CITY OF SOUTH FULTON, GEORGA
South Fulton Service Center Auditorium, 5600 Stonewall Tell Road
Tuesday, June 12, 2018, 5:00 PM

The Honorable William "Bill" Edwards, Mayor
The Honorable Mark Baker, District 7, Mayor Pro Tem
The Honorable Catherine F. Rowell, District 1 Councilmember
The Honorable Carmalitha Gumbs, District 2 Councilmember
The Honorable Helen Z. Willis, District 3 Councilmember
The Honorable Naeema Gilyard, District 4 Councilmember
The Honorable Rosie Jackson, District 5 Councilmember
The Honorable khalid kamau, District 6 Councilmember

WORK SESSION AGENDA

1. Call to Order

2. Discussion Items

   a. Auditor's Discussion & Analysis Presentation of 2017 - Mauldin & Jenkins

   b. City of South Fulton Website Preview - Ashley Minter-Osanyinbi, Public Relations Specialist

   c. Animal Control Services Presentation - Odie Donald II, City Manager

   d. Discussion regarding 2017/2018 Budget and Financial Reports. **(Gilyard)**

3. Executive Session, if necessary

4. Adjournment

CITY OF SOUTH FULTON

COUNCIL AGENDA ITEM

COUNCIL WORK SESSION

SUBJECT: Audit Presentation

DATE OF MEETING: 6/12/2018

DEPARTMENT: Finance

ATTACHMENTS:

Description	Type	Upload Date
Audit Presentation - 2017	Cover Memo	6/7/2018

MAULDIN & JENKINS

Presentation of 2017
Auditor's Discussion and Analysis

City of South Fulton, Georgia
Mayor/Council Meeting

Auditor's Discussion and Analysis

- Engagement Team
- Results of the 2017 Audit
- Comments, Recommendations, and Other Issues
- Questions

Engagement Team

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

- **General Information:**
  - Founded in 1918, large regional firm serving the Southeastern United States.
  - Offices located in Macon, Atlanta, Albany, Birmingham, Chattanooga, Columbia, and Bradenton with firm governmental leadership positioned in the Atlanta (and Macon) offices.
- **Governmental Sector:**
  - Largest specific industry niche served by Firm representing 25% of Firm practice.
  - Serve 100 municipalities throughout the Southeast.
  - Serve more governmental entities in Georgia than any other certified public accounting firm requiring over 85,000 hours of service on an annual basis.
  - Serves 105 governments receiving the GFOA Certificate of Achievement for Excellence in Financial Reporting.
  - Experience auditing a substantial part of the State of Georgia including: approximately 25% of the State's General Fund and 13 of the State of Georgia's component units.
  - Approximately 90 professional staff persons with current governmental experience.
  - Current auditor for over 400 total governments in the Southeast, including approximately:
    - √ 100 Cities √ 45 Counties √ 50 School Systems √ 40 State entities
    - √ 140 Special Purpose Entities (stand-alone business type entities, libraries, and etc.)

MAULDIN & JENKINS

Engagement Team

Engagement Team Leaders for the City of South Fulton Include:

- Doug Moses, Quality Assurance Partner – 19 years experience, 100% governmental
- Adam Fraley, Client Service Partner – 21 years experience, 100% governmental
- James Bence, Audit Service Partner – 15 years experience, 100% governmental

Mauldin & Jenkins – Additional Information

Other Industries & Services by Mauldin & Jenkins:

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

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

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

Results of September 30, 2017 Audit

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS)
  - We considered the internal control structure for the purpose of expressing our opinion on the City’s basic financial statements and not providing assurance on the internal control structure.
  - Our audit was performed in accordance with GAAS.
  - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
  - The basic financial statements are the responsibility of the City’s management.
- Report on 2017 Basic Financial Statements
  - Unmodified (“clean”) opinion on basic financial statements. Audit report date of March 28, 2018.
  - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
  - Our responsibility does not extend beyond financial information contained in our report.
- Report in accordance with *Government Auditing Standards* for 2017
  - Two material weaknesses in internal control over financial reporting; no instances of noncompliance cited. Audit report date of March 28, 2018.

Results of September 30, 2017 Audit (Continued)

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

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

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

Results of September 30, 2017 Audit (Continued)

- Relationship with Management
  - We received full cooperation from the City's management, staff, and others.
  - There were no disagreements with management on accounting issues or financial reporting matters.
- Audit Adjustments
  - Adjustments were proposed to the records of the City and have been recorded in the City's financial statements. The City's finance director has copies of these audit entries and will have available with this presentation. There were no passed adjustments.
- Representation from Management
  - We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

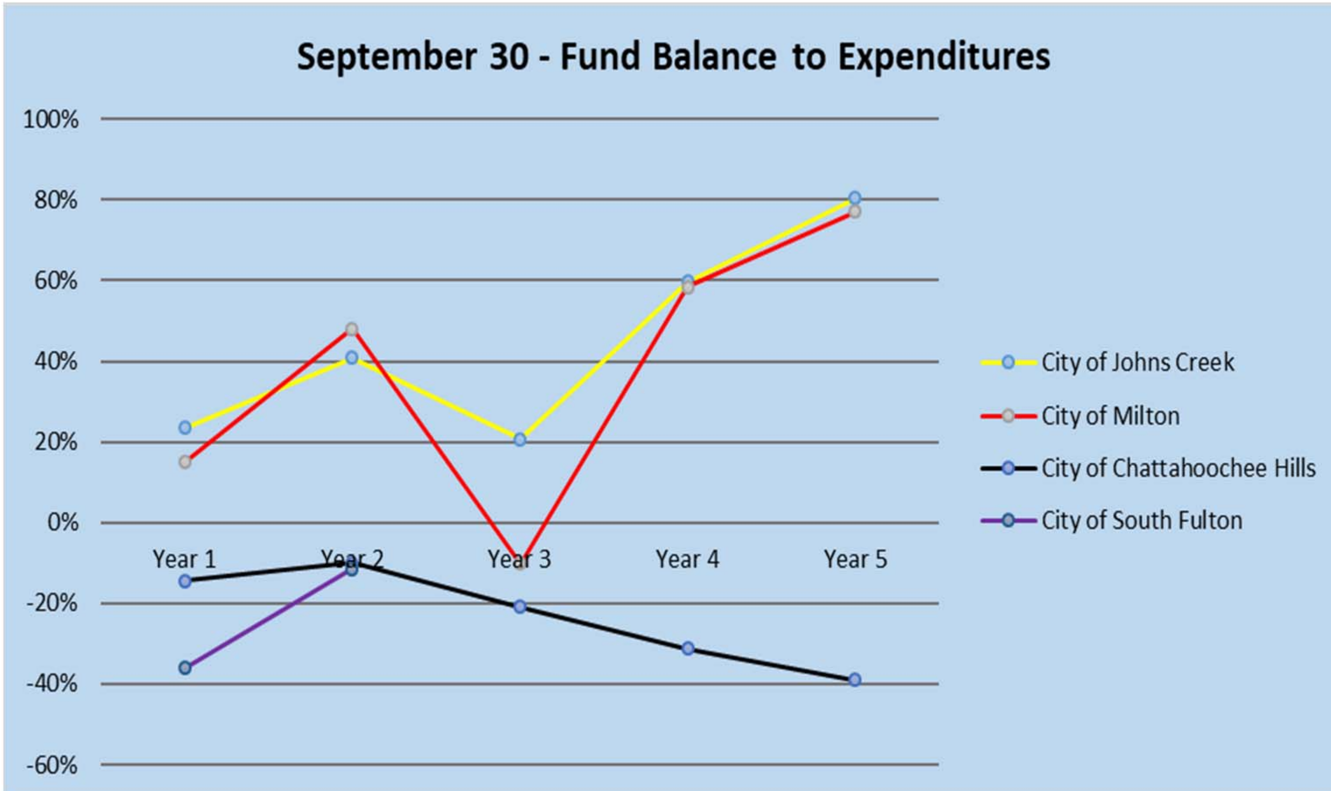
Results of September 30, 2017 Audit (Continued)

- **Consultation with Other Accountants**
  - To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.
- **Significant Issues Discussed with Management**
  - There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.
- **Information in Documents Containing Audited Financial Statements**
  - Our responsibility for other information in documents containing the City's basic financial statements and our report thereon does not extend beyond the information identified in our report. If the City intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers' proof for our review and approval before printing. The City must also provide us with a copy of the final reproduced material for our approval before it is distributed.
- **Auditor Independence**
  - In accordance with AICPA professional standards, M&J is independent with regard to the City and its financial reporting process.
  - There were no fees paid to M&J for management advisory services during fiscal period 2017 that might effect our independence as auditors.

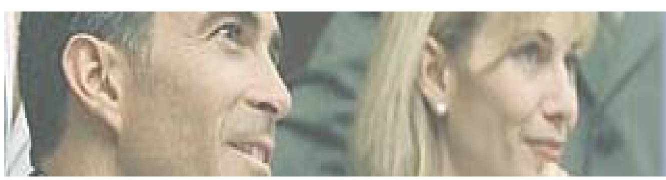
MAULDIN & JENKINS

Newly Incorporated Cities – September 30 YE

Over the past 14 years we have worked with each of the newly incorporated cities throughout the State. Below is an analysis of the City of South Fulton's year one performance as compared to each of the cities, broken into charts for each of the respective fiscal years (June 30, September 30, and December 31 year-ends):

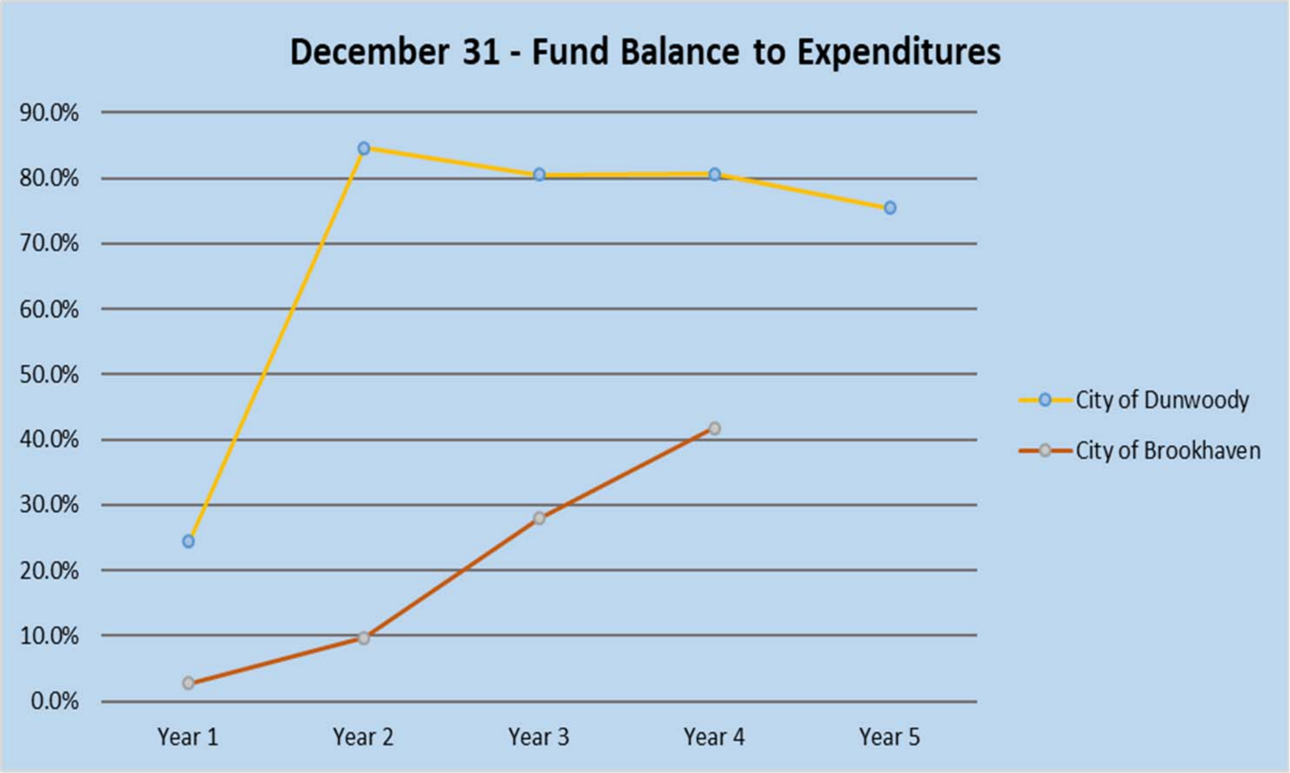


In the chart above, the City of South Fulton's year 2 numbers are based on the adopted budget for the 2018 fiscal year.

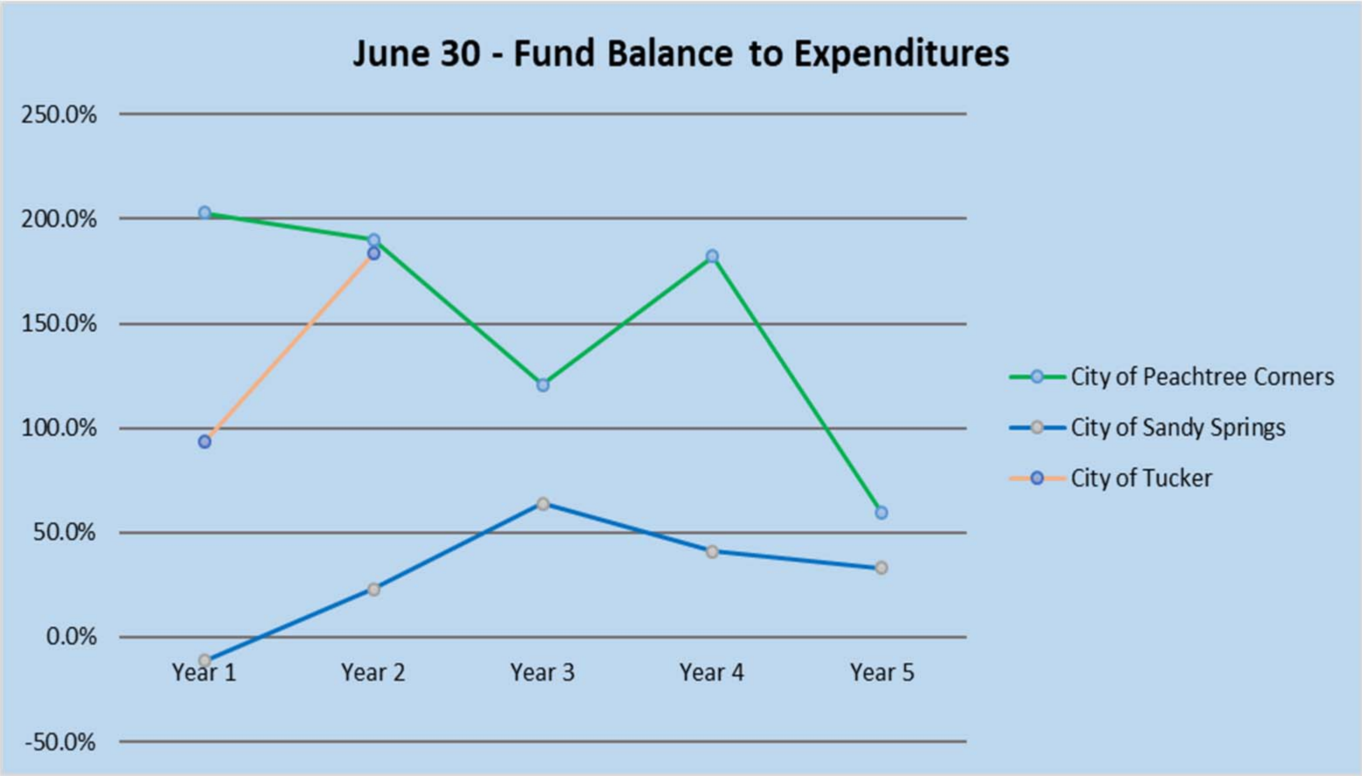


Newly Incorporated Cities – December 31

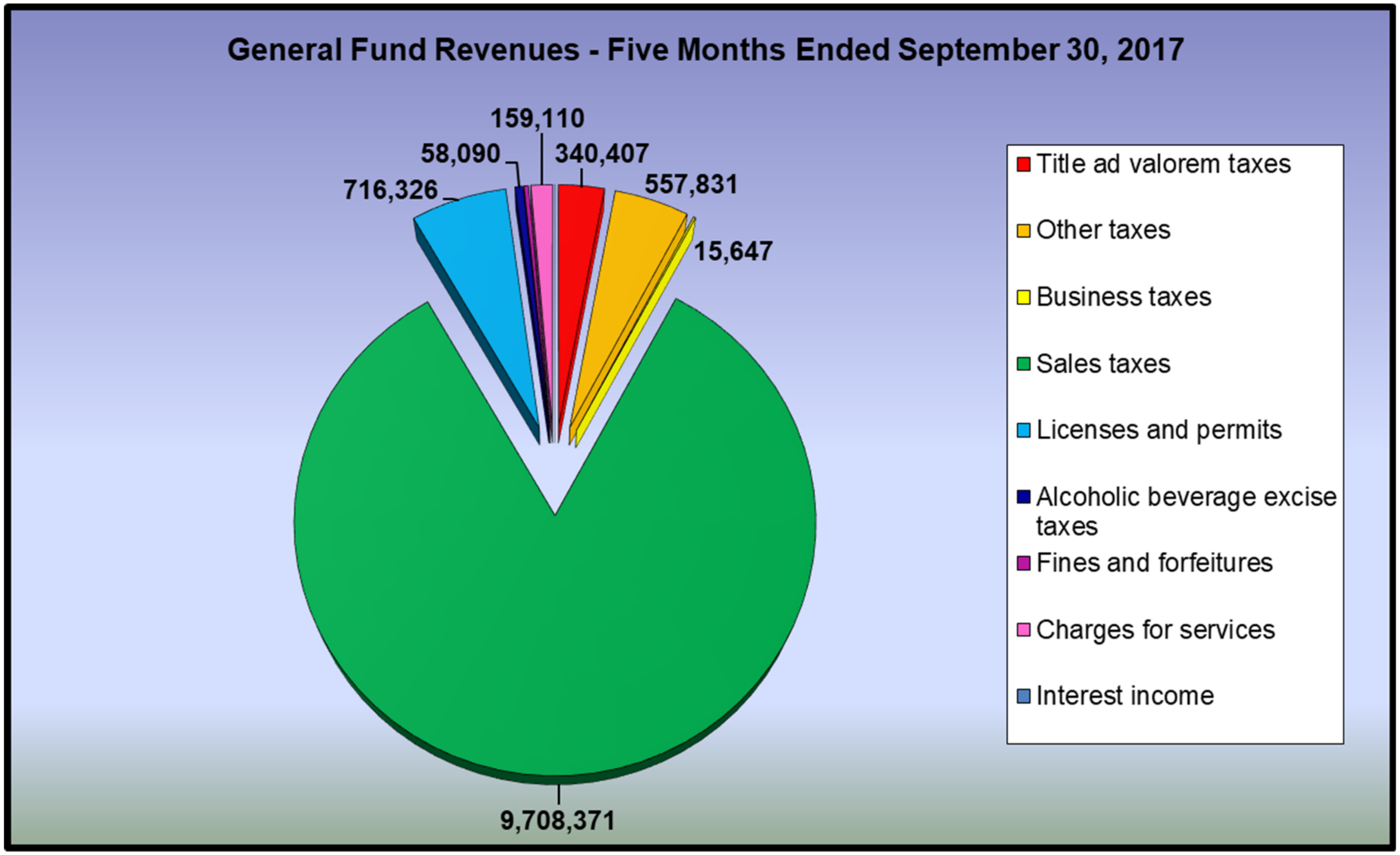
Each of the newly created cities with a September 30 fiscal year all started operations with the use of a tax anticipation note. Given short year typically experienced in each city, the revenue streams were not collected until many of the expenditures were disbursed, and thus The cities of Johns Creek and Milton were able to operate in year three without the use of a TAN. Year three is also the typical time period for taking over the infrastructure systems from the County and the period when the cities began really getting more involved into the capital improvements and expansions.

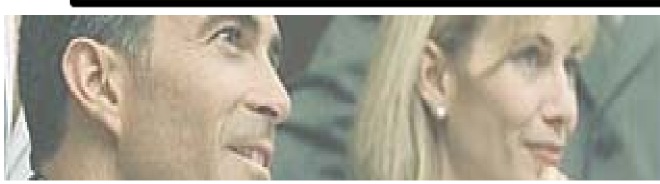


Newly Incorporated Cities – June 30

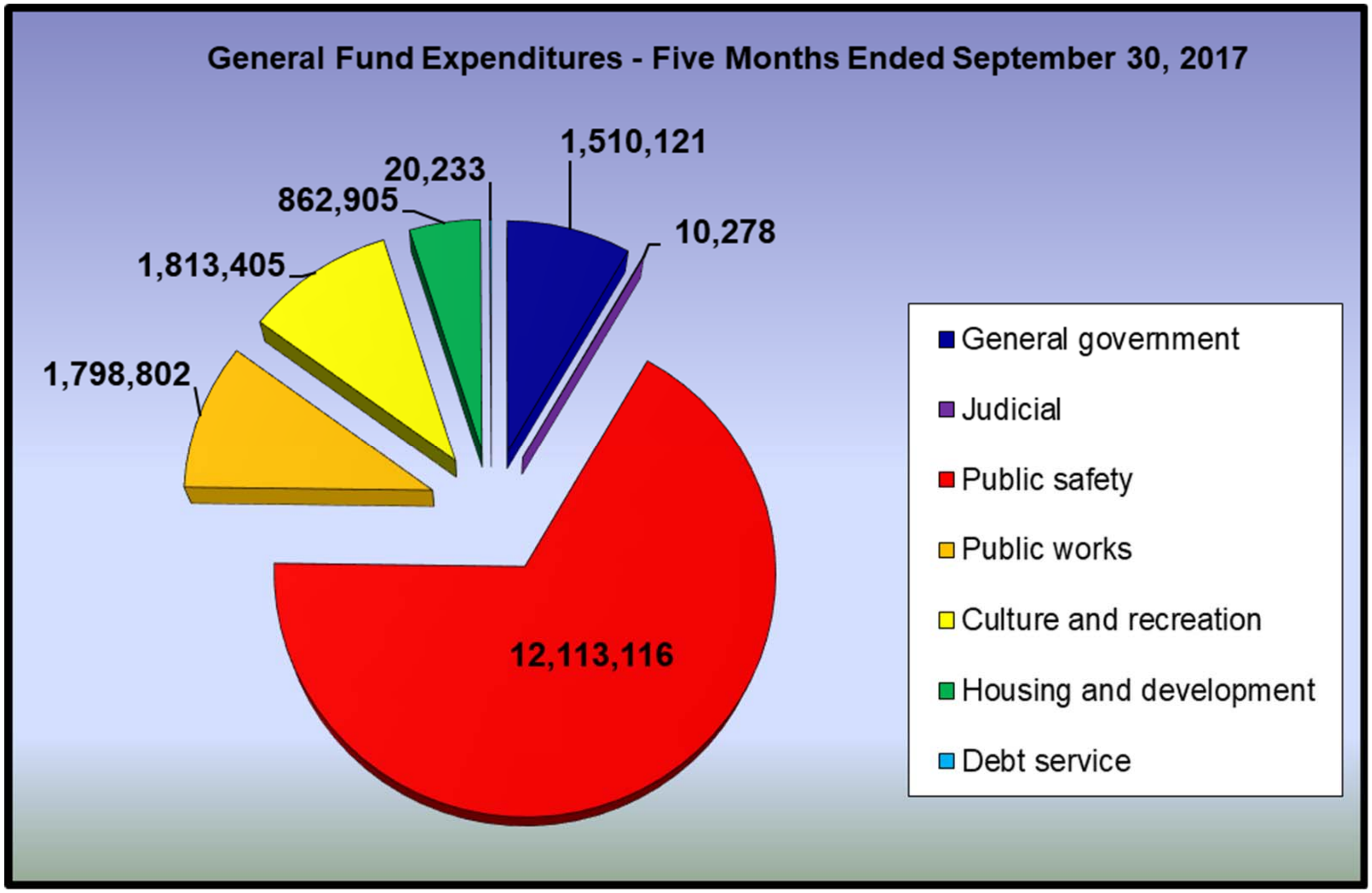


General Fund Revenues – Five Months Ended September 30, 2017





General Fund Expenditures – Five Months Ended September 30, 2017



Comments, Recommendations, & Other Issues

❖ Material Weaknesses

1) Revenue and Related Receivables

Misstatements were detected in the reporting of the City's revenues and related receivables. During our testing of the City's revenues we noted the following activities which required audit adjustments to correct the reporting:

- The City assumed a fire service agreement from the County, whereby the City is to provide annual fire services to a portion of the City of Atlanta's citizens. As a result, the City of Atlanta remits semi-annual payments to the City of South Fulton for those services. The receipt in August 2017 was for the period of July through December 2017. Those revenues are considered an exchange transaction and should be recognized as the services are provided to the City of Atlanta, rather than received. As such, an entry was required to report approximately $203,000 as unearned revenues.

- The City did not record one month's receivable and related revenues for the title ad valorem tax and motor vehicle taxes collected by the County Tax Commissioner on behalf of the City. These revenues were collected subsequent to year-end and were considered available to the City under the revenue recognition policy. An adjustment of approximately $76,000 was required to correctly report revenues and receivables.

The City's revenues for the five months ended September 30, 2017 were not materially stated, and required adjustments of approximately $278,000 were made to correct the reporting of the current year's revenues and receivables. We recommend the City carefully review all revenues to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

❖ Material Weaknesses (Continued)

2) Segregation of Duties

The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult. During the course of our testwork, we noted different areas at the City in which the segregation of duties could be improved as described below;

- During our review of the payroll controls we noted several employees (six total) have access to the Paychex system and are all able to make changes to any employees' information, including their own, as well as creating a new employee without any review required.
- During the initial year of operations, we noted there were a limited number of employees and as such there was limited segregation within the accounting department. We noted one employee (Controller) was able to perform all functions from reporting, preparing checks, or reconciling accounts. The employee also had full access to the system to create vendors or make manual journal entries.

Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City. Additionally, without additional internal controls related to financial reporting, errors could occur and not be detected. We recommend that the City review its processes and determine where it can effectively segregate duties to alleviate the segregation of duties issues as described above and strengthen internal controls.

Comments, Recommendations, & Other Issues

Management Recommendations for Improvement

1. Contract Services Classification - During our testing of the intergovernmental payable, we noted the City did not properly allocate the expenditures from Fulton County to the correct expenditure accounts. The City allocated the expenditures using percentages of the amounts from the intergovernmental agreement and after receiving the detail of actual expenditures incurred noticed that the posted amounts for certain accounts did not agree to the actual expenditures from Fulton County for the department. While the total expenditures were recorded, the allocation within the departments required adjustment, based on actual costs incurred.

2. Purchase Card Expenditures - During our testing of credit card transactions, we noted that the client was unable to provide support for three out of ten transactions. This indicates that there was a breakdown in the process of keeping the necessary invoices and receipts in order to back up transactions. Also during our testing, we noted that three out of ten transactions were missing any indication of having been properly approved or reviewed. Per the client's credit card process, these transactions should have been approved prior the purchase being made, and receipts for purchases should be turned in and kept for back up.

Comments, Recommendations, & Other Issues

Management Recommendations for Improvement (Continued)

3. Depreciation Expense - During our testing of capital assets, we noted the City placed several automobiles into service during August 2017, and therefore should have begun depreciating these vehicles for the two months of usage, August and September 2017. The City did not depreciate these assets in the fiscal period 2017, however is going to begin depreciation in October 2017. While the amount of two months of depreciation is immaterial to the fiscal period 2017 financial statements, management should ensure that all assets be properly depreciated, once they are placed in service. This allows the depreciation to match the useful life of the assets. This is important for the City in the current accounting structure, as the capital asset listings are being maintained manually in a Microsoft Excel spreadsheet, rather through a capital asset accounting program. The program would systematically begin the depreciation calculation as compared to the manual process in place currently.

4. Payroll Tax Filing – During our walkthrough of the payroll process, we discovered that the City filed a 944 Annual Federal Tax Return as opposed to 941 Quarterly Federal Tax Returns. Per review of the IRS website, the 944 return is designed for those whose annual liability for Social Security, Medicare, and withheld federal income taxes is $1,000 of less. Per review of the withholdings reported on the 944, the City reported withholdings of $178,015 which is significantly greater than $1,000.

Comments, Recommendations, & Other Issues

Management Recommendations for Improvement (Continued)

5. Subsidiary Ledger Maintenance - Through the audit process, we noted a few areas where the City's subsidiary ledger maintenance could be improved or enhanced. Below are those instances:

- ❑ During our testing of compensated absences, we discovered that the City manually tracks vacation and sick time earned using a spreadsheet. We consider manual tracking of these hours to be highly risky, and it is a much safer and more accurate practice to use an automated process to track this data.
- ❑ During testing of the City's excise taxes and business licenses, we noted the City does not have a defined list of the businesses operating within their jurisdiction. The City is still working to create a list of business licenses and a list of alcohol retailers as of February 2018. It is imperative the City quickly develop an accurate listing of both the businesses operating within the City, as well as a list of alcohol retailers/wholesalers within the City.

As previously mentioned, the City is manually tracking its capital assets in a spreadsheet. The City should consider purchasing an accounting module for capital assets. As the City continues to grow and take over services from the County, the number of capital assets to be tracked and maintained will become very cumbersome for the accounting staff and more susceptible to error in the manual calculations.

Comments, Recommendations, & Other Issues

Management Recommendations for Improvement (Continued)

6. Disbursement Controls – During the start-up of the City, we noted several instances of the check sequence not properly accounted for. During our testing of the City's disbursements, we obtained the first and last check number issued by the City during the period of May 1, 2017 through September 30, 2017 and noted:

- 14 of 39 checks within the range obtained from the general ledger were not issued and were skipped.
- 3 of the 39 checks selected were found to have cleared the bank statements but were not included in check register report obtained from the City, showing all cleared checks.

We recommend the City ensure policies and procedures are in place to ensure the checks are sequentially used and accounted for in the general ledger system. While these issues noted above were noted to have occurred in the first few months of operation and not noticed subsequent to July 2017, we feel this issue warrants communication to management.

Comments, Recommendations, & Other Issues

Management Recommendations for Improvement (Continued)

7. Policy Adoption – During our walkthroughs and review of the City Council minutes, we noted the City has yet to formally adopt policies related to the following:

- ❑ Compensated absences policy
- ❑ Purchasing policy
- ❑ Credit card use policy
- ❑ Capital asset policy
- ❑ Record retention policy

We strongly recommend the City's management begin to create and adopt accounting policies.

Comments, Recommendations, & Other Issues

New GASB Pronouncements

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2015 resulting in the City's fiscal period ended September 30, 2017. This statement could easily be described as the GASB No. 67 for postemployment benefit plans due to the fact that it will closely follow the provisions of GASB No. 67 for pension plans.

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

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

Comments, Recommendations, & Other Issues

New GASB Pronouncements (Continued)

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans was issued in June of 2015 and is effective for financial statements for periods beginning after June 15, 2017 resulting in the City's fiscal year ending September 30, 2018. This standard establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this statement includes OPEB plans (defined benefit and defined contribution) administered through trusts that meet the following criteria: 1). Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable; 2). OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms; and 3). OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

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

Comments, Recommendations, & Other Issues

New GASB Pronouncements (Continued)

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Continued) The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability.

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

Comments, Recommendations, & Other Issues

■ New GASB Pronouncements (Continued)

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Continued) The objective of this statement is to identify (in the context of the current governmental financial reporting environment) the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two (2) categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

Comments, Recommendations, & Other Issues

New GASB Pronouncements (Continued)

Statement No. 77, Tax Abatement Disclosures was issued in August of 2015 and is effective for financial statements for periods beginning after December 15, 2015 resulting in the City's fiscal period ended September 30, 2017. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

(1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

(2) The gross dollar amount of taxes abated during the period.

(3) Commitments made by a government, other than to abate taxes, as part of the tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

The disclosures required by Statement No. 77 are new and unusual for the City's financial reporting and we recommend City officials begin reviewing any existing agreements now to see how they may be impacted by Statement No. 77 and for those that will be required to be disclosed, we recommend City officials continue to be on the look out for new agreements entered into: (1) by the City; or (2) by other governments that may impact the City's revenues.

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MAULDIN & JENKINS a century of success 100 years

Comments, Recommendations, & Other Issues

■ New GASB Pronouncements (Continued)

Statement No. 85, Omnibus 2017 was issued in March 2017 and is effective for the first reporting period beginning after June 15, 2017 (September 30, 2018 for the City of South Fulton). This Statement addresses a variety of topics including issues related to:

(1) Component Units - blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;

(2) Goodwill - reporting amounts previously reported as goodwill and "negative" goodwill;

(3) Real Estate - classifying real estate held by insurance entities;

(4) Fair Value Measurement and Application - measuring certain money market investments and participating interest earning investment contracts at amortized cost;

(5) Postemployment benefits (pensions and other postemployment benefits [OPEB]):

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and,
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Comments, Recommendations, & Other Issues

New GASB Pronouncements (Continued)

Statement No. 87, Leases was issued in June 2017 and is effective for the first reporting period beginning after December 15, 2019. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that a lease is the financing of the right to use an underlying asset.

Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease: A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Comments, Recommendations, & Other Issues

■ New GASB Pronouncements (Continued)

Statement No. 87, Leases (Continued)

Lease Term: The lease term is defined as the period during which a lessee has a non-cancelable right to use an underlying asset, plus the following periods, if applicable:

Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option;

Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option;

Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option;

Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

New GASB Pronouncements (Continued)

Statement No. 87, Leases (Continued)

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised. Lessees and lessors should reassess the lease term only if one or more of the following occur:

The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option;

The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option;

An event specified in the lease contract that requires an extension or termination of the lease takes place.

Short-Term Leases: A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Comments, Recommendations, & Other Issues

New GASB Pronouncements (Continued)

Statement No. 87, Leases (Continued)

Lessee Accounting: A *lessee* should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A *lessee* should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Lessor Accounting: A *lessor* should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

Comments, Recommendations, & Other Issues

- **New GASB Pronouncements (Continued)**

Statement No. 87, Leases (Continued)

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

Contracts with Multiple Components and Contract Combinations: Generally, a government should account for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

Lease Modifications and Terminations: An *amendment* to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by re-measuring the lease liability and adjusting the related lease asset by a lessee and re-measuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

Comments, Recommendations, & Other Issues

New GASB Pronouncements (Continued)

Statement No. 87, Leases (Continued)

Subleases and Leaseback Transactions: Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

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Comments, Recommendations, & Other Issues

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

Conceptual Framework is a constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense thing such as supplies and prepaid assets at acquisition. Will look into which balances (at all statement levels) are measured at acquisition and which need to be re-measured at year-end. Project placed on hold for now.

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

Re-Examination of the Financial Reporting Model is a project GASB has added to its technical agenda to make improvements to the existing financial reporting model (established via GASB 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability. GASB anticipates issuing an initial due process document on this project by the end of 2017 another long-term matter being looked into by GASB. Includes presentation of information on fiscal sustainability (including projections). Tabled for now pending resolution to issues raised on GASBs scope.

Comments, Recommendations, & Other Issues (Cont'd)

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS

FOR GOVERNMENTAL CLIENTS

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

- CAFR Preparation - GASB Updates - Grant Accounting Processes and Controls - GASB 68 & 71 (Pensions)
- Internal controls over revenue and cash receipting and accounts payable, payroll, and cash disbursements
- American Recovery & Reinvestment Act (ARRA) information, issues and updates - Single audits for auditees
- Collateralization of Deposits and Investments - Internal Controls over Accounts Payable, Payroll and Controls
- Policies and Procedures Manuals - Segregation of Duties - GASB No. 51 - Intangible Assets - Segregation of Duties
- GASB No. 54 - Governmental Fund Balance - Best Budgeting Practices, Policies and Procedures

Comments, Recommendations, & Other Issues (Cont'd)

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS

FOR GOVERNMENTAL CLIENTS (Continued)

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

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

Questions & Comments

CITY OF SOUTH FULTON

COUNCIL AGENDA ITEM

COUNCIL WORK SESSION

SUBJECT:	COSF Website Preview Presentation
DATE OF MEETING:	6/12/2018
DEPARTMENT:	Finance

CITY OF SOUTH FULTON

COUNCIL AGENDA ITEM

COUNCIL WORK SESSION

SUBJECT: Animal Control Services Presentation

DATE OF MEETING: 6/12/2018

DEPARTMENT: Finance

CITY OF SOUTH FULTON

COUNCIL AGENDA ITEM

COUNCIL WORK SESSION

SUBJECT:	Discussion regarding 2017/2018 Budget & Financial Reports
DATE OF MEETING:	6/12/2018
DEPARTMENT:	City Clerk