

CITY OF STONECREST, GEORGIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

Prepared by:
City of Stonecrest Finance Department

INTRODUCTORY SECTION

CITY OF STONECREST, GEORGIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2020

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June 27, 2022

Honorable Jazzmin Cobble, Mayor,
Members of the City Council, and
Citizens of Stonecrest, Georgia

Ladies and Gentlemen:

Enclosed please find the Annual Comprehensive Financial Report of the City of Stonecrest, Georgia, for the year ended December 31, 2020. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City of Stonecrest. The report has been prepared in accordance with generally accepted accounting principles. All disclosures necessary to enable an interested reader to gain an understanding of the government's financial activities have been included.

The City's financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Stonecrest for the year ended December 31, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Stonecrest's financial statements for the year ended December 31, 2020 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of the report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.



PROFILE OF THE GOVERNMENT

Stonecrest was incorporated in January of 2017. Positioned in the metropolitan area, just east of Atlanta, Stonecrest is a resource rich community, which covers a 29 square mile area in southeast DeKalb County, Georgia. Stonecrest is the sixteenth largest city in the State of Georgia, serving a population of 54,194 (U.S. Census estimate for 2020). The City boasts a strong commercial and retail presence with the Mall at Stonecrest serving as the hub, with surrounding parcels consisting of medical, office and hotels. The DeKalb Medical Center at Hillandale is the City's principal medical facility. The City also has two designated industrial areas, which are home to some of the City's top employers, Dart Container Organization and Home Chef. The crown jewel of the City is the Arabia Mountain National Heritage Area which consists of 2,550 acres of exposed granite formations, wetlands, streams, lakes, and forest, all accessible by a vast trail network. The presence of the Davidson-Arabia Mountain Nature Park and the Panola Mountain State Park creates a unique recreational opportunity within a metropolitan setting.

Policymaking and legislative authority of the government is vested in the Mayor and five Council members, who are elected for four-year terms. Council members are elected by district, and the Mayor is elected at-large by popular vote. The Mayor and Council members serve until their successors are qualified and certified. Terms of office begin after the certification of the election and swearing into office. Elections are held every two years for three of the Council members, utilizing staggered terms.

The City legislative authority of the government of the City of Stonecrest, except as otherwise specifically provided in the charter, shall be vested in the City Council of which the Mayor is a voting member and possesses all the executive powers granted to the government under the constitution and laws of the State of Georgia and the City of Stonecrest charter. The City Manager maintains all administrative powers granted to the government under the constitution and laws the State of Georgia and the City's charter.

The City is empowered to levy a property tax on both real and personal property located within its boundaries and is qualified to levy all other taxes granted to municipalities within the State of Georgia.

Deploying a non-traditional approach to government services, the City operates through a public-private partnership. The City provides a full range of services including Planning and Zoning, Code Enforcement, Business Licenses and Building and Development permitting and inspections. During the initial transition period, services such as police and fire protection, the maintenance of highways, streets, general public works, and other infrastructure, and sanitation services continue to be provided by DeKalb County.



The annual budget serves as the foundation for the City's financial plan and assists in the control of the financial stability and health of the government. The budget is prepared by fund, function, and department. From day one, the budgeting process has included performance management initiatives as established by the City Council.

LOCAL ECONOMY

Stonecrest, the newest and largest city in DeKalb County, is the best place to do business in metropolitan Atlanta. Stonecrest is a young urban community where residents enjoy a growing dining and retail scene in the Stonecrest Mall area. Others indulge in the beautiful views on top of Arabia Mountain or experience a piece of African American culture in the historic Flatrock community.

Stonecrest is primarily a bedroom community with a population of 54,194 in approximately 29 square miles. Stonecrest is home to two major industrial parks that include large corporations such as Dart Container Corporation, Home Chef, Trojan Battery Company and more. The largest industries in Stonecrest include government, medical, retail services and manufacturing. Stonecrest also has a large entrepreneurial and small business population.

Stonecrest is conveniently located near Interstate 20, State Routes 124 and 278 which offer quick and easy access to the downtown Atlanta and Hartsfield-Jackson International Airport. The City's diverse housing market continues to grow according to U.S. Census estimates.

LONG TERM FINANCIAL PLANNING

The initial City budget was established utilizing the Feasibility Study from the Carl Vincent Institute of Government (CVIOG) as a guide to derive initial revenue and expenditure estimates. With the first year of operations being compressed down to six months, financials were tracked very closely to ensure balance levels remained at a reasonable level. With the completion of our third complete year, we will look to continue to strengthen our financial position. Excess fund balances over reserve requirements will be used in subsequent periods for pay-as-you-go capital projects and one-time non-recurring expenditures.

To facilitate the provision of City services, the government is committed to a consistent fee structure for business taxes and permitting. The City first assessed a millage rate in 2020. The rate adopted was based on a proposed DeKalb County special services millage rate for Parks and Recreation activities. The City relies on franchise taxes, business taxes, and permitting fees to fund the remainder of City services not covered by property taxes.



MAJOR INITIATIVES FOR THE YEAR

SPLOST Program

The DeKalb County Special Purpose Local Option Sales Tax (SPLOST), an optional 1 percent county sales tax used to fund capital outlay projects proposed by the county government and qualified participating municipal governments, was passed by a 76% referendum vote in the City of Stonecrest. The tax is collected on items subject to the state sales tax and use tax within the County and is estimated to bring in over \$600 million over 6 years into DeKalb County. Each municipality in DeKalb County will receive a pro-rated share of SPLOST revenue based on its population (2016 US Census estimate); with an estimated population of 53,500 residents, the share for the City of Stonecrest is 7.5%. It is estimated that SPLOST revenues of approximately \$45 million over 6 years will be available for infrastructure and capital improvements to the City of Stonecrest.

Parks Assessment

With funding set aside through SPLOST, specifically for Park improvements and upgrades, the City will conduct a comprehensive park facilities assessment to identify and prioritize the greatest areas of need. Once the assessment is completed, the focus will then turn towards the crafting of a long-term Parks Master Plan.

INITIATIVES FOR FUTURE YEARS

FINANCIAL POLICIES

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safety of assets against loss from unauthorized use or disposition; and 2) the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

Budgetary Controls - The City maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the City Council. Activities of the General Fund and any special revenue funds are included in the annual appropriated budget. A project length budget will be utilized for capital project funds. The



official level of City budget control (the level on which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is the department level within each fund.

Administrative transfers of appropriations within a fund may be authorized by the City Manager to meet unforeseen needs, as long as the total budgeted amounts do not exceed these appropriations by fund. The City's budget procedures, together with such procedures for discretely presented component units, are more fully explained in the accompanying notes to the financial statements.

OTHER INFORMATION

Awards and Achievements - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stonecrest for its annual comprehensive financial report for the fiscal period ended December 31, 2019. The City received this award in its initial period of operations. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments - The preparation of the report could not have been accomplished without the efficient and dedicated efforts of the entire City Hall staff and the auditors for the City. Our sincere appreciation is extended to each individual for the contributions made in the preparation of this report, and the Mayor and City Council for their unwavering support of the staff and our collective efforts to consistently maintain the highest levels of professionalism and fiscal responsibility and management.

Respectfully Submitted,

Gia Scruggs

Gia Scruggs

Janice Allen Jackson

Janice Allen Jackson



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Stonecrest
Georgia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morrell

Executive Director/CEO

**CITY OF STONECREST, GEORGIA
PRINCIPAL OFFICIALS
DECEMBER 31, 2020**

City Council

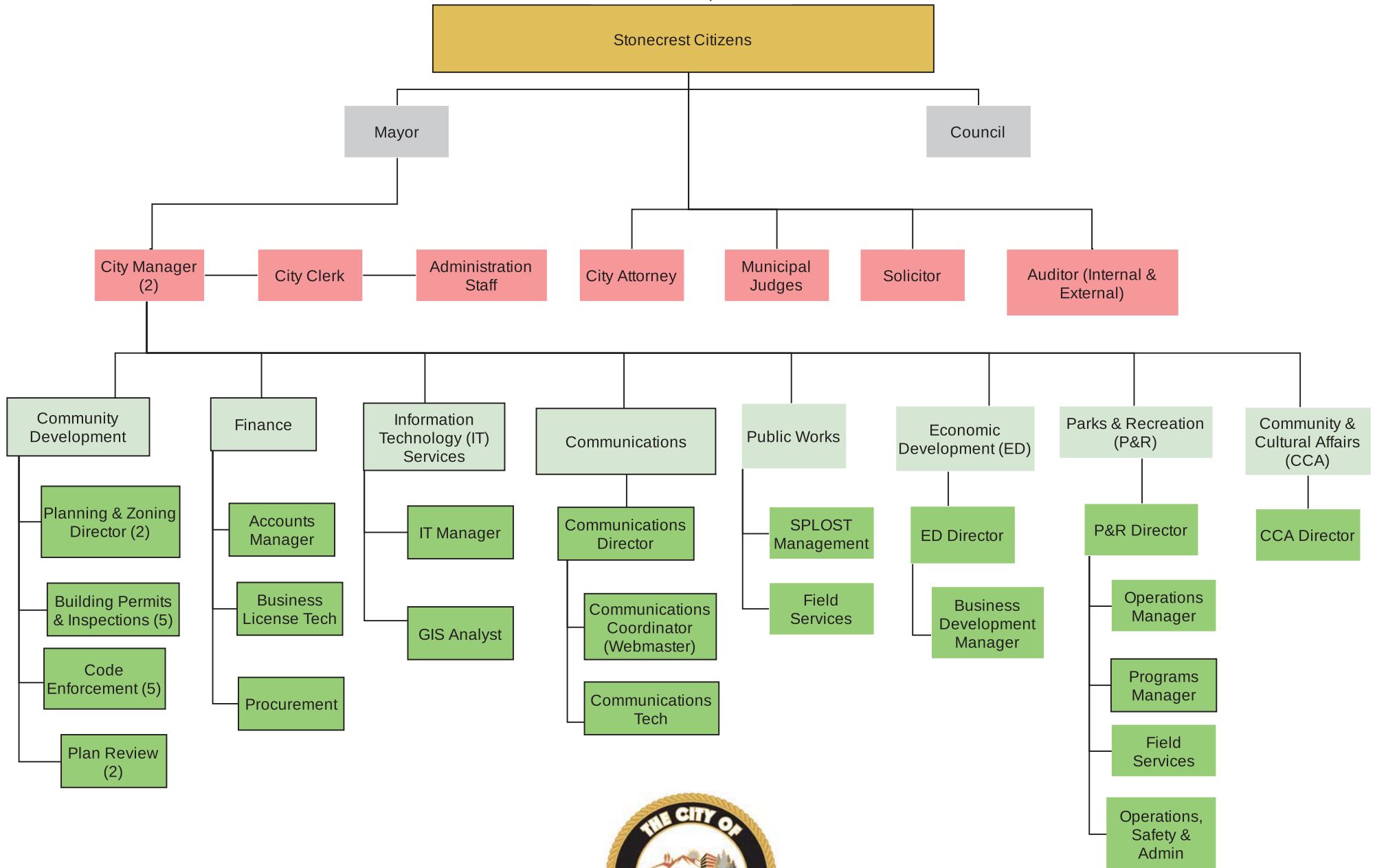
Jason Lary	Mayor
George Turner	Mayor Pro Tem
Jimmy Clanton	Council Member
Rob Turner	Council Member
Jazzmin Cobble	Council Member
Tammy Grimes	Council Member

Appointed Administrative Officials

Plez Joyner	Deputy City Manager
Megan Reid	City Clerk
Thompson Kurrie	City Attorney
Emily Macheski-Preston	Asst. City Attorney

City of Stonecrest's Organizational Chart

December 31, 2020



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and Members
of the City Council of the
City of Stonecrest, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Stonecrest, Georgia** (the "City"), as of and for year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Stonecrest, Georgia as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund and the COVID-19 Relief Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual nonmajor fund budgetary comparison schedule and the schedule of expenditures of special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (Continued)

The individual nonmajor fund budgetary comparison schedule and the schedule of expenditures of special purpose local option sales tax (the “supplementary information”) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 27, 2022

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

The following discussion and analysis of the City of Stonecrest, Georgia (the "City" of "Government") introduces the basic financial statements for the fiscal year ended December 31, 2020. Management prepared this discussion that should be read in conjunction with the basic financial statements, footnotes, and supplementary information found in this report. This information taken collectively is designed to provide readers with an understanding of the City's finances.

CITY ACTIVITY HIGHLIGHTS

The City, which was incorporated by a voter approved referendum on November 8, 2016, commenced operations on July 10, 2017 pursuant to the election of a mayor and council on April 18, 2017. The City is located 11 miles east of Atlanta with a population of 59,194. The City is home to major commercial and industrial establishments such as DeKalb Medical Center, Dart Container Corporation, Home Chef and the 1.2 million square foot Mall at Stonecrest.

Policymaking and legislative authority of the government is vested in the Mayor and five Council Members, who are elected for four-year terms. Council members are elected by district, and the Mayor is elected at-large by popular vote. Terms of office begin after the certification of the election and swearing into office. The legislative authority of the government of the City of Stonecrest, except as otherwise specifically provided in the charter, shall be vested in the City Council of which the Mayor is a voting member and possesses all the executive powers granted to the government under the constitution and laws of the State of Georgia and the City of Stonecrest charter. The City Manager maintains all the administrative powers granted to the government under the constitution and laws of the State of Georgia and the City's charter. The City is empowered to levy a property tax on both real and personal property located within its boundaries and is qualified to levy all other taxes granted to municipalities within the State of Georgia.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$32,191,420 (total net position), which represents an increase of \$3,016,970 or 10.34% from the prior year ending balance. Of the total net position, \$4,977,704 (unrestricted net position) is available to meet the ongoing obligations of the City.
- As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$17,454,570 which represents an increase of \$4,826,572 over the prior year.
- The City expended \$4,381,843 of SPLOST funds primarily for street resurfacing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business.

The *statement of net position* presents information on all the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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

Both government-wide financial statements report only governmental activities of the City which are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, judicial, public works, public safety, culture and recreation, economic development and community development.

The government-wide financial statements include financial information presented for the primary government itself. The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The City maintains five individual governmental funds: the General Fund, the Special Purpose Local Option Sales Tax (SPLOST) Fund, the Hotel/Motel Tax Fund, the Urban Redevelopment Agency (URA), and the COVID-19 Relief Fund. The General Fund, the SPLOST Fund, the URA and the COVID-19 Relief Fund are considered to be major funds. Data from the other fund is reported as a single column presentation alongside the major funds.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 33 of this report.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedules for the General Fund and the COVID-19 Relief Fund, as presented on a generally accepted accounting principal basis. These schedules are intended to demonstrate the City's compliance with the legally adopted and amended budgets. Required supplementary information can be found on pages 34 and 35 of this report.

OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$32,191,420, representing a 3,016,970 or 10.34% increase over the prior fiscal year.

The City's net position is comprised of net investment in capital assets of \$13,068,380, amounts restricted for promotion of trade and tourism of \$65,712, and capital projects of \$14,079,624. The remaining portion of the City's net position represents unrestricted net position of \$4,977,704, which is available to meet the ongoing obligations of the Government.

CITY OF STONECREST, GEORGIA				
Net Position				
Fiscal Years 2020 and 2019				
Governmental				
Activities				
	2020	2019	Increase (Decrease)	Percent
ASSETS				
Current assets	\$ 28,884,492	\$ 17,134,091	\$ 11,750,401	68.58%
Capital assets	16,143,608	12,835,372	3,308,236	25.77%
Total assets	45,028,100	29,969,463	15,058,637	50.25%
LIABILITIES & DEFERRED INFLOWS OF RESOURCES				
Current liabilities	6,873,758	709,293	6,164,465	869.10%
Financed purchases payable	55,447	85,720	(30,273)	-35.32%
Revenue bonds payable	5,410,000	-	5,410,000	100.00%
Total liabilities	12,339,205	795,013	11,544,192	1452.08%
Deferred inflows of resources	497,475	-	497,475	100.00%
NET POSITION				
Net investment in capital assets	13,068,380	12,749,652	318,728	2.50%
Restricted	14,145,336	9,092,572	5,052,764	55.57%
Unrestricted	4,977,704	7,332,226	(2,354,522)	-32.11%
Total net position	\$ 32,191,420	\$ 29,174,450	\$ 3,016,970	10.34%

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

The largest portion of the City's current assets, \$20,048,641 reflects its cash holdings at December 31, 2020, an increase from the prior year of \$9,163,220 or 84.18%. Capital assets increased \$3,308,236 from the prior year, or 25.77%. Current liabilities increased \$6,164,465 or 869.10% due to an increase in unearned revenue.

Governmental activities: The table on the following page reflects changes in the net position for fiscal years 2020 and 2019.

Revenues: Government-wide revenues decreased \$11,755,122, or (34.14)%. Charges for services increased \$1,762,294 or 140.11% because of increases in building and development permits. Capital grants and contributions of \$7,426,163 are comprised of SPLOST revenues. SPLOST revenues decrease slightly the prior year. The City received \$4,032,198 of insurance premium taxes through the State of Georgia and accrued an additional \$232,000 for a total of \$4,264,198. Other taxes are comprised of Hotel/Motel, business and occupation, and alcoholic beverage taxes. Business and occupation taxes decreased \$180,440 or -11.26%. Franchise tax revenues decreased but remained consistent with prior years.

Expenses: General government expenses increased \$6,960,175 or 158.22%. Community development expenses decreased \$43,099 as certain costs were reallocated to economic development and public works. Culture and recreation expenses increased \$932,144 or 148.20% primarily from increases in contractual services for general operations provided by the City's prime contractor, Jacobs Engineering as well as other increase in services as the City took over parks from DeKalb County in the prior year.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

CITY OF STONECREST, GEORGIA Changes in Net Position Fiscal Years 2020 and 2019

	Governmental Activities		Total Primary Government	
	2020	2019	Increase (Decrease)	Percent
Revenues:				
Program revenues:				
Charges for services	\$ 3,020,056	\$ 1,257,762	\$ 1,762,294	140.11%
Operating grants	1,518,457	822,440	696,017	84.63%
Capital grants	7,426,163	19,694,570	(12,268,407)	-62.29%
General revenues:				
Property taxes	1,878,327	-	1,878,327	100.00%
Franchise taxes	2,440,352	2,550,882	(110,530)	-4.33%
Insurance taxes	4,264,198	7,621,203	(3,357,005)	-44.05%
Other taxes	2,129,349	2,473,951	(344,602)	-13.93%
Unrestricted investment earnings	635	14,351	(13,716)	-95.58%
Miscellaneous	3,978	1,478	2,500	169.15%
Total revenues	<u>22,681,515</u>	<u>34,436,637</u>	<u>(11,755,122)</u>	<u>-34.14%</u>
Expenses:				
General government	11,359,290	4,399,115	6,960,175	158.22%
Judicial	61,811	86,476	(24,665)	-28.52%
Economic development	1,159,612	1,065,973	93,639	8.78%
Public Works	4,268,541	4,777,717	(509,176)	-10.66%
Community development	962,677	1,005,776	(43,099)	-4.29%
Culture and recreation	1,561,104	628,960	932,144	148.20%
Interest on long-term debt	291,510	11,339	280,171	2470.86%
Total expenses	<u>19,664,545</u>	<u>11,975,356</u>	<u>7,689,189</u>	<u>64.21%</u>
Increase (decrease) in net position	3,016,970	22,461,281	(19,444,311)	-86.57%
Net position, beginning of year	<u>29,174,450</u>	<u>6,713,169</u>		
Net position, ending	<u>\$ 32,191,420</u>	<u>\$ 29,174,450</u>		

City of Stonecrest, Georgia
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

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

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

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year the total fund balance was \$9,361,113, an increase in fund balance of \$5,825,687 or 164.78%. The fund balance includes \$49,437 of nonspendable fund balance, and the remainder of \$9,311,676 is unassigned and can be used to meet any General Fund obligations.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

CITY OF STONECREST, GEORGIA

General Fund - Revenues, Expenditures and Changes in Fund Balance

Fiscal Years 2020 and 2019

	2020	2019	Increase (Decrease)	Percent
Revenues:				
Property taxes	\$ 1,775,560	\$ -	\$ 1,775,560	100.00%
Franchise taxes	2,440,352	2,550,882	(110,530)	-4.33%
Insurance taxes	4,032,198	3,821,203	210,995	5.52%
Business taxes	1,421,856	1,602,296	(180,440)	-11.26%
Alcoholic beverage excise taxes	118,044	165,705	(47,661)	-28.76%
Licenses and permits	3,000,308	1,227,680	1,772,628	144.39%
Intergovernmental	1,518,457	822,440	696,017	84.63%
Charges for services	4,751	4,660	91	1.95%
Fines and forfeitures	14,997	25,422	(10,425)	-41.01%
Interest earned	635	-	635	100.00%
Miscellaneous	3,978	1,478	2,500	169.15%
Total revenues	<u>14,331,136</u>	<u>10,221,766</u>	<u>4,109,370</u>	<u>40.20%</u>
Expenditures:				
Current:				
General government	5,065,770	4,356,422	709,348	16.28%
Judicial	61,811	86,476	(24,665)	-28.52%
Public works	-	536,511	(536,511)	-100.00%
Economic development	1,159,379	1,065,973	93,406	8.76%
Community development	726,897	723,781	3,116	0.43%
Culture and recreation	1,409,498	1,270,901	138,597	10.91%
Capital outlay	397,363	58,994	338,369	573.57%
Debt service:				
Principal	29,991	26,810	3,181	11.86%
Interest	8,409	11,590	(3,181)	-27.45%
Total expenses	<u>8,859,118</u>	<u>8,137,458</u>	<u>721,660</u>	<u>8.87%</u>
Other financing sources:				
Transfers in	353,669	426,758	(2,546)	-0.60%
Net change in fund balance	5,825,687	2,511,066	3,387,710	134.91%
Fund balance, beginning of year	<u>3,535,426</u>	<u>1,024,360</u>		
Fund balance, end of year	<u>\$ 9,361,113</u>	<u>\$ 3,535,426</u>		

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

Total General Fund revenues increased \$4,109,370 or 40.20%. Franchise taxes decreased slightly from the prior year. Insurance premium taxes totaled \$4,032,198. Business taxes decreased \$180,440, as the local economy slowed due to the coronavirus pandemic. Licenses and permits increased \$1,772,628 or 144.39% due to several large new commercial projects commencing in 2020.

Total General Fund expenditures increased \$721,660 or 8.87%. General government expenditures increased \$709,348 or 16.28% primarily from increases in contractual services for general operations provided by the City's prime contractor, Jacobs Engineering. Increases in economic development and culture and recreation expenditures amounted to \$93,406 and \$138,597, respectively.

COVID Relief Fund. In 2020, the City received \$6,227,098 from DeKalb County for the Coronavirus Aid, Relief, and Economic Security (CARES) Act for the federal relief funds. The City partnered with local churches, non-profit organizations and local businesses to lessen COVID-19's impact on citizens, businesses and public health. Through the City's agreement with DeKalb County, these funds were required to be disbursed by December 31. Due to the incurrence of ineligible federal expenditures, no intergovernmental revenue was recognized in 2020, and the City reports a liability equal to the allotment received from the County.

SPLOST Fund. In 2018, the City began receiving proceeds of a sales tax levied in DeKalb County, which will be used by the City for the exclusive purpose of capital outlay projects in accordance with a voter approved sales tax referendum. For fiscal years 2020 and 2019, the City received SPLOST revenue of \$7,423,163 and \$7,639,992, respectively. In 2020 and 2019, the City expended \$4,381,843 and \$4,182,212, respectively. These expenditures of SPLOST funds were primarily for resurfacing projects.

Urban Redevelopment Agency (URA). The Urban Redevelopment Agency was created to exercise the City's *urban redevelopment powers*. Under Georgia's Urban Redevelopment Act (O.C.G.A 36-61-1), cities are given broad powers to redevelop blighted or threatened areas of the community. These powers include (1) the use of eminent domain to buy and assemble property for revitalization and resale; (2) encouragement of private-public partnerships to redevelop neglected areas; (3) permit the use of tax exempt bonds for redevelopment purposes, that can be secured by loans or grant; (4) allow the City to negotiate variances and wave many requirements of its existing zoning and development requirements in order to achieve the optimum economic and aesthetic results in the blighted or threatened area. In 2020, the URA issued Series 2020 A and B revenue bonds to finance the purchase of land and buildings for city use or listed as land held for development. The URA reported a change in fund balance of \$2,183,663 for 2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget versus actual comparison can be found on page 34. Total revenues were \$4,234,236 in excess of budget. Property taxes and franchise taxes were \$1,775,560 and \$345,952, in excess of budget, respectively, as budgeted revenues in 2020 were more conservative than in 2019, in part due to lack of history for such revenue types. Insurance taxes were \$212,198 in excess of budget, which was also due to a conservative budget. Intergovernmental revenues were \$208,457 in excess of budget as the City did not anticipate receiving these revenue streams when the budget was adopted.

Total expenditures were \$1,599,782 less than the final budgets. General government expenditures were \$536,030 less than budgeted as this category included a \$550,000 contingency that could have been allocated to other expenditure line items. The City has used a conservative budgeting approach based on the limited information available at the time the budget was prepared.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's net investment in capital assets for its governmental activities as of December 31, 2020, was to \$16,143,608, an increase of \$3,308,36 from the prior year.

Capital Assets (net of accumulated depreciation) Fiscal Years 2020 and 2019

	Governmental Activities	
	2020	2019
Land	\$ 9,231,633	\$ 5,916,147
Construction in progress	160,365	-
Furniture and equipment	163,358	126,398
Improvements	6,003,481	6,180,075
Buildings	584,771	612,752
Total	<u>\$ 16,143,608</u>	<u>\$ 12,835,372</u>

Additional information on the City's capital assets can be found in Note 4 on page 28 of this report.

Financed purchases. At the end of fiscal year December 31, 2020, the City had total borrowings outstanding of \$58,101 in the form of financed purchases from direct borrowings used to purchase office equipment. All borrowings are backed by the full faith and credit of the City.

Revenue bonds – Direct Placement. On June 24, 2020 the City of Stonecrest URA voted unanimously to pass a bond resolution to address pockets of blight identified within city limits. Two revenue bonds were issued, Series 2020A and Series 2020B, totaling \$5,410,000. These funds were used to finance the costs of acquiring and renovating the Sears Department Store and Automotive Center and the Sam's Club building. The Series 2020A, with the principal amount of \$3,195,000, will be paid for in 20 years at an interest rate of 2.92 percent per annum. The Series 2020B bond for \$2,215,000, will be paid for in 10 years at a rate of 3.04 percent per annum.

Long Term Debt Fiscal Years 2020 and 2019

	Governmental Activities	
	2020	2019
Financed purchases	\$ 55,447	\$ 85,720
Revenue bonds	5,410,000	-
Total	<u>\$ 5,465,447</u>	<u>\$ 85,720</u>

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

Additional information on the City's long-term debt can be found in Note 5 on page 29 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These factors were considered in preparing the City's budget for the 2021 fiscal year.

- Sustainability of existing services – The City will implement a philosophy of budgetary evaluation which reviews the needs of the City to the standard which realizes that services and associated costs should not be appropriated if they are not justified as long-term goals and priority of the City. This philosophy will be discussed during the budget process, with a financial outlook that provides opportunity to evaluate Government priorities, realign and diversify revenue sources, and provide clear information for decision making for continued financial success.
- Cost of government – The first operating millage rate for the City was set at 1.438 mills. As the scope of city services continues to expand, the government will continue to explore all viable options to ensure that the services provided remain at the highest level possible.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Stonecrest finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, City of Stonecrest, 3120 Stonecrest Blvd, Stonecrest, GA 30038.

City of Stonecrest, Georgia
3120 Stonecrest Blvd.
Stonecrest, Georgia 30038

CITY OF STONECREST, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 20,048,641
Taxes receivable	5,902,262
Intergovernmental receivable	777,468
Prepaid items	46,237
Land held for development	2,109,884
Capital assets:	
Nondepreciable	9,391,998
Depreciable, net of accumulated depreciation	<u>6,751,610</u>
Total assets	<u>45,028,100</u>
LIABILITIES	
Accounts payable	462,746
Accrued liabilities	166,691
Unearned revenue	6,227,098
Intergovernmental payable	17,223
Financed purchase payable, due within one year	30,896
Financed purchase payable, due in more than one year	24,551
Direct placement revenue bonds, due within one year	200,000
Direct placement revenue bonds, due in more than one year	<u>5,210,000</u>
Total liabilities	<u>12,339,205</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue - intergovernmental	<u>497,475</u>
NET POSITION	
Net investment in capital assets	13,068,380
Restricted for:	
Promotion of trade and tourism	65,712
Capital projects	14,079,624
Unrestricted	<u>4,977,704</u>
Total net position	<u><u>\$ 32,191,420</u></u>

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

CITY OF STONECREST, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 11,359,290	\$ 280,493	\$ -	\$ -	\$ (11,078,797)
Judicial	61,811	-	-	-	(61,811)
Economic development	1,159,612	-	-	-	(1,159,612)
Public safety	-	-	-	1,113,458	1,113,458
Public works	4,268,541	-	562,496	5,535,259	1,829,214
Community development	962,677	2,734,812	-	-	1,772,135
Culture and recreation	1,561,104	4,751	955,961	777,446	177,054
Interest and issuance costs on long-term debt	291,510	-	-	-	(291,510)
Total governmental activities	<u>\$ 19,664,545</u>	<u>\$ 3,020,056</u>	<u>\$ 1,518,457</u>	<u>\$ 7,426,163</u>	<u>(7,699,869)</u>
General revenues:					
Property taxes					1,878,327
Insurance taxes					4,264,198
Hotel/Motel taxes					589,449
Franchise taxes					2,440,352
Business taxes					1,421,856
Alcoholic beverage taxes					118,044
Unrestricted investment earnings					635
Miscellaneous revenues					3,978
Total general revenues					<u>10,716,839</u>
Change in net position					3,016,970
Net position, beginning of year					29,174,450
Net position, end of year					<u>\$ 32,191,420</u>

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

CITY OF STONECREST, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

ASSETS	General Fund	SPLOST Fund	Urban Redevelopment Agency	COVID-19 Relief Fund	Nonmajor Governmental Fund	Total Governmental Funds
					Hotel/Motel Tax Fund	
Cash and cash equivalents	\$ 6,677,640	\$ 10,831,093	\$ 175,219	\$ 2,086,025	\$ 278,664	\$ 20,048,641
Taxes receivable	5,842,948	-	-	-	59,314	5,902,262
Intergovernmental receivable	-	777,468	-	-	-	777,468
Due from other funds	2,187,465	487,293	-	-	187	2,674,945
Prepaid items	49,437	-	-	-	-	49,437
Land held for development	-	-	2,109,884	-	-	2,109,884
Total assets	<u>\$ 14,757,490</u>	<u>\$ 12,095,854</u>	<u>\$ 2,285,103</u>	<u>\$ 2,086,025</u>	<u>\$ 338,165</u>	<u>\$ 31,562,637</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$ 190,139	\$ 154	\$ -	\$ -	\$ 272,453	\$ 462,746
Accrued liabilities	69,293	24,520	-	-	-	93,813
Unearned revenue	-	-	-	6,227,098	-	6,227,098
Due to other governments	17,223	-	-	-	-	17,223
Due to other funds	487,480	-	101,440	2,086,025	-	2,674,945
Total liabilities	<u>764,135</u>	<u>24,674</u>	<u>101,440</u>	<u>8,313,123</u>	<u>272,453</u>	<u>9,475,825</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - taxes	4,134,767	-	-	-	-	4,134,767
Unearned revenue - intergovernmental	497,475	-	-	-	-	497,475
Total deferred inflows of resources	<u>4,632,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,632,242</u>
FUND BALANCE						
Nonspendable:						
Prepaid items	49,437	-	-	-	-	49,437
Restricted:						
Capital projects	-	12,071,180	2,183,663	-	-	14,254,843
Promotion of trade and tourism	-	-	-	-	65,712	65,712
Unassigned	9,311,676	-	-	(6,227,098)	-	3,084,578
Total fund balance	<u>9,361,113</u>	<u>12,071,180</u>	<u>2,183,663</u>	<u>(6,227,098)</u>	<u>65,712</u>	<u>17,454,570</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 14,757,490</u>	<u>\$ 12,095,854</u>	<u>\$ 2,285,103</u>	<u>\$ 2,086,025</u>	<u>\$ 338,165</u>	<u>\$ 31,562,637</u>

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

CITY OF STONECREST, GEORGIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION DECEMBER 31, 2020

Total Governmental Fund Balances		\$	17,454,570
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Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Cost	16,568,485	
Less accumulated depreciation	<u>(424,877)</u>	16,143,608

In the governmental funds, debt service expenditures prepaid by year-end are not recognized as expenditures until they are due and payable; however, in the governmental activities those payments are recognized as reductions of the long-term liabilities when paid.

(3,200)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds' balance sheet but are reported on the government-wide statement of net position.

Accrued interest payable	(72,878)	
Financed purchases	(55,447)	
Direct placement revenue bonds	<u>(5,410,000)</u>	(5,538,325)

Receivables not collected within 60 days of fiscal year-end are not considered available and are deferred inflows of resources on the government funds' balance sheet but are recognized as revenue on the government-wide statement of net position.

4,134,767

Net Position of Governmental Activities		\$	<u>32,191,420</u>
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The accompanying notes are an integral part of these financial statements

CITY OF STONECREST, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	SPLOST Fund	Urban Redevelopment Agency	COVID 19 Relief Fund	Nonmajor Governmental Fund Hotel/Motel Tax Fund	Total Governmental Funds
Revenues:						
Property taxes	\$ 1,775,560	\$ -	\$ -	\$ -	\$ -	\$ 1,775,560
Franchise taxes	2,440,352	-	-	-	-	2,440,352
Hotel/Motel taxes	-	-	-	-	589,449	589,449
Insurance taxes	4,032,198	-	-	-	-	4,032,198
Business taxes	1,421,856	-	-	-	-	1,421,856
Alcoholic beverage excise taxes	118,044	-	-	-	-	118,044
Licenses and permits	3,000,308	-	-	-	-	3,000,308
Intergovernmental	1,518,457	7,423,276	-	-	-	8,941,733
Charges for services	4,751	-	-	-	-	4,751
Fines and forfeitures	14,997	-	-	-	-	14,997
Interest earned	635	2,887	-	-	-	3,522
Miscellaneous	3,978	-	-	-	-	3,978
Total revenues	14,331,136	7,426,163	-	-	589,449	22,346,748
Expenditures:						
Current:						
General government	5,065,770	-	-	6,192,450	-	11,258,220
Judicial	61,811	-	-	-	-	61,811
Economic development	1,159,379	-	233	-	-	1,159,612
Community development	726,897	-	-	-	235,780	962,677
Culture and recreation	1,409,498	-	-	-	-	1,409,498
Capital outlay	397,363	4,381,843	3,015,599	34,648	-	7,829,453
Debt service:						
Principal	29,991	-	-	-	-	29,991
Interest	8,409	-	23,740	-	-	32,149
Issuance costs	-	-	186,765	-	-	186,765
Total expenditures	8,859,118	4,381,843	3,226,337	6,227,098	235,780	22,930,176
Excess (deficiency) of revenues over (under) expenditures	5,472,018	3,044,320	(3,226,337)	(6,227,098)	353,669	(583,428)
Other financing sources (uses):						
Transfers in	353,669	-	-	-	-	353,669
Transfers out	-	-	-	-	(353,669)	(353,669)
Issuance of revenue bonds	-	-	5,410,000	-	-	5,410,000
Total other financing sources (uses)	353,669	-	5,410,000	-	(353,669)	5,410,000
Net change in fund balances	5,825,687	3,044,320	2,183,663	(6,227,098)	-	4,826,572
Fund balances, beginning of year	3,535,426	9,026,860	-	-	65,712	12,627,998
Fund balances (deficit), end of year	\$ 9,361,113	\$ 12,071,180	\$ 2,183,663	\$ (6,227,098)	\$ 65,712	\$ 17,454,570

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

CITY OF STONECREST, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Net change in fund balances - total governmental funds	\$	4,826,572
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	3,560,912	
Depreciation expense	<u>(252,676)</u>	3,308,236

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the principal payments on the long-term debt in the current year.

Principal retirement:		
Financed purchases	30,273	
Accrued interest	(72,878)	
Issuance of direct placement revenue bonds	<u>(5,410,000)</u>	(5,452,605)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

334,767

Change in net position - governmental activities

\$ 3,016,970

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

CITY OF STONECREST, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City, which was incorporated by a voter approved referendum on November 8, 2016, commenced operations on July 10, 2017 pursuant to the election of a mayor and council on April 18, 2017. Policy-making and legislative authority are vested in the Mayor and City Council which consists of five council members and the Mayor. The government provides such services as general government administration, judicial services through its municipal court, code enforcement, building and zoning, and housing and development. DeKalb County, Georgia provides public safety related services to the City.

The Urban Redevelopment Agency (“URA” or “Agency”) was activated by resolution in 2020 to promote and further develop trade and tourism opportunities within the City. The Agency operates under a six-member board appointed by the Mayor and approved by the City Council. Any debt issued by the URA is expected to be repaid with City resources. The Agency does not issue separate financial statements and is included as a blended component unit in the City’s financial report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Government-wide financial statements do not provide information by fund, but by the City’s governmental activities. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City’s capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, hotel/motel occupancy taxes, business taxes, insurance premium taxes, excise taxes, and licenses and permits associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if availability criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In accordance with GASB Statement No. 34, major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Special Purpose Local Option Sales Tax (SPLOST) Fund** is used to account for the proceeds of a sales tax levied in DeKalb County, which will be used by the City for the exclusive purpose of capital outlay projects in accordance with the voter approved sales tax referendum.

The **Urban Redevelopment Agency (URA)** is used to account for the proceeds of the Series 2020 A & B revenue bonds issuances.

The **COVID-19 Relief Fund** is a special revenue fund used to account for the Coronavirus Relief Fund grant revenue and expenditures of the City.

Additionally, the City reports the following fund type:

The **Special Revenue Funds** are used to account for specific revenues which are either legally restricted or committed to expenditures for particular purposes.

D. Budgets

Formal budgetary accounting is employed as a management control device for the funds of the City. The governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual operating budget is adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund. Any changes from the original budget are reflected in the budgetary comparison schedule. All appropriations lapse at fiscal year-end. The City does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

H. Capital Assets

Capital assets, which include vehicles and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Category	Useful Life
Land	N/A
Buildings and improvements	20-50 years
Equipment	5-10 years
Intangible assets	10 years

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as debt service expenditures.

K. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has one type of item that arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue* is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from insurance premium taxes and property taxes as these amounts are deferred and will be recognized as inflows of resources in the period in which the amounts become available.

L. Fund Equity

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment, also through a resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign fund balances remains with the City Council.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds. The City, by resolution, has created a minimum fund balance policy to be no less than 6% of current year revenues of the General Fund, in order to cover unforeseen emergencies and/or revenue shortfalls.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Use of Estimates

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

NOTE 2. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

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

Transfers of appropriations within a department budget or within a non-departmental expenditure category may be made without the approval of the City Council, but expenditures or expense may not exceed the amount appropriated for a department without an amendment approved by the City Council. The final budget amounts shown in these financial statements reflect amendments approved by the City Council.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

B. Excess Expenditures Over Appropriations

For the year ended December 31, 2020 the following funds had actual expenditures in excess of their appropriations:

General Fund	
General government:	
Legal services department	\$ 8,134
Facilities and building department	306,358
Communications	7,187
General operations	18,101
Capital outlay	199,863
Debt service:	
Principal	29,991
Interest	8,409
COVID-19 Relief Fund	
Capital outlay	34,648

These expenditures in excess of appropriations were primarily funded by lower than budgeted expenditures in other areas, greater than anticipated revenues or will require future appropriation from another fund.

C. Deficit Fund Balance

At the end of fiscal year 2020, the COVID-19 Relief Fund is reporting a deficit fund balance of \$6,227,098 as a result of expenditures deemed ineligible for revenue recognition. This deficit will be funded with future appropriations from the General Fund.

NOTE 3. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and City policy require all deposits to be collateralized by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2020, the City had deposits with one (1) financial institution collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. Additionally, the City had deposits with two (2) financial institutions that were collateralized by pledged securities, as defined above, such that all of the City's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital asset activity for the City for the year ended December 31, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 5,916,147	\$ 3,315,486	\$ -	\$ 9,231,633
CIP	-	160,365	-	160,365
Total	<u>5,916,147</u>	<u>3,475,851</u>	<u>-</u>	<u>9,391,998</u>
Capital assets, being depreciated:				
Furniture, equipment and vehicles	223,857	85,061	-	308,918
Improvements	6,245,490	-	-	6,245,490
Buildings	622,079	-	-	622,079
Total	<u>7,091,426</u>	<u>85,061</u>	<u>-</u>	<u>7,176,487</u>
Less accumulated depreciation for:				
Furniture and equipment	(97,459)	(48,101)	-	(145,560)
Improvements	(65,415)	(176,594)	-	(242,009)
Buildings	(9,327)	(27,981)	-	(37,308)
Total	<u>(172,201)</u>	<u>(252,676)</u>	<u>-</u>	<u>(424,877)</u>
Total capital assets being depreciated, net	<u>6,919,225</u>	<u>(167,615)</u>	<u>-</u>	<u>6,751,610</u>
Governmental activities capital assets, net	<u><u>\$ 12,835,372</u></u>	<u><u>\$ 3,308,236</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,143,608</u></u>

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

Governmental activities:	
General government	\$ 101,070
Culture and recreation	151,606
Total depreciation expense - governmental activities	<u><u>\$ 252,676</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG TERM DEBT

The following is a summary of long-term debt activity of the City for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Financed purchase	\$ 85,720	\$ -	\$ (30,273)	\$ 55,447	\$ 30,896
Direct placement revenue bonds	-	5,410,000	-	5,410,000	200,000
Governmental activity long-term liabilities	<u>\$ 85,720</u>	<u>\$ 5,410,000</u>	<u>\$ (30,273)</u>	<u>\$ 5,465,447</u>	<u>\$ 230,896</u>

Financed Purchase from Direct Borrowings

On July 1, 2017, the City entered into a financed purchase to acquire computer equipment through Government Leasing, LLC for \$146,278. Monthly payments of \$3,200, including interest at a rate of 11.27% began September 1, 2017 and will continue through August 1, 2022. The outstanding balance at December 31, 2020 is \$55,447.

As of December 31, 2020, the cost and accumulated depreciation on the assets acquired under the financed purchase is \$146,278 and \$92,644, respectively. The annual depreciation is included in the capital asset depreciation total in Note 4. The total debt service requirements to maturity for the City's financed purchase is as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 30,896	\$ 4,849	\$ 35,745
2022	<u>24,551</u>	<u>1,049</u>	<u>25,600</u>
Total	<u>\$ 55,447</u>	<u>\$ 5,898</u>	<u>\$ 61,345</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG TERM DEBT (CONTINUED)

Direct Placement Revenue Bonds

In July 2020, the City issued \$3,195,000 of Series 2020A tax-exempt revenue bonds and \$2,215,000 of Series 2020B taxable revenue bonds, for a total bond issuance of \$5,410,000. The Series 2020B taxable bonds were issued for the purpose of purchasing and renovating a former Sears building, which is classified as land held for development as of fiscal year end. The Series 2020A tax-exempt bonds were issued for the purpose of purchasing, renovating and paying of the tax anticipation note issued for a former Sam's building, which is reported within the City's capital assets. Annual interest payments at 2.92% for Series 2020A and 3.04% for Series 2020B are due on February 1 and principal payments are due annually on February 1 until the bonds mature in February 2040. In the event the City is unable to make payments as they become due and payable, or is rendered incapable of fulfilling its obligations under the bond resolution, the outstanding amounts owed on the bonds become due and payable immediately.

The City's debt service requirements to maturity on the total revenue bonds are as follows:

Year ending December 31,	Principal	Interest	Total
2021	\$ 200,000	\$ 87,454	\$ 287,454
2022	205,000	154,550	359,550
2023	215,000	148,318	363,318
2024	220,000	141,782	361,782
2025	225,000	135,094	360,094
2026-2030	1,245,000	568,854	1,813,854
2031-2035	1,435,000	371,278	1,806,278
2036-2040	1,665,000	148,336	1,813,336
Total	<u>\$ 5,410,000</u>	<u>\$ 1,755,666</u>	<u>\$ 7,165,666</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. SHORT-TERM BORROWING

The City paid off a tax anticipation note of \$3,060,000 with a local financial institution. The tax anticipation note was issued for purposes of obtaining initial capital to acquire a former Sam's building. The borrowing, with an interest rate of 2.10%, was paid off in conjunction with the Series 2020A and Series 2020B bond issuance. The following is a summary of the tax anticipation note payable for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax anticipation note	\$ -	\$ 3,060,000	\$ (3,060,000)	\$ -

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of due to/from other funds as of December 31, 2020 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Nonmajor governmental fund	General Fund	\$ 187
SPLOST Fund	General Fund	487,293
General Fund	COVID-19 Relief Fund	2,086,025
General Fund	Urban Redevelopment Agency	101,440

The interfund balance between the nonmajor governmental fund and the General Fund is a result of residual hotel/motel tax collections that have not yet been transferred to the Hotel/Motel Tax Fund. The interfund balance between the SPLOST Fund and the General Fund is due to the City matching state grant expenditures initially recorded in the SPLOST Fund to be paid out of the General Fund, where the state grant revenue is recorded. The year-end balance is a result of timing difference between the funds. The interfund balance between the General Fund and the COVID-19 Relief Fund is the result of some expenditures being initially paid for out of the General Fund, not yet reimbursed to General Fund from the COVID-19 Relief Fund. The year-end balance is a result of timing difference between the funds. Lastly, the interfund balance between the General Fund and the Urban Redevelopment Agency is the result of issuance costs being borne out of General Fund and owed by the Urban Redevelopment Agency at year end.

The composition of interfund transfers as of December 31, 2020 is as follows:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund	\$ 353,669

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. HOTEL/MOTEL LODGING TAX

The City has levied an occupancy tax of 8% for the rent of a guest room at a hotel or motel in the City as authorized by the Official Code of Georgia Annotated (O.C.G.A.) §48-13-51(a)(3). For the year ended December 31, 2020, the City collected \$589,449 in hotel/motel tax revenues. Of this amount, \$235,780, or 40% was used for the promotion of tourism in accordance with the provisions of O.C.G.A §48-13-51(a)(3).

NOTE 9. OPERATING LEASES

The government leases the city hall office facilities under a non-cancelable operating lease. The City accrues rent expense in an amount such that the total rent expense under the lease is recognized ratably over the lease term. The lease expense on the city hall facility was \$215,893 for the year ended December 31, 2020.

The future minimum lease payments for these leases are as follows:

Year Ending December 31,	City Hall
2021	\$ 235,581
2022	239,745
2023	60,198
Total lease payments	<u>\$ 535,524</u>

NOTE 10. RISK MANAGEMENT

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

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract. The fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT (CONTINUED)

The City carries commercial insurance for other risks of losses. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the last three years of operations.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

The City is subject to legal actions in the ordinary course of business. In the opinion of management and legal counsel, the City has adequate legal defenses and insurance coverage with respect to such actions and the liability, if any, which might result from these proceedings, would not have a material adverse effect on the financial position of the City.

Grant Contingencies:

The City has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon the issues contained within the City's CARES Program, City management believes such disallowances could be significant, and that the City would be required to reimburse DeKalb County for the City's allotment of CARES funding. In addition, per an intergovernmental agreement with DeKalb County, the County has the ability to withhold City property tax remittances in response to the issues cited with the CARES Program.

Contractual Commitments:

The City has entered into a private contractual partnership for outsourced services and operations. Through this contract with private companies, an array of operational services are provided via outsourcing. This contract is an operating contract for which the City is continually monitoring its outsourcing needs as compared to providing services in-house. Currently, these contracts are approximately \$5.1 million annually. The contracts were bid for five annual service periods and run through the year ending 2022.

NOTE 12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which DeKalb County has paid on behalf of the City of Stonecrest. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from Atlanta Regional Commission, 229 Peachtree Street NE, STE 100, Atlanta, Georgia 30303 or online at <https://atlantaregional.org/about-arc/comprehensive-annual-financial-report>.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STONECREST, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ -	\$ -	\$ 1,775,560	\$ 1,775,560
Franchise taxes	2,094,400	2,094,400	2,440,352	345,952
Business license and occupational taxes	1,555,000	1,555,000	1,421,856	(133,144)
Insurance taxes	3,820,000	3,820,000	4,032,198	212,198
Alcoholic beverage excise taxes	145,000	145,000	118,044	(26,956)
Intergovernmental	1,310,000	1,310,000	1,518,457	208,457
Licenses and permits	1,153,500	1,153,500	3,000,308	1,846,808
Charges for services	-	-	4,751	4,751
Fines and forfeitures	19,000	19,000	14,997	(4,003)
Interest income	-	-	635	635
Miscellaneous	-	-	3,978	3,978
Total revenues	10,096,900	10,096,900	14,331,136	4,234,236
Expenditures:				
Current:				
General government:				
City council	224,700	224,700	163,816	60,884
City manager	211,950	211,950	208,643	3,307
City clerk	145,000	145,000	144,638	362
Financial administration	611,250	611,250	496,185	115,065
Legal services department	620,000	620,000	628,134	(8,134)
Economic development	1,160,150	1,205,150	715,741	489,409
Facilities and building department	299,500	299,500	605,858	(306,358)
Communications	377,550	377,550	384,737	(7,187)
IT/GIS	426,500	426,500	326,629	99,871
General operations	447,350	447,350	465,451	(18,101)
Building	962,500	962,500	925,938	36,562
Contingency	70,350	70,350	-	70,350
Total general government	5,556,800	5,601,800	5,065,770	536,030
Public works	560,000	485,000	-	485,000
Judicial:				
Court services	92,750	92,750	61,811	30,939
Economic development:				
Code enforcement	1,003,450	1,003,450	950,210	53,240
Business development	260,100	260,100	209,169	50,931
Total economic development	1,263,550	1,263,550	1,159,379	104,171
Community development	775,650	775,650	726,897	48,753
Culture and recreation	2,042,650	2,042,650	1,409,498	633,152
Capital outlay	167,500	197,500	397,363	(199,863)
Debt service:				
Principal	-	-	29,991	(29,991)
Interest	-	-	8,409	(8,409)
Total debt service	-	-	38,400	(38,400)
Total expenditures	10,458,900	10,458,900	8,859,118	1,599,782
Excess of revenues over expenditures	(362,000)	(362,000)	5,472,018	5,834,018
Other financing sources:				
Transfers in	360,000	360,000	353,669	(6,331)
Total other financing sources	360,000	360,000	353,669	(6,331)
Net change in fund balance	(2,000)	(2,000)	5,825,687	5,827,687
Fund balance, beginning of year	3,535,426	3,535,426	3,535,426	-
Fund balance, end of year	\$ 3,533,426	\$ 3,533,426	\$ 9,361,113	\$ 5,827,687

CITY OF STONECREST, GEORGIA
COVID-19 RELIEF FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,227,016	\$ 6,227,016	\$ -	\$ (6,227,016)
Total revenues	6,227,016	6,227,016	-	(6,227,016)
Expenditures				
General government	6,227,016	6,227,016	6,192,450	34,566
Capital outlay	-	-	34,648	(34,648)
Total expenditures	6,227,016	6,227,016	6,227,098	(82)
Net change in fund balances	-	-	(6,227,098)	(6,227,098)
Fund balances, beginning of year	-	-	-	-
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,227,098)</u>	<u>\$ (6,227,098)</u>

NONMAJOR GOVERNMENTAL FUND

Hotel/Motel Tax Fund – To account for the collection of the 8% tax levied by the City on all hotel/motel lodgings and accommodations within the City and for the expenditures made distributing these collections to the appropriate entities as required by §OCGA 48-13-51.

CITY OF STONECREST, GEORGIA
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 600,000	\$ 600,000	\$ 589,449	\$ (10,551)
Total revenues	600,000	600,000	589,449	(10,551)
Expenditures:				
Community development	240,000	240,000	235,780	4,220
Total expenditures	240,000	240,000	235,780	4,220
Excess of revenues over expenditures	360,000	360,000	353,669	(6,331)
Other financing uses:				
Transfers out	(360,000)	(360,000)	(353,669)	6,331
Total other financing uses	(360,000)	(360,000)	(353,669)	6,331
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	65,712	65,712	65,712	-
Fund balances, end of year	<u>\$ 65,712</u>	<u>\$ 65,712</u>	<u>\$ 65,712</u>	<u>\$ -</u>

CITY OF STONECREST, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>
SPLOST - 2017 SERIES				
Resurfacing and street paving	\$ 10,000,000	\$ 3,186,794	\$ 4,264,083	\$ 7,450,877
Transportation improvements, design, and planning	18,539,000	286,631	-	286,631
Parks and recreation	5,000,000	708,787	93,241	802,028
Multi-modal transportation consisting of, sidewalks, paths and bikeways projects	3,240,000	-	-	-
Capital improvements on public safety facilities and City Hall	7,161,000	-	24,519	24,519
Construction and program management	3,820,000	-	-	-
	<u>\$ 47,760,000</u>	<u>\$ 4,182,212</u>	<u>\$ 4,381,843</u>	<u>\$ 8,564,055</u>

STATISTICAL SECTION

This part of the City of Stonecrest's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Page

Financial Trends..... 38

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 42

These schedules contain information to help the reader assess the City's most significant local revenue source, franchise taxes.

The City notes that while insurance premium tax revenues are the largest reported within the City's annual comprehensive financial report, these revenues are not own-source, but rather state driven and thus would not be appropriate for revenue capacity statistics within this section.

Debt Capacity 44

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information..... 46

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 49

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

The City contracted out most of its services during the fiscal year 2020.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.

CITY OF STONECREST, GEORGIA

NET POSITION BY COMPONENT LAST FOUR FISCAL YEARS (accrual basis of accounting)

	2020	2019	2018	2017
Governmental activities:				
Net investment in capital assets	\$ 13,068,380	\$ 12,749,652 (1)	\$ 68,765	\$ 72,664
Restricted	14,145,336 (2)	9,092,572	5,810,225	-
Unrestricted	4,977,704	7,332,226	834,179	199,300
Total governmental activities net position	<u>\$ 32,191,420</u>	<u>29,174,450</u>	<u>\$ 6,713,169</u>	<u>\$ 271,964</u>

(1) The City took over parks land and improvements from DeKalb County in 2019.

(2) Increase relates to increased SPLOST collections and revenue bond issuance in 2020.

Note: Fiscal period 2017 was the City's first period of operation and consisted of only six months of activity.

CITY OF STONECREST, GEORGIA
CHANGES IN NET POSITION
LAST FOUR FISCAL YEARS
(accrual basis of accounting)

	2020	2019	2018	2017
Expenses				
Governmental activities:				
General government	\$ 11,359,290 (3)	\$ 4,399,115	\$ 3,357,065	\$ 2,008,160
Judicial	61,811	86,476	94,947	1,615
Economic development	1,159,612	1,065,973 (1)	-	-
Public works	4,268,541	4,777,717 (1)	-	-
Community development	962,677	1,005,776	1,785,857	718,246
Culture and recreation	1,561,104	628,960	98,440	-
Interest on long-term debt	291,510	11,339	14,210	6,694
Total governmental activities expenses	<u>19,664,545</u>	<u>11,975,356</u>	<u>5,350,519</u>	<u>2,734,715</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 280,493	\$ 220,273	\$ 292,305	\$ 198,509
Community development	2,734,812	1,032,829	1,355,942	668,234
Culture and recreation	4,751	4,660	-	-
Operating grants and contributions	1,518,457	822,440	-	-
Capital grants and contributions	7,426,163	19,694,570 (2)	5,547,695	-
Total governmental activities program revenues	<u>11,964,676</u>	<u>21,774,772</u>	<u>7,195,942</u>	<u>866,743</u>
Total program revenues	<u>\$ 11,964,676</u>	<u>\$ 21,774,772</u>	<u>\$ 7,195,942</u>	<u>\$ 866,743</u>
Net (expense)/revenue				
Governmental activities	<u>\$ (7,699,869)</u>	<u>\$ 9,799,416</u>	<u>\$ 1,845,423</u>	<u>\$ (1,867,972)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 1,878,327	\$ -	\$ -	\$ -
Insurance taxes	4,264,198	7,621,203	-	-
Sales and use taxes	-	-	186,981	-
Hotel/Motel taxes	589,449	704,989	656,874	275,412
Franchise taxes	2,440,352	2,550,882	2,431,266	604,257
Business taxes	1,421,856	1,602,296	1,158,721	1,208,500
Motor vehicle excise taxes	-	961	2,803	7,356
Alcoholic beverage excise taxes	118,044	165,705	144,585	44,411
Unrestricted investment earnings	635	14,351	7,034	-
Miscellaneous revenues	3,978	1,478	7,518	-
Total governmental activities	<u>10,716,839</u>	<u>12,661,865</u>	<u>4,595,782</u>	<u>2,139,936</u>
Total primary government	<u>\$ 10,716,839</u>	<u>\$ 12,661,865</u>	<u>\$ 4,595,782</u>	<u>\$ 2,139,936</u>
Change in Net Position				
Governmental activities	<u>\$ 3,016,970</u>	<u>\$ 22,461,281</u>	<u>\$ 6,441,205</u>	<u>\$ 271,964</u>

(1) City functions expanded in 2019 due to general growth and for road/streets re-surfacing.

(2) The City took over parks land and improvements capital assets from DeKalb County in 2019.

(3) The City incurred significant expenses related to its COVID-19 funding from DeKalb County in 2020.

Note: Fiscal period 2017 was the City's first period of operation and consisted of only six months of activity.

CITY OF STONECREST, GEORGIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(modified accrual basis of accounting)

	2020	2019	2018	2017
General Fund:				
Restricted	\$ -	\$ -	\$ 186,981	\$ -
Nonspendable	49,437	354,760	44,670	3,200
Assigned	-	-	-	100,000
Unassigned	9,311,676 ⁽¹⁾	3,180,666	792,709	99,300
Total General fund	<u>\$ 9,361,113</u>	<u>\$ 3,535,426</u>	<u>\$ 1,024,360</u>	<u>\$ 202,500</u>
All other governmental funds:				
Restricted	\$ 14,320,555	\$ 9,092,572	\$ 5,623,244	\$ -
Unassigned	(6,227,098) ⁽²⁾	-	-	-
Total other governmental funds	<u>\$ 8,093,457</u>	<u>\$ 9,092,572</u>	<u>\$ 5,623,244</u>	<u>\$ -</u>

(1) General increase in revenues in 2020, which included the first year of property tax collections resulted in a large increase in fund balance in 2020.

(2) Expenditure of ineligible federal grant funds resulted in large, unassigned fund deficit in 2020.

Note: Fiscal period 2017 was the City's first period of operation and consisted of only six months of activity.

CITY OF STONECREST, GEORGIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(modified accrual basis of accounting)

	2020	2019	2018	2017
Revenues				
Taxes	\$ 10,377,459 (4)	\$ 8,846,036	\$ 4,581,230	\$ 2,139,936
Licenses and permits	3,000,308	1,227,680	1,631,999	866,743
Fines and forfeitures	14,997	25,422	16,248	-
Intergovernmental	8,941,733	8,462,432	5,547,695	-
Charges for services	4,751	4,660	-	-
Interest earned	3,522	14,351	7,034	-
Miscellaneous	3,978	1,478	7,518	-
Total revenues	<u>22,346,748</u>	<u>18,582,059</u>	<u>11,791,724</u>	<u>3,006,679</u>
Expenditures				
Current:				
General government	11,258,220 (5)	4,356,422	3,299,608	2,217,795
Public works	-	536,511 (2)	-	-
Judicial	61,811	86,476	92,909	1,615
Economic development	1,159,612	1,065,973 (1)	-	-
Community development	962,677	1,005,776	1,780,229	718,246
Culture and recreation	1,409,498	1,270,901 (1)	98,440	-
Capital outlay	7,829,453	4,241,206 (3)	37,034	-
Debt service:				
Principal	29,991	26,810	23,965	7,410
Interest	32,149	11,590	14,435	5,391
Issuance costs	186,765	-	-	-
Total expenditures	<u>22,930,176</u>	<u>12,601,665</u>	<u>5,346,620</u>	<u>2,950,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(583,428)</u>	<u>5,980,394</u>	<u>6,445,104</u>	<u>56,222</u>
Other Financing Sources (Uses)				
Issuance of long term debt	5,410,000 (6)	-	-	146,278
Transfers in	353,669	426,758	359,877	172,609
Transfers out	(353,669)	(426,758)	(359,877)	(172,609)
Total other financing sources (uses)	<u>5,410,000</u>	<u>-</u>	<u>-</u>	<u>146,278</u>
Net change in fund balances	<u>\$ 4,826,572</u>	<u>\$ 5,980,394</u>	<u>\$ 6,445,104</u>	<u>\$ 202,500</u>
Debt service as a percentage of noncapital expenditures	1.3%	0.3%	0.7%	0.5%

(1) City functions expanded in 2019 due to general growth.

(2) The City spent LMIG state grant funds on a resurfacing project in 2019.

(3) The City began spending SPLOST funds on a paving project in 2019.

(4) The City started collecting property tax revenues from the County in 2020.

(5) The City incurred significant expenses related to its COVID-19 funding from DeKalb County in 2020.

(6) The City issued Series 2020A and Series 2020B Revenue Bonds in 2020.

Note: Fiscal period 2017 was the City's first period of operation and consisted of only six months of activity.

CITY OF STONECREST, GEORGIA

PRINCIPAL FRANCHISE TAXPAYERS

CURRENT YEAR AND TWO YEARS AGO

Franchise Taxpayer	2020			2018		
	Revenue	Rank	Percentage of Total Revenue	Revenue	Rank	Percentage of Total Revenue
Georgia Power Company	\$ 978,811	1	40.11 %	\$ 872,427	1	34.20 %
Comcast	519,268	2	21.28	551,669	2	21.63
Snapping Shoals EMC	422,038	3	17.29	427,605	3	16.76
Southern Company Gas	341,035	4	13.97	308,649	4	12.10
AT&T/ BellSouth & Uverse	179,200	5	7.34	270,915	5	10.62
Totals	<u>\$ 2,440,352</u>		<u>100.00 %</u>	<u>\$ 2,431,266</u>		<u>95.31 %</u>

Source: City of Stonecrest Finance Department

Note 1: 2018 is the second year in which the City has a full year of franchise agreements.

Note 2: The City only collected franchise taxes from five entities.

CITY OF STONECREST, GEORGIA

FRANCHISE TAX RATES LAST THREE FISCAL YEARS

Calendar Year	Telecommunication	Cable	Electric	Gas
2020	3%	5%	4%	4%
2019	3%	5%	4%	4%
2018	3%	5%	4%	4%

Source: Stonecrest Finance Department

Note: All rates are charged on the gross revenue collected by the franchisee.

CITY OF STONECREST, GEORGIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FOUR FISCAL YEARS

Fiscal Year Ended December 31,	Governmental Activities			Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds Payable	Financed Purchase Payable	Total		
2020	\$ 5,410,000	\$ 55,447	\$ 5,465,447	0.40097 %	\$ 92.33
2019	-	85,720	85,720	0.00678	1.56
2018	-	112,781	112,781	0.00870	2.07
2017	-	136,971	136,971	0.01099	2.61

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF STONECREST, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF DECEMBER 31, 2020

Governmental Unit	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Overlapping debt			
DeKalb County Bonds, Leases & Financed Purchases Payable (1)	\$ 195,118,000	4.54 %	\$ 8,850,552
DeKalb County Board of Education GO and QSCB Bonds Payable (2)	<u>112,855,715</u>	4.54 %	<u>5,119,135</u>
Total overlapping debt	<u>307,973,715</u>		<u>13,969,688</u>
City of Stonecrest direct debt	<u>5,465,447</u>	100 %	<u>5,465,447</u>
Total direct and overlapping debt	<u>\$ 313,439,162</u>		<u>\$ 19,435,135</u>

(1) DeKalb County Annual Comprehensive Financial Report for December 31, 2020.

(1) DeKalb County Board of Education Annual Financial Report for Fiscal Year 2020.

Assessed value data used to estimate applicable percentages provided by the State Department of Revenue.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and, therefore, responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

CITY OF STONECREST, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST FOUR FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2020	59,194	\$ 1,363,060	\$ 23,027	32.9	10,432	4.2 %
2019	54,903	1,264,251	23,027	32.9	10,432	4.2
2018	54,522	1,296,642	23,782	32.9	10,432	4.2
2017	52,393	1,246,010	23,782	32.9	10,432	8.8

(1) Source: U. S. Bureau of Labor Statistics

(2) Source: DeKalb County Board of Education

(3) Bureau of Labor Statistics July, 2019

Note: 2020 population, per capita, and personal income are estimates based on past regional trends.

Note: School enrollment is based on beginning of school year.

CITY OF STONECREST, GEORGIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND THREE YEARS AGO

Employer	Description	2020			2017		
		Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
Home Chef	Catalog Mall Order Houses	653	1	5.53 %	500	3	6.07 %
American Structural Concrete, LLC	Turnkey Frame Construction	392	2	3.32			
Dart Container Corporation	Plastics Foam Products	375	3	3.18	500	1	6.07
Walmart Supercenter #4472	Department Store	308	4	2.61			
Walmart Supercenter #1340	Department Store	304	5	2.57	250	5	3.04
Plaid Enterprise Inc	Paint, Varnishes, Lacquers, Enamels	300	6	2.54	143	10	1.74
Trojan Battery Company	Manufacturing/Distribution of Batteries	234	7	1.98	250	4	3.04
Traditions Health & Rehabilitation	Intermediate Care Facilities	200	8	1.69	190	6	2.31
Macys	Department Store	198	9	1.68	180	7	2.19
Griffith Foods Inc.	Food Manufacturing	177	10	1.50			
DeKalb Medical Center at Hillandale	Hospitals, General Medical & Surgical				500	2	6.07
Kliklok-Woodman	Packaging Machinery				178	8	2.16
Sears	Department Store				150	9	1.82
Totals		3,141		26.6 %	2,841		34.5 %

(1) Source: 2020 individual employer's business license filing

CITY OF STONECREST, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST FOUR FISCAL YEARS

Function	2020	2019	2018	2017
General Government (City Council)	5	5	5	5
Mayor's Office	1	1	1	1
City Manager/Assistant City Manager	2	2	2	2
City Clerk/Receptionist	3	3	2	2
Finance/Licensing	2	2	2	2
IT/GIS	2	2	2	2
Economic Development	2	2	1	1
Communications	4	4	3	3
Community Development/Planning-Zoning	5	5	5	5
Code Enforcement	5	5	4	4
Building/Land Development	5	5	4	4
Municipal Court	1	1	-	-
Parks and Recreation	5	5	-	-
Total	42	42	31	31

Source: City of Stonecrest Human Resources Department

NOTE:

* All full-time employees work for CH2M Hill/Jacobs (25 total), either directly or through sub-contracts, with the exception of the Mayor and City Council (6 total).

All full-time employees are scheduled to work 2,080 hours per year (including vacation and sick).

CITY OF STONECREST, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST THREE FISCAL YEARS

Function	2020	2019	2018
General government			
Ordinances approved	3	16	45
Special events held	5	2	N/A
Court cases	58	427	N/A
Bond rating	N/A	N/A	N/A
Software applications supported	5	5	2
Grants managed	2	-	N/A
Police			
Calls for Service	N/A	N/A	N/A
Part 1 Crimes Reported	N/A	N/A	N/A
Traffic citation issued	N/A	N/A	N/A
Physical Arrest	N/A	N/A	N/A
Fire			
Incident responses	N/A	N/A	N/A
Average response time	N/A	N/A	N/A
Fire Safety programs conducted	N/A	N/A	N/A
Inspection Conducted	N/A	N/A	N/A
Public works			
Average days to repair pothole	N/A	N/A	N/A
Community Development			
New building permits issued		361	285
Commercial (1)	24	N/A	N/A
Residential (1)	588	N/A	N/A
Parcels annexed	N/A	N/A	N/A
Parcels annexed	N/A	N/A	N/A
Culture and Recreation			
Annual program registrants	20	20	N/A

Sources: Various City and County departments

N/A - Not applicable to City of Stonecrest operations

(1) In 2020, the City began reporting a breakdown of building permits issued by Residential and Commercial.

The Operating Indicators by Function for 2017 were omitted as the City did not provide services during fiscal year 2017 for which relevant operating indicators were available.

CITY OF STONECREST, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST THREE FISCAL YEARS

Function/Program		2020	2019	2018
General Government				
Land (acres)		1	N/A	N/A
Buildings				
Owned		N/A	N/A	N/A
Leased		1	1	N/A
Machinery & Equipment				
Owned		10	N/A	N/A
Leased		N/A	N/A	N/A
Vehicles				
Owned		1	N/A	N/A
Leased		N/A	N/A	N/A
Parks - active and passive				
Park acreage		740	502	N/A
Greenway and walking trails (miles)		4	4	N/A
Adaptive athletic fields		13	13	N/A
Athletic fields		20	20	N/A
Swimming pools		1	1	N/A
Tennis courts		2	2	N/A
Recreation buildings		1	1	N/A
Playgrounds		2	2	N/A
Picnic shelters/restrooms		11	11	N/A
Machinery & Equipment				
Owned		1	N/A	N/A

Source - City finance department

N/A - Not applicable to City of Stonecrest operations

COMPLIANCE SECTION



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

**The Honorable Mayor and Members
of the City Council of the
City of Stonecrest, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Stonecrest, Georgia (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003, and 2020-004 that we consider to be material weaknesses.

Compliance and Other Matters

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

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 27, 2022

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? ☒ yes ☐ no

Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

There was not an audit of major federal award programs for the fiscal year ended December 31, 2020 due to the total eligible amount expended being less than \$750,000.

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2020-001 Purchase Card Policies and Procedures

Criteria: Internal controls should be in place at the City to ensure that payments and disbursements made with purchase cards maintain proper documentation and support.

Condition: During our testing of P-card transactions, we noted the following issues surrounding the use and procedures encompassing the City's purchase cards:

- As of year-end, the City lacked oversight, documentation and prior approvals necessary for employees to make purchases on their purchase cards within City policy.
- During our testing of purchase card transactions throughout the year, we noted sixty-four (64) instances of purchases that lacked evidence of proper review and approval.
- During our testing of purchase card transactions throughout the year, we noted forty (40) instances in which receipts and/or support were not attached to the original statement(s).
- During our testing of purchase card transactions throughout the year, we noted fifty-four (54) instances in which it could not be verified that the purchase was made for allowable or city-related purpose within the purchase card policies outlined by the City.
- We noted that, for the employees that are issued cards, the cards are maintained by employees and kept in their possession, even when not in use. When not in use, purchase cards should be maintained in the finance department for safekeeping and control purposes.

Context/Cause: Due to the issues mentioned above, there were numerous transactions that resulted in unverified, unapproved and potentially unallowable purchases made with City issued purchase cards in violation of City policy.

Effects: Failure to have implementation of a purchase card policy, proper oversight and internal controls over the use and review of purchase cards can facilitate employee misuse.

Recommendation: We recommend that the City review and readdress its purchase card policy with City Council, implement a dual review process over the statements and purchases made, and maintain original support for all purchases made with City issued purchase cards.

Auditee's Response: The City of Stonecrest's Finance Department contends that as of year-end, December 31, 2020, established internal controls to ensure proper oversight, use and review of P-card transactions were not being followed by employees of the third-party contractor engaged to provide City government management and operations services.

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020-001 Purchase Card Policies and Procedures (Continued)

Auditee's Response (Continued):

Actions to correct deficiencies:

The City of Stonecrest published a request for proposal on November 30, 2020, in response to the City Council's request to have an external audit of purchasing card use by the third-party staff and elected officials. The City executed a contract with a CPA firm on March 8, 2021, to perform a procurement card audit. As a result of the audit, the City has reviewed and readdressed the concerns with City Council with an update to the purchasing policy that included an appendix that referenced the purchasing card. The Finance Department cancelled all outstanding credit cards. A review was completed, and the City Council approved a revised policy that limited authorized users to the City Manager or designee and Chief Financial Officer or designee.

The Finance Department has subsequently implemented a multi-step review/handling process as follows:

1. The cardholder submits the monthly P-card statement to the Finance Department for review. The submittal by the cardholder includes the statement, receipts, and credit card reconciliation report.
2. Senior Accountant or Revenue Manager reviews the cardholder's submittal for completeness, ensures all transactions are supported by a receipt and general ledger account accuracy.
3. Senior Accountant or Revenue Manager generates a journal entry with monthly submittal report as supporting documentation and submits to the Chief Financial Officer.
4. The Chief Financial Officer makes final review including that the appropriate purchasing policy was followed and initiates payment.
5. Monthly payment and journal entry accuracy is confirmed through the bank reconciliation process.

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020-002 Manual Journal Entry Review and Approval

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such action being detected during the normal course of business, and that evidence of journal entry review is maintained.

Condition: During our review of manual journal entries that are posted to the City's general ledger throughout the year, we noted twenty (20) instances in which the entry was lacking proper support and it could not be verified that the entry was reviewed and approved by someone other than the preparer.

Context/Cause: Due to the issue mentioned above, there were numerous transactions that resulted in unapproved transactions being posted to the City's general ledger.

Effects: Failure to have a functioning control structure surrounding the journal entry process can facilitate misappropriation of funds as well as possible transactional errors being posted within the City's general ledger.

Recommendation: We recommend that the City maintain, either in paper or electronic format, supporting calculations and evidence of the required journal entry, as well as the documented review, and approval of the entry by a knowledgeable independent individual, prior to the entry being posted to the general ledger.

Auditee's Response: The City of Stonecrest's Finance Department concurs internal controls were needed to ensure journal entries were processed and maintained with proper supporting documentation and evidence of documented review.

Actions to correct deficiencies:

In 2021, the Finance department implemented a control process for the entry, review, tracking and approval, and filing of journal entries. The process includes the following:

1. Prior to entry, supporting documentation is received and gathered. Supporting documentation includes statements, receipts, email confirmations, etc. The Revenue Manager reviews and creates the appropriate journal entry form.
2. Revenue Manager attaches supporting documentation to the journal entry form and creates an electronic file that is routed via Adobe Sign to the Chief Financial Officer for approval.

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020-002 Manual Journal Entry Review and Approval (Continued)

Auditee's Response (Continued):

3. Once approval of the Chief Financial Officer is received via Adobe Sign, the Revenue Manager saves the electronic file to the Finance Drive for the Senior Accountant's review and entry into the general ledger.
4. The Chief Financial Officer makes final review of entries to the general ledger through monthly budget to actual reporting and various balance sheet account reconciliations.

2020-003 Accounting for Grants Subject to Eligibility Requirements

Criteria: Internal controls should be in place at the City to ensure that accounting for grants and eligibility requirements conform to accounting standards within the Governmental Accounting Standards Board (GASB), the Uniform Guidance and are in accordance with generally accepted accounting principles (GAAP).

Condition: During our testing of intergovernmental cash receipts related to the City's Coronavirus Aid, Relief and Economic Security Act (CARES) funding, it was determined that, as a result of the incurrence of ineligible expenditures, the City improperly recognized revenue in the amount of approximately \$6.2 million in its special revenue fund and general ledger.

Context/Cause: CARES Act funding is subject to eligibility requirements, specifically incurrence of eligible expenditures, in order for a governmental entity to recognize intergovernmental revenue. This is not limited or equal to cash received. Cash received should be recorded as unearned revenue, or a liability, until the incurrence of eligible expenditures as outlined by the grantor agency, in accordance with the Uniform Guidance, and in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Effects: As a result of improper recognition of intergovernmental revenue in the amount of approximately \$6.2 million in the City's general ledger, an adjustment was made to reclassify the amount as unearned revenue for financial reporting.

Recommendation: We recommend that the City review all intergovernmental receipts and grants received for specific grantor agency required terms, conditions and provisions of funding to ensure there is proper accounting treatment applied within the City's funds and general ledger in accordance with GASB, the Uniform Guidance, and GAAP.

CITY OF STONECREST, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020-003 Accounting for Grants Subject to Eligibility Requirements (Continued)

Auditee's Response: The City of Stonecrest's Finance Department contends that employees of the third-party contractor engaged to provide governmental financial management and operations services failed to follow established procurement policies resulting in the incurrence of ineligible CARES Act Program expenditures and consequently improper recognition of CARES Act Program revenues.

Actions to correct deficiencies:

The City is in the process of transitioning from the private contractor management and operations model to utilizing the more traditional City staff model. In addition, the City's action to address this matter is in two parts.

First, the City updated the purchasing policy in June 2021 and at the time of this response the purchasing policy is pending additional recommendations to City Council. The City has implemented procedures to ensure all contracts are reviewed by the Finance Department and City Attorney's office prior to being submitted to the City Council. The City has also implemented additional internal controls to ensure compliance with purchasing policies by providing employees with training on existing and updated policies.

Secondly, the Chief Financial Officer created a revenue division within the Finance Department to ensure among other things that revenue is properly accounted for and reported according to GASB, GAAP and specific federal and state grant reporting requirements.

2020-004 Vendor Procurement and City Purchasing Policy

Criteria: Internal controls should be in place to ensure that the City is able to effectively procure and contract with vendors and third parties within the City's Purchasing Policy. In addition, implementing controls surrounding these procedures would provide effective safeguards against possible contractual liability, as a matter of law.

Condition: Internal controls related to City purchasing and contractual procurement were not sufficient to prevent, detect, and/or correct various issues related to the City's CARES Program, which resulted in general mismanagement.

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020-004 Vendor Procurement and City Purchasing Policy (Continued)

Context/Cause: During our inquiries and discussions with management, we were made aware of internal control deficiencies pertaining to general vendor and contractual procurement pertaining to the City's CARES Program. The following issues were noted:

- There were three (3) consultant contracts executed by either the Deputy City Manager or the Senior Director of Economic Development using emergency procurement provision, which was not appropriate given the time that was available to act on the funding provided by the County. In addition, this procurement method necessitates contractual review and approval by the City Council and the City Attorney, neither of which were obtained.
- There were twelve (12) noted contracts entered into by the Deputy City Manager, Senior Director of Economic Development, and Chief of Staff, all third party sourced City employees, which were not authorized in accordance with the City's Charter and its Purchasing Policy, thus making them void as a matter of law.
- Payments totaling \$160,000 were authorized by the Deputy City Manager to a local church to assist with a food program that were not made pursuant to a contract executed in accordance with the City's Charter and its Purchasing Policy, thus making such contractual payments void.

Effects: As a result of the issues listed above, the City incurred, at a minimum, approximately \$6.2 million in voided contractual expenditures as a result of the lack of a functioning internal control structure to detect and correct such action. This does not include potential future liabilities that could arise as well.

Recommendation: We recommend that the City implement policies and procedures designed to ensure that employees adhere to City purchasing policy and to monitor ongoing projects for continued internal compliance.

Auditee's Response: The City of Stonecrest's Finance Department contends that established internal control procedures were not followed by employees assigned by the private government services contractor retained to provide management and operations services in a manner sufficient to prevent, detect, and/or correct various issues related to the City's CARES Program.

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2020-004 Vendor Procurement and City Purchasing Policy (Continued)

Auditee's Response (Continued):

Actions to correct deficiencies:

The City is in the process of transitioning from the private contractor management and operations model to utilizing the more traditional City staff model. In addition, the City has reviewed, updated and revised the purchasing policy and made recommendations for policy changes to the City Council. The purchasing policy was updated June 2021 and at the time of this response is pending additional recommendations to City Council. The City has implemented procedures to ensure that all contracts are reviewed by the Purchasing Department, Finance Department and City Attorney's office prior to being submitted to the City Council for final approval consideration. The City has also implemented additional internal controls to ensure internal compliance with the policies to include providing employees with the updated policies and providing training to employees that utilize the procurement process.