreements with management on accounting issues or financial reporting matters.

■ Audit Adjustments

- Adjustments were proposed to the records of the City and have been recorded in the City's financial statements. The City's finance director has copies of these audit entries and will have them available with this presentation. There were no passed adjustments.

■ 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.





Results of June 30, 2021 Audit (Continued)

■ Consultation with Other Accountants

- To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.

■ 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.

■ Information in Documents Containing Audited Financial Statements

- Our responsibility for other information in documents containing the City's basic financial statements and our report thereon does not extend beyond the information identified in our report. If the City intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers' proof for our review and approval before printing. The City must also provide us with a copy of the final reproduced material for our approval before it is distributed.

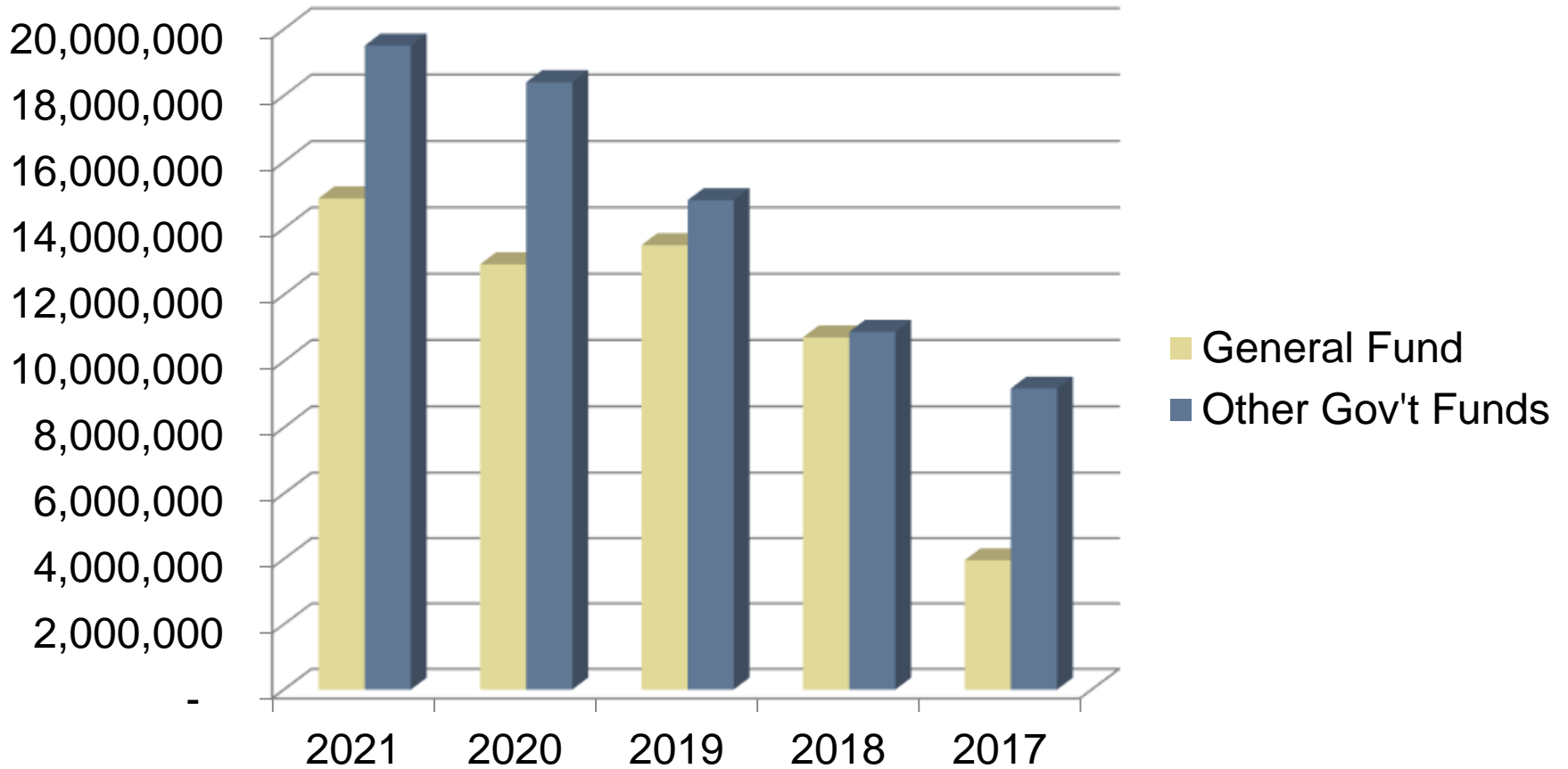
■ Auditor Independence

- In accordance with AICPA professional standards, M&J is independent with regard to the City and its financial reporting process.
- There were no fees paid to M&J for management advisory services during fiscal year 2021 that might effect our independence as auditors.



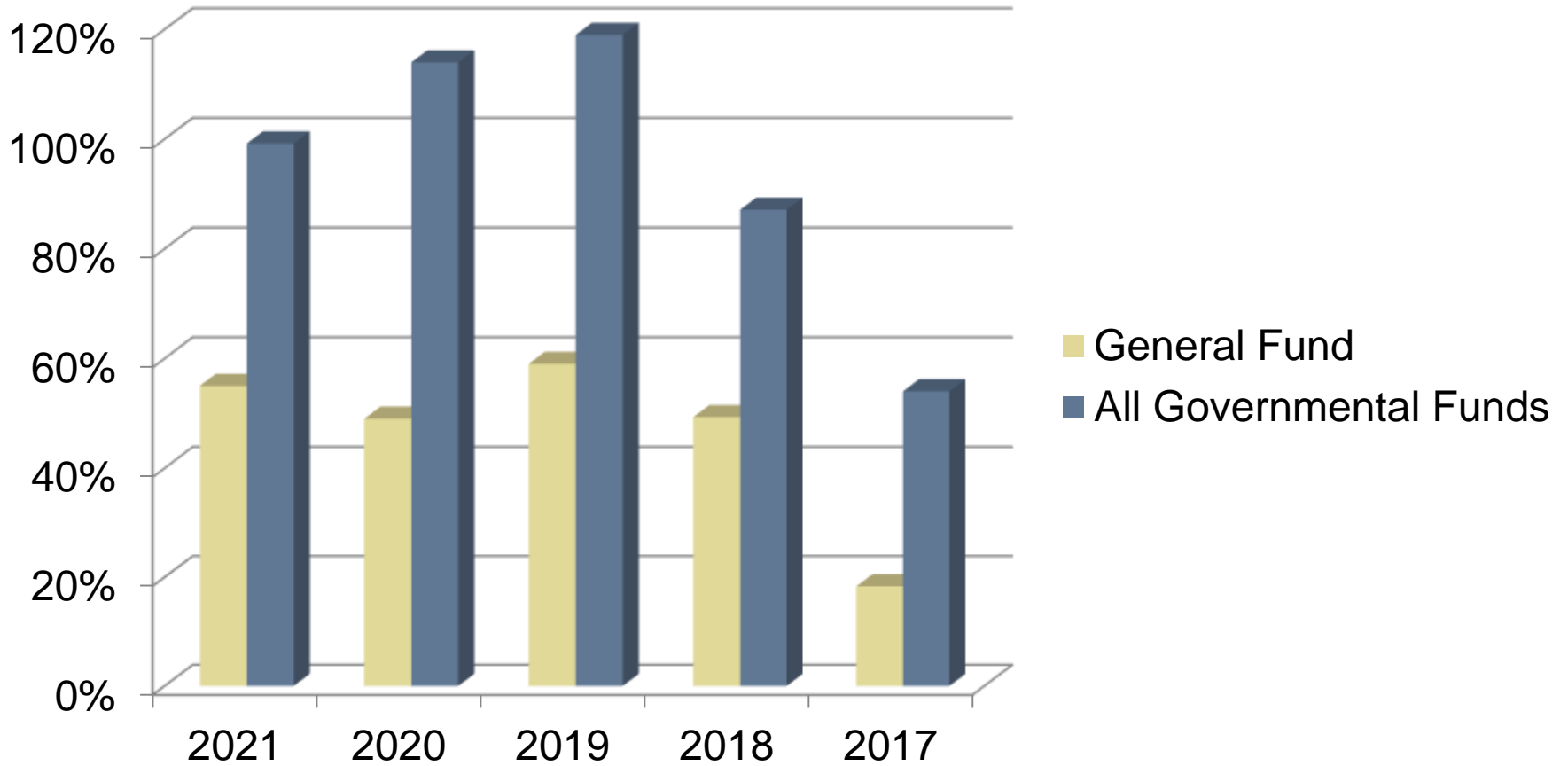


Financial Trends – Fund Balances (5 Year Comparison)



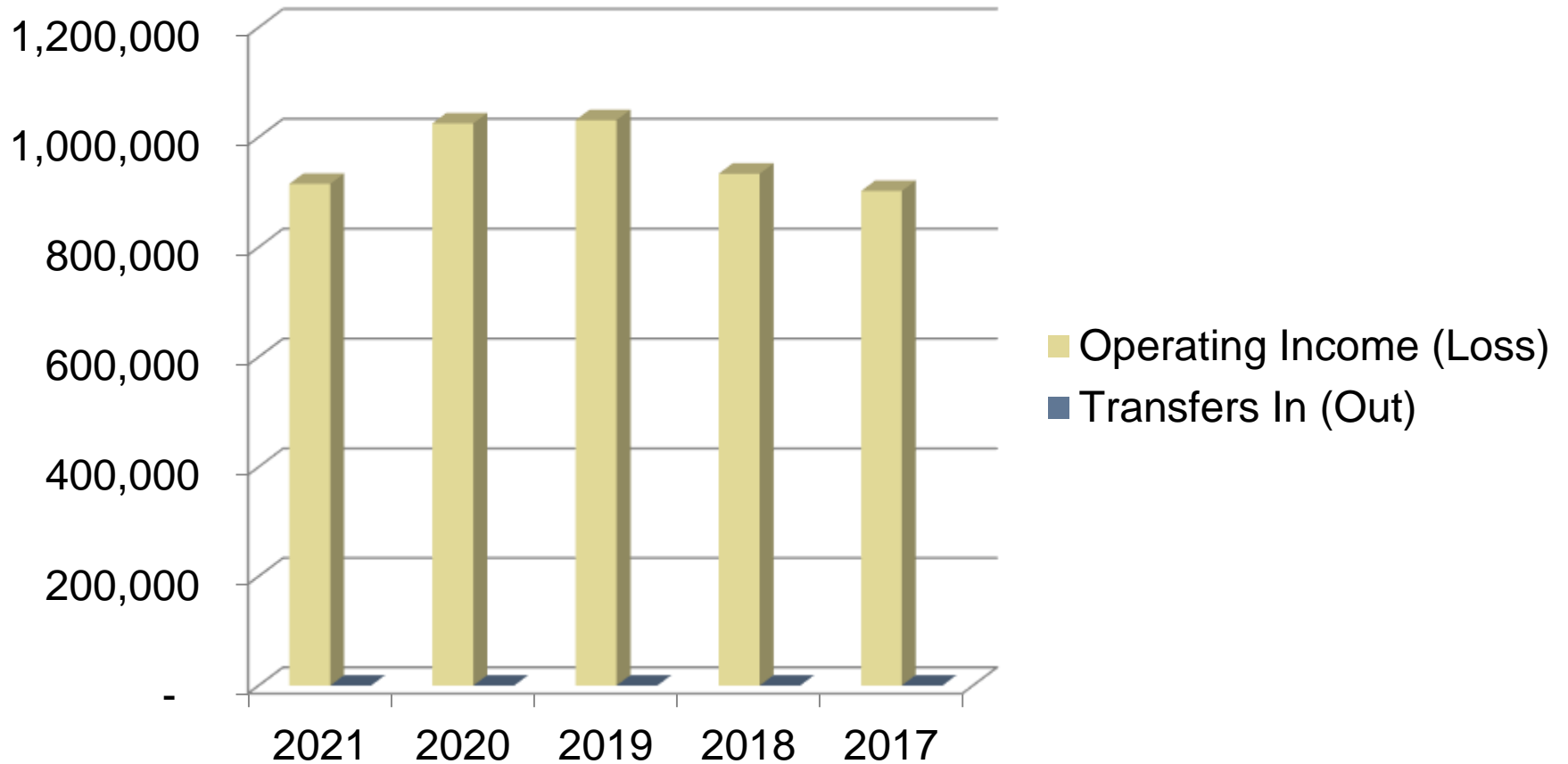


Fund Balance as a Percentage of Total Expenditures – 5 Year Comparison



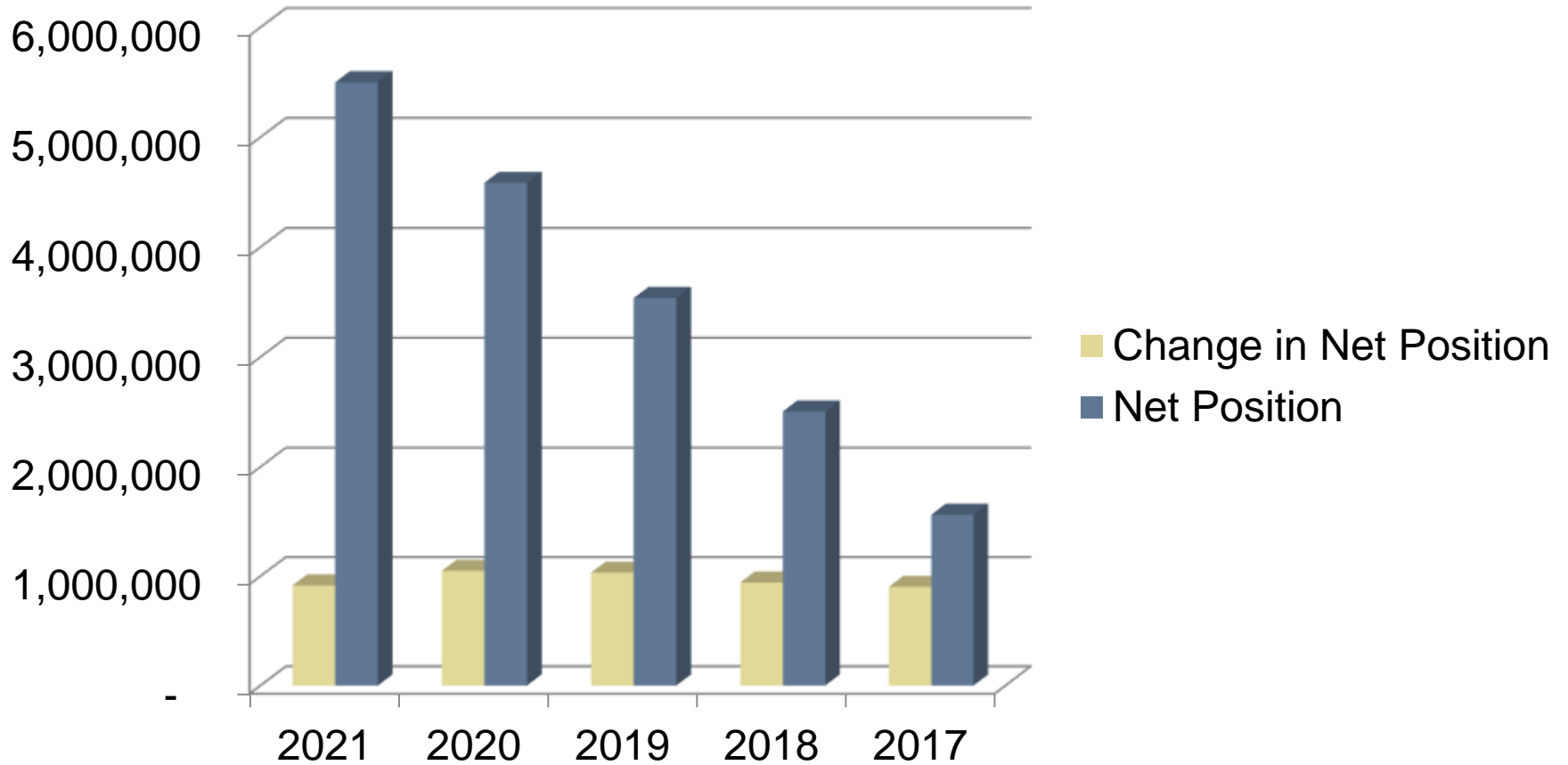


Financial Trends –Sanitation Fund – Operating Income (Loss) Compared to Transfers In (Out) – 5 Year Comparison



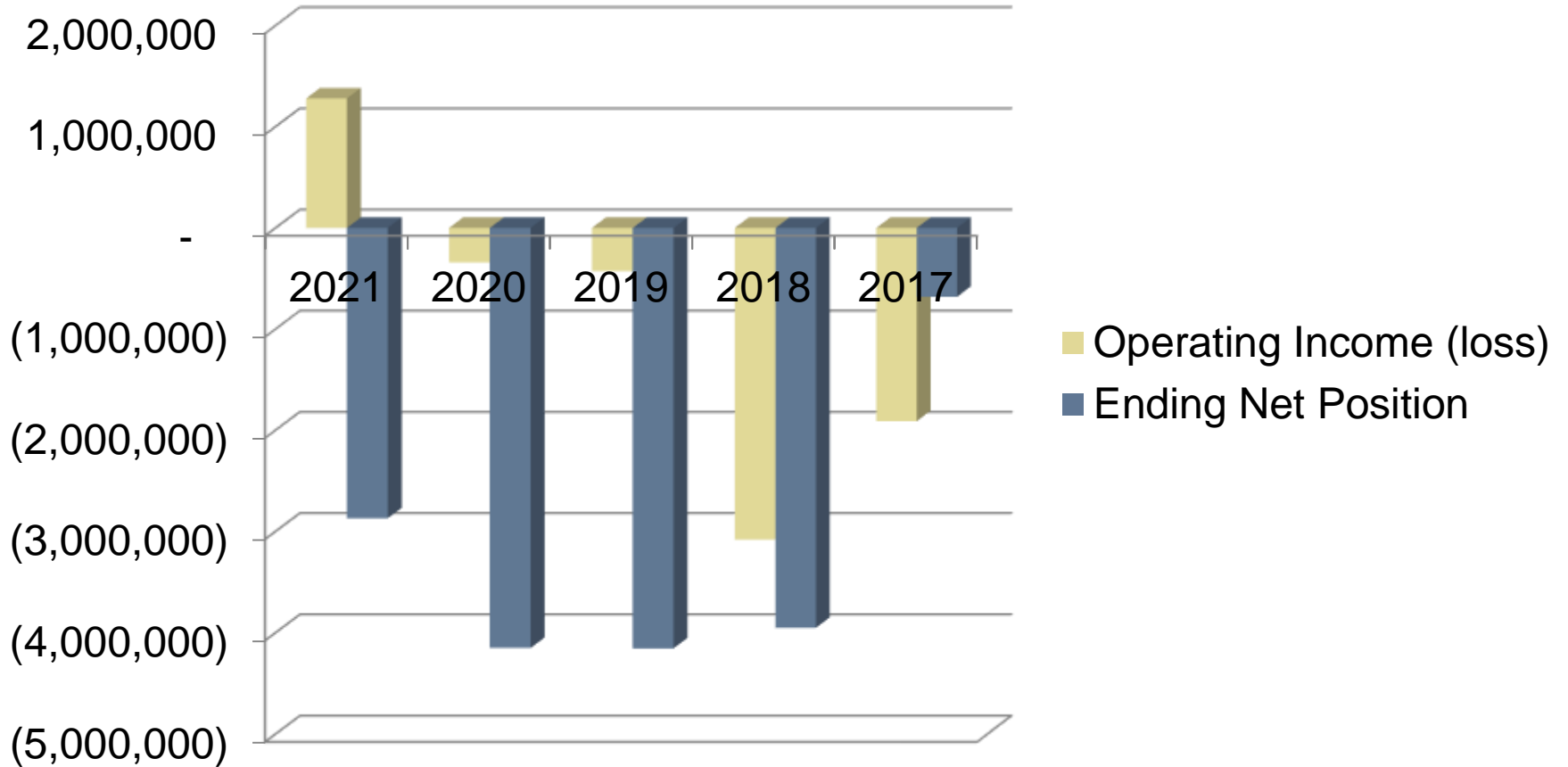


Financial Trends – Sanitation Fund – Change in Net Position Compared to Net Position – 5 Year Comparison



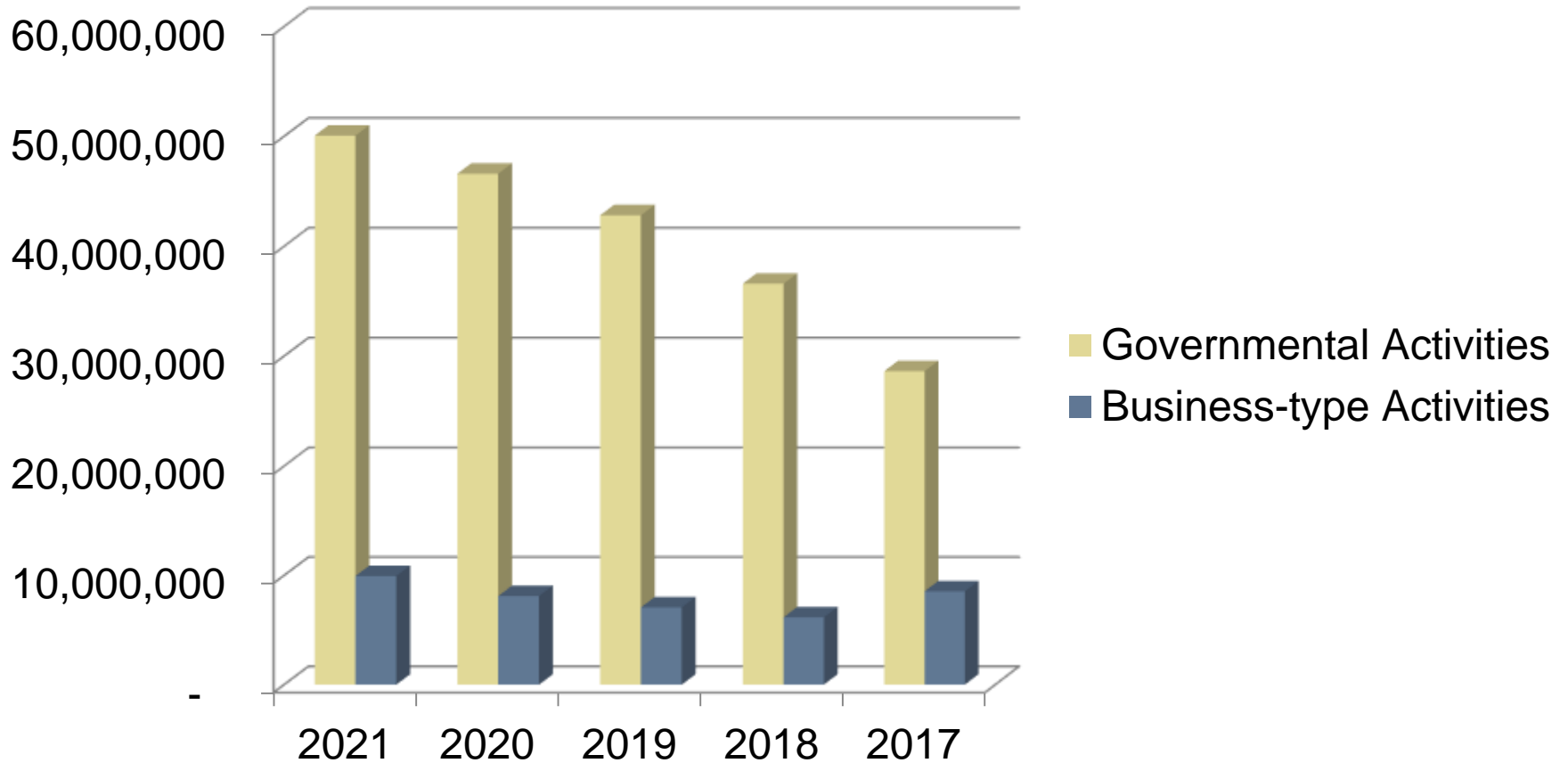


Financial Trends – Urban Redevelopment Agency Fund – Operating Income and Ending Net Position – Last Five Years

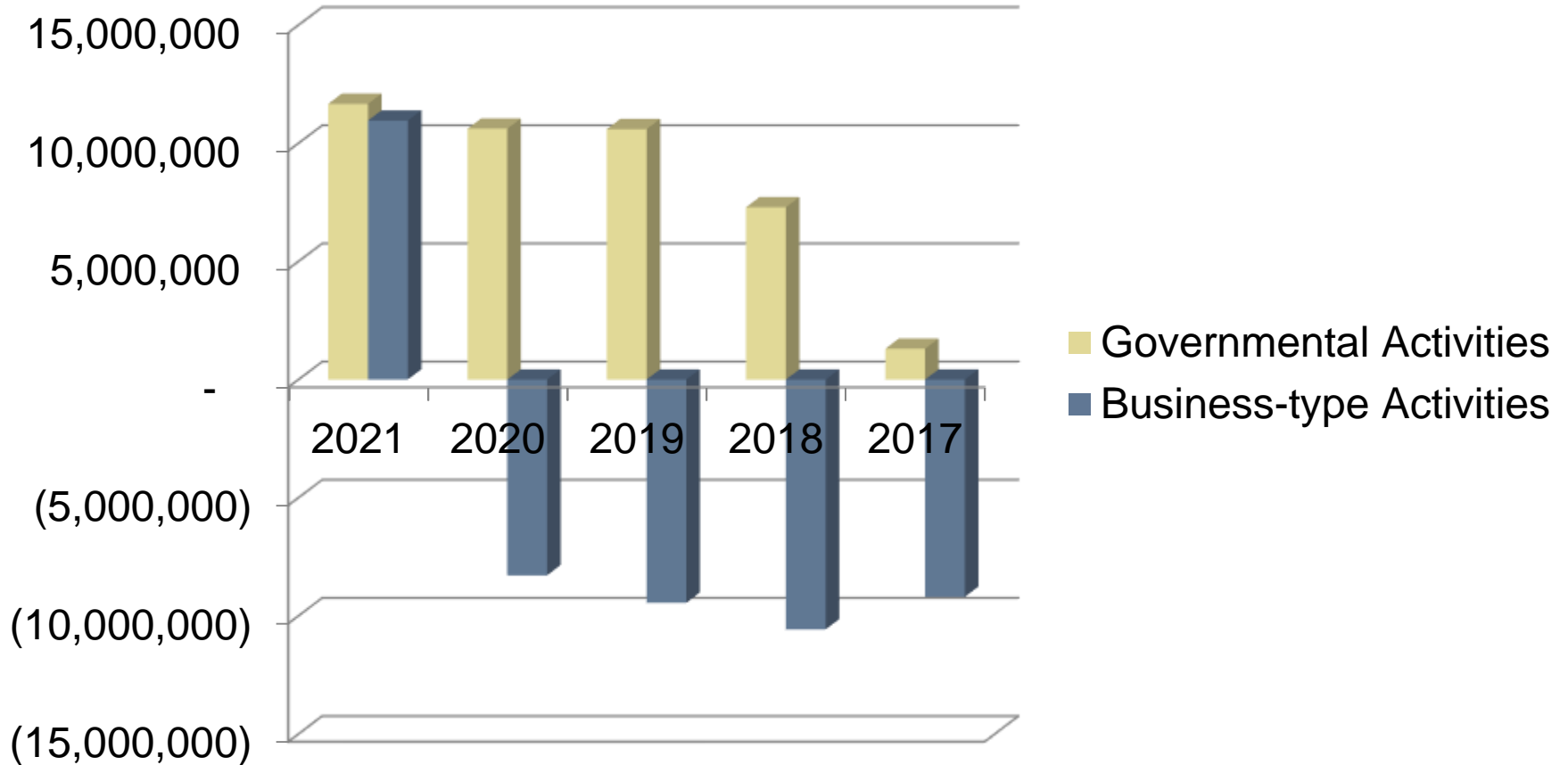




Financial Trends – Governmental Activities and Business-type Activities Net Position – 5 Year Comparison



Financial Trends – Governmental Activities and Business-type Activities Unrestricted Net Position – 5 Year Comparison





Comments, Recommendations, & Other Issues

■ Deficiencies (Findings) – Material Weaknesses

2021-001 Restatement of Beginning Net Position – Financed Purchases - Financed purchases should be recorded in the fiscal year when agreements have been executed and possession of the financed equipment has occurred.

During the previous fiscal year ended June 30, 2020, the City entered into a financed purchase arrangement related to radio equipment for its E-911 activities. However, at June 30, 2020, the City had not recorded the resulting financed purchase liability and capital asset in the amount of \$896,407. Additionally, the City had not recorded depreciation expense of \$106,715 for the radio equipment in the prior year. The omission of the financed purchase, depreciation expense, and associated obligation was due to management oversight as no lease payments were due prior to the end of the previous fiscal year.

Failure to properly capitalize the asset and record the financed purchase obligation caused the beginning balances of capital assets to be understated by \$896,407, beginning accumulated depreciation to be understated by \$106,715, beginning financed purchase liabilities to be understated by \$896,407, and beginning net position to be overstated by \$106,715 in the City's governmental activities for the fiscal year ended June 30, 2020.

We recommend management of the City implement a process to review transactions for financed purchases during the fiscal year and at the end of its fiscal year to ensure that capitalizable purchases and associated obligations are properly recorded in its accounting records. Occasionally, for these types of obligations, no payments are due in the period between issuance of the financed purchase obligation and the City's fiscal year end, and therefore it is critical to track these liabilities in a subledger that is reconciled and reviewed on a periodic basis.





Comments, Recommendations, & Other Issues (Continued)

■ Deficiencies (Findings) – Material Weaknesses

2021-002 Accounts Payable - Internal controls should be designed to ensure that expenditures incurred in one fiscal year and paid in a subsequent fiscal year are recorded as expenditures of the fiscal year in which the goods were received or services were rendered. The City failed to accrue \$95,003 of legal services provided to the City during the fiscal year ended June 30, 2021 but unpaid at June 30, 2021.

We recommend that the City more closely review invoices for services that are billed in arrears subsequent to the fiscal year end to ensure that all necessary expenditures and payables have been recognized.

2021-003 Accounting for Federal Awards - Internal controls should be designed to ensure that federal grant reimbursements of expenditures incurred in a prior year are properly recorded.

During the fiscal year ended June 30, 2021, reimbursements from the federal Coronavirus Relief Fund grants were not transferred to the fund in which the expenditures were recognized in the previous fiscal year. The CARES Fund recognized the entirety of the \$1,048,001 in revenue received in the current fiscal year, but did not record a reimbursement to the General Fund for expenditures of \$247,506 incurred in the prior fiscal year.

We recommend that management develop a review process whereby grant funds, such as the CARES Fund, are reviewed at year end to ensure that expenditures and transfers out are properly applied to revenues received.





Comments, Recommendations, & Other Issues (Continued)

■ Deficiencies (Findings) – Material Weaknesses

2021-004 Segregation of Duties - 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. In order to prevent fraudulent misappropriation of assets and the recording of fraudulent financial information, duties regarding the transfer of assets, authorization of transactions, the recording of financial information, and the review of financial information should be segregated. During the fiscal year ended June 30, 2021, appropriate segregation of duties was not noted in the areas of bank reconciliations and journal entries. For the bank reconciliations, we noted that there was no documentation of who prepared them and who reviewed them, or whether they had been reviewed. Finally, during our testing of journal entries, we noted that all sixty (60) journal entries that we tested did not show signs of review and approval by someone other than the preparer.

Although there has been staff turnover and the size of the City's staff is relatively small, it is nevertheless important to ensure that duties are properly segregated to prevent potential fraud. No one employee should handle any combination of the duties involving the authorization and recording of financial information into the general ledger. Bank reconciliations should be subjected to internal controls whereby the preparer and reviewer are separately evidenced on the reconciliation itself. 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.

We recommend management of the City segregate the duties surrounding authorization and recording and reconciliation of financial information. The City should consider the need for additional staffing or staff cross-training in order to segregate these duties. Additionally, journal entries should be properly approved by an individual who is independent of the journal entry preparation process.





Comments, Recommendations, & Other Issues (Continued)

■ Deficiencies (Findings) – Material Weaknesses

2021-005 Reconciliation of Bank Accounts - Internal controls should be in place to ensure bank accounts are reconciled in a timely manner throughout the fiscal year. The City's cash accounts were not reconciled timely during the fiscal year ended June 30, 2021. The reconciliation for July 2020 was not prepared until April 2021, and the remaining reconciliations were completed in the months of June through August of 2021. The potential effects of untimely bank reconciliations are as follows:

- Transactions that occur in the bank accounts are not recorded in the general ledger timely. This can lead to inaccurate budget information when the general ledger is relied upon to create the subsequent fiscal year's operating budgets.
- When reconciled cash balances are not available, there is an increased likelihood that disbursements are made with insufficient funds, resulting in additional bank costs and delayed payments to vendors.
- The risks of errors and misappropriation of assets not being detected are significantly higher.

We recommend that City management designate a knowledgeable and experienced individual or individuals within the City to be responsible for preparing the monthly bank reconciliations. We also recommend that these reconciliations be performed in a timely manner, no later than the end of the subsequent month, and be reviewed by an appropriate member of management.





Comments, Recommendations, & Other Issues (Continued)

■ Management Recommendations for Improvement

1. Positive Pay - During our testing of cash and discussions with City management, it came to our attention that the City is not currently utilizing Positive Pay for its bank transactions. Positive pay is an automated cash management service used by financial institutions to deter check fraud. Banks can use positive pay to match the checks the City issues with those that are presented for payment by referencing the check information provided by the City. Any check considered suspect is sent back to the issuer for examination. We strongly recommend the City consider moving to positive pay for all bank accounts that routinely have a large volume of activity and transactions, and discuss with representatives from the City's financial institutions whether there are other services that can be utilized to prevent fraudulent transactions from impacting the City's cash balances.

2. SPLOST Projects - During our audit procedures on the SPLOST project schedule provided by the City as of June 30, 2021, we noted several incomplete projects with no current year expenditures, indicating that either these projects are complete and the revised budget information hasn't been updated, or potentially that SPLOST projects were started but abandoned. As the source of these funds is voted on by the public, it is important that the projects included in the SPLOST referendums are completed to the best of the City's abilities. We recommend that the City adhere to its plans on spending the remaining SPLOST proceeds to complete the projects identified in the SPLOST referendum.

3. Authorized Signers on Accounts - During our audit, we noticed that the City had not updated its authorized signers with the financial institutions, specifically Truist, in a timely manner. We recommend that management takes steps to remedy this situation so that individuals who no longer work at the City are not listed as authorized signers on the City's accounts.





Comments, Recommendations, & Other Issues (Continued)

■ New GASB Pronouncements for Future Years

- **Statement No. 87, Leases** was issued in June 2017 and is effective for the first reporting period beginning after December 15, 2019. However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (Postponement of the Effective Dates of Certain Authoritative Guidance) which changed the effective date of Statement No. 87 to fiscal years beginning after June 15, 2021.
- **Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period** was issued in June 2018 and is effective for reporting periods beginning after December 15, 2019 (meaning June 30, 2021). However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (*Postponement of the Effective Dates of Certain Authoritative Guidance*) which changed the effective date of Statement No. 89 to reporting periods beginning after December 15, 2020.
- **Statement No. 91, Conduit Debt Obligations** was issued in May 2019 and is effective for the first reporting period beginning after December 15, 2020, meaning for those with year ends of December 31, 2021 and beyond. However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (*Postponement of the Effective Dates of Certain Authoritative Guidance*) which changed the effective date of Statement No. 91 to reporting periods beginning after December 15, 2021.





Comments, Recommendations, & Other Issues (Continued)

■ **New GASB Pronouncements for Future Years (Continued)**

- **Statement No. 92, *Omnibus 2020*** was issued in January 2020 and because it is an omnibus standard, contains several different effective dates as follows (as amended by Statement No. 95 issued in May 2020).
 - For fiscal years beginning after June 15, 2021 relative to the requirements related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and 74.
 - For reporting periods beginning after June 15, 2021 relative to the requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities.
 - For government acquisitions occurring in reporting periods beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition.
 - Other items addressed by this omnibus statement (requirements related to Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments) were effective upon issuance.
- **Statement No. 93, *Replacement of Interbank Offered Rates*** was issued in March 2020 and contains two (2) different effective dates. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.
- **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*** was issued in March 2020 and is effective for fiscal years beginning after June 15, 2022 which means year ends of June 30, 2023 and following.





Comments, Recommendations, & Other Issues (Continued)

■ **New GASB Pronouncements for Future Years (Continued)**

- **Statement No. 96, *Subscription-Based Information Technology Arrangements*** was issued in May 2020 and is effective for fiscal years beginning after June 15, 2022 which means year ends of June 30, 2023 and following.
- **Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*** was issued in June 2020 and is effective for fiscal years beginning after June 15, 2021 (year ends of June 30, 2022 and following).
- Other Pending or Current GASB Projects:
 - **Re-Examination of the Financial Reporting Model.** GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB issued Statement No. 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability. GASB anticipates a final standard expected in early 2022.
 - **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 things 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. Final standard is expected in 2022.





Comments, Recommendations, & Other Issues (Continued)

■ **New GASB Pronouncements for Future Years (Continued)**

- Other Pending or Current GASB Projects (Continued):
 - **Revenue and Expense Recognition** is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions. The final standard is expected in 2023.
 - **Compensated Absences** is a technical topic being examined by the GASB currently due to significant changes in benefits offered by governmental employers. Current GAAP does not address certain items such as paid time off (PTO) and there is a wide divergence in practice. A final standard on this topic is expected towards the end of 2021.
 - **Prior-Period Adjustments, Accounting Changes, and Error Corrections** is a technical topic being examined by the GASB due to a wide diversity in practice regarding required presentation on the face of the financial statements, disclosures, etc. A final standard on this topic is expected in early 2022.



Comments, Recommendations, & Other Issues (Continued)



■ Since March of 2009 – For Over 12 Years !!

- Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are 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 and knowledge sharing among our governmental clients. We normally see approximately 180 people per quarter. Examples of subjects addressed in the past few quarters include:

Accounting for Debt Issuances
Achieving Excellence in Financial Reporting
Best Budgeting Practices, Policies and Processes
Budget Preparation
ACFR Preparation (two (2) day hands-on course)
Capital Asset Accounting Processes and Controls
Collateralization of Deposits and Investments
Component Units
Cybersecurity Risk Management
Evaluating Financial and Non-Financial Health of a Govt.
Financial Report Card – Where Does Your Govt. Stand?
Financial Reporting Model Improvements
GASB Nos. 74 & 75, OPEB Standards
GASB No. 77, Tax Abatement Disclosures
GASB No. 84, Fiduciary Activities

GASB Projects & Updates (ongoing & several sessions)
Human Capital Management
Grant Accounting Processes and Controls
Internal Controls Over Accounts Payable, Payroll and
Cash Disbursements
Internal Controls Over Receivables & the Revenue Cycle
IRS Issues, Primarily Payroll Matters
Legal Considerations for Debt Issuances & Disclosures
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



Comments, Recommendations, & Other Issues (Continued)



FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS

FOR GOVERNMENTAL CLIENTS (Continued)

Governmental Newsletters. We 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 produced and delivered periodically, and 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.





Comments & Questions?

We appreciate the opportunity to serve the City of Forest Park and look forward to continuing to work with the City in upcoming years!

