

CITY OF STONECREST, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

Prepared by:
City of Stonecrest Finance Department

INTRODUCTORY SECTION

CITY OF STONECREST, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

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June 22, 2018

Honorable Jason Lary, Mayor,
Members of the City Council, and
Citizens of Stonecrest, Georgia

Ladies and Gentlemen:

Enclosed please find the Comprehensive Annual Financial Report of the City of Stonecrest, Georgia, for the six months ended December 31, 2017. 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 is 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 six months ended December 31, 2017 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 six months ended December 31, 2017 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, and celebrated its inaugural anniversary this year. Positioned in the metropolitan area, just West 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 52,393 (U.S. Census estimate for 2017). 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 principle medical facility, employing over 500 people. 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 of 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.

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 Two-Year transition period, services such as police and fire protection, the construction and maintenance of highways, streets, and other infrastructure, environmental court, recreational and cultural activities 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 Mayor and Council are required to adopt a final budget no later than the close of the six months. The budget is prepared by fund, function, and department. From day one, the budgeting process has included performance management initiatives as established by the Council. Amounts in this budget may be re-allocated within funds by approval of the City Manager as long as the total budgeted amounts do not exceed the approved appropriations by fund.

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 52,393 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 and according to 2017 US Census estimates, Stonecrest had 20,794 housing units and a renter/owner ratio of 44% to 47.5%. The average family size in the city is 3.16 and average home values are \$166,059. The median age of city residents is 32 and more than forty percent of the population is college educated with an average household income of \$59,645.

NATIONAL ECONOMY

With the steadily improving job market, the unemployment rate improved for the state of Georgia in 2017 to 5.0%, with a City-wide rate of 4.0%.

According to September 2017 S&P CoreLogic Case-Shiller Home Price Indices, home prices reached rock bottom in February 2012. Using that date as a starting point, home prices are up 32%. The national index, which covers all nine U.S. census divisions, recorded a 4.73% annual gain in September. The 10-City and 20-City composites reported year-after-year increases of 4.73% and 5.44%.



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 first year, we will look to establish a Fund Balance policy to designate a minimum fund balance reserve amount in future years. 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 has not assessed a millage rate during the first year and relies on franchise taxes, business taxes, and permitting fees to fund city services.

MAJOR INITIATIVES FOR THE YEAR

City Hall Start Up

While the City was officially incorporated on January 1, 2017, the city council was unable to convene until May 2017, when runoff elections were finalized and a quorum was established. The primary goal at that time was to identify and establish a City Hall location, and begin providing services. Within two months of their first city council meeting, the doors to City Hall were opened for business. In July of 2017 the city began issuing business licenses, conducting code enforcement investigations and permitting and inspecting building and land developments. Some of the key accomplishments for these first six months included:

- Completion of all franchise agreements
- Negotiate and secure business license revenues from the County
- Issued 114 new business licenses and mailed out over 3,000 renewal notices
- Establish the Community Development Department
 - Issued 928 building permits
 - Performed 965 building and land development inspections
 - Investigated 1,575 code violations
- Held grand opening for new 12,000 sf, fully furnished City Hall facility

The City took out a Tax Anticipation Note of \$579,000 in 2017 to ensure adequate funds were in place to meet all expenses. The note was paid back, in full prior to year end.



Enhanced Operational Efficiency

The City took an aggressive approach towards the incorporation of technology in setting up the various systems and procedures for the City. Tools such as On-line bill payments and business license renewals were launched with the first few months. Interactive mapping tools were introduced to assist residents in identifying their council district and associated zoning designation.

INITIATIVES FOR FUTURE YEARS

Comprehensive Plan

At the beginning of 2018 the City Council voted to bring in a consultant to draft a Stonecrest Comprehensive Plan. The Comprehensive Plan will provide the vision for how growth within the City will be balanced with the goals and needs of its stakeholders, impacting what the city will look like in the future. It will serve as the guiding document to define places for quality residential neighborhoods, commercial districts, compatible mixed-use developments and strategically located employment centers.

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 \$47.7 million over 6 years will be available for infrastructure and capital improvements to the City of Stonecrest. The City is currently in the process of negotiating the program management details, to begin the process of identifying and initiating the transportation and capital projects.

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. The City is committed to assuming these services from the County in 2019, and is currently in the process of finalizing the intergovernmental agreement for these services.



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.

Single Audit - As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation for weaknesses by management and internal staff. To further enhance our internal control structure, the City will be employing an internal auditor to provide an additional layer of compliance review. For the period ended December 31, 2017 the City did not require a Single Audit.

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 - To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. We are extremely proud of all the work that has gone into preparing this report in this our first year of existence.

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,

A handwritten signature in blue ink, appearing to read "Michael Harris".

Michael Harris
City Manager

A handwritten signature in blue ink, appearing to read "Audrey Mays".

Audrey Mays
Accounts Manager

**CITY OF STONECREST, GEORGIA
PRINCIPAL OFFICIALS
DECEMBER 31, 2017**

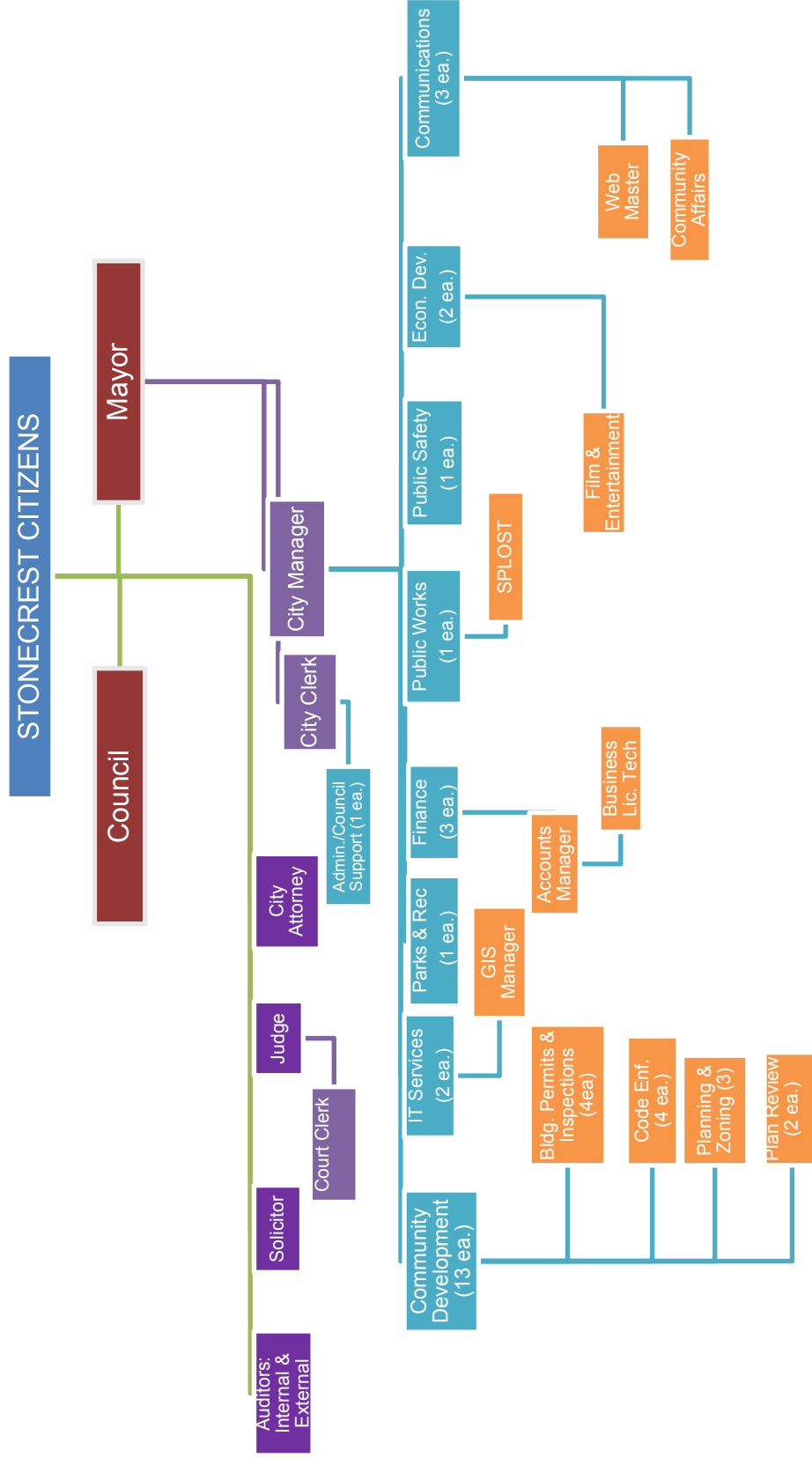
City Council

Jason Lary	Mayor
George Turner	Mayor Pro Tem
Jimmy Clanton	Council Member
Rob Turner	Council Member
Jazzmin Cobble	Council Member
Diane Adoma	Council Member

Appointed Administrative Officials

Michael Harris	City Manager
Brenda James	City Clerk
Thompson Kurrie	City Attorney
Emily Macheski-Preston	Asst. City Attorney

Stonecrest Organizational Chart



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 the six months ended December 31, 2017, 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, 2017, and the respective changes in financial position for the six months 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 – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis), and the Hotel/Motel Tax 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 schedule is presented for purposes of additional analysis and is 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 schedule (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 22, 2018 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 22, 2018

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

The following discussion and analysis of the City of Stonecrest, Georgia (the "City") introduces the basic financial statements for the fiscal period ended December 31, 2017. This activity is for the first fiscal period of the City; therefore, selected comparative information does not exist. 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 52,393. 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. No property taxes were levied for the fiscal six months ended December 31, 2017.

Planning under Community Development Services Department and Business License operations transitioned into the City in July 2017 followed by Code Enforcement in August, under the same department. The issuance of building and development permits also began in August, with an initial department budget of \$350,000.

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, 2017

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 safety, public works, culture and recreation, 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 11 and 12 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 three individual governmental funds, the General Fund, the Hotel/Motel Tax Fund, and the Auto Rental Excise Tax Fund. The City adopts an annual appropriated budget for its governmental funds. The basic governmental fund financial statements can be found on pages 13 through 15 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 16 through 29 of this report.

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 schedule for the general fund as presented on a generally accepted accounting principal basis in this section. 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 30 through 32 of this report.

City of Stonecrest, Georgia
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Stonecrest Net Position

	Governmental Activities December 31, 2017
ASSETS	
Current assets	\$ 871,490
Capital assets, net	209,635
Total assets	1,081,125
LIABILITIES	
Current liabilities	672,190
Capital lease payable	136,971
Total liabilities	809,161
NET POSITION	
Net investment in capital assets	72,664
Unrestricted	199,300
Total net position	271,964
Total net position and liabilities	\$ 1,081,125

As noted earlier, 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 \$271,964.

The largest portion of the City's current assets, \$645,759, reflects its cash holdings at December 31, 2017. The City utilized a tax anticipation note (TAN) to provide much of the startup capital for the first year and the TAN was paid off by December 31, 2017. Capital assets are primarily for office equipment financed with a capital lease.

City of Stonecrest, Georgia
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

City of Stonecrest's Statement of Activities

		Governmental Activities December 31, 2017
REVENUES		
Program revenues		
Charges for services	\$	866,743
<i>General revenues</i>		
Hotel/Motel taxes		275,412
Motor vehicle taxes		7,356
Franchise taxes		604,257
Business and occupation taxes		1,208,500
Alcoholic beverage taxes		44,411
Total revenues		3,006,679
EXPENSES		
General government		2,008,160
Judicial		1,615
Community development		718,246
Interest charges		6,694
Total liabilities		2,734,715
Increase in net position	\$	271,964

Governmental activities

Program revenues of \$866,743 are primarily for permits and inspections. General revenues include business and occupation taxes of \$1,208,500, being the largest of the total revenues. Other revenues are Hotel/Motel taxes of \$275,412, franchise taxes of \$604,257, motor vehicle taxes of \$7,356, and alcoholic beverage taxes of \$44,411.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

FINANCIAL ANALYSIS OF THE 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 \$202,500, representing \$3,200 of nonspendable fund balance, \$100,000 assigned for use in the 2018 budget and an unassigned fund balance of \$99,300.

Hotel/Motel Fund. The hotel/motel fund is used to account for the revenues and expenditures associated with the City's 5% tax levied on local hoteliers to help promote tourism and visitation within the community. During the six months ended December 31, 2017 collections under the tax were \$275,412 and all amounts were expended within the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget utilized a conservative approach based on the limited information available. Emphasis was given to ensuring financial stability and long-term stability while providing revenue enhancement, financial priorities and discipline. The City Council met for a retreat in September for the purpose of establishing the City's Vision Statement and identifying some of the key priorities. The Vision Statement, **Community, Commerce and Culture working together as a world class city**, coupled with a commitment to exceptional customer service and timely communication, serve as the cornerstones for how Stonecrest will operate. Some of the key priorities identified include Public Works, Economic Development, Operational Efficiency, Comprehensive Planning, and City Branding.

1. Initiate enhanced Public Works services
 - Begin process to identify SPLOST projects (Transportation & Capital)
 - Complete Assessment of City parks
 - Develop facilities (capital improvements), programs and staffing plan
 - Complete Intergovernmental Agreements with County
2. Increase Operational Efficiencies through use of Technology
 - Establish On-Line payment options for all City services (Business License, Permits, Courts)
 - Incorporate the use tablets for our field personnel (Code, Building)
 - Provide options for On-Line plan reviews

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

3. Economic Development

- Develop an economic development strategy
 - Include existing business retention and expansion strategies, as well as recruitment of new businesses
 - Explore incentives and their roles in attracting new businesses
- Establish a Development Authority; begin process to identify town center and explore potential project funding mechanisms and identify potential redevelopment areas
- Identify tangible tools to promote and support local entrepreneurs and small businesses
- Review and adopt ordinances and policies to encourage economic development

4. Comprehensive Plan Update

- Work with consultant to create Public Involvement Plan
- Engage in citywide public outreach to ensure widespread input from citizens on future City growth plans
- Consider additional or updates to current design overlays
- Review current land use plan and zoning within city limits
- Complete draft Plan update for Council consideration

5. Create and Implement Branding and messaging

- Develop branding strategy which incorporates key attributes and future goals
- Communicate the message using various outlets
- Community engagement and communication

The City will employ an annual mid-year budget process to re-align appropriations made during the annual budget process with significant unexpected trends. This will ensure adjustments facilitating appropriations to be in alignment with expected resources. Differences between the original budget and final amended budget will then be resolved via official City Council action.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's net investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$209,635. These assets primarily reflect office equipment assets such as computers and furniture.

City of Stonecrest's Capital Assets (net of depreciation)

	<u>December 31, 2017</u>
Furniture and Equipment	\$ 188,640
Improvements	20,995
	<u>\$ 209,635</u>

Additional information on the City's capital assets can be found in note 5 on page 24 of this report.

Capital lease financing. At the end of fiscal period December 31, 2017 the City had total borrowings outstanding of \$136,971 in form of capital leases used to purchase office equipment. All borrowings are backed by the full faith and credit of the City.

Additional information on the City's long-term debt can be found in note 6 on page 25 of this report.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These factors were considered in preparing the City's budget for the 2018 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 operating millage rate for the City will remain at 0.0 mills. The City remains committed to refraining from the imposition of any additional millage for as long as is feasible. 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.
- The City will restrict the use of one-time revenues to capital projects when the City starts to accumulate fund balance.

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, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 645,759
Taxes receivable	225,731
Capital assets, net of accumulated depreciation	<u>209,635</u>
Total assets	<u>1,081,125</u>
LIABILITIES	
Accounts payable	197,557
Accrued liabilities	474,633
Capital lease payable, due within one year	22,069
Capital lease payable, due in more than one year	<u>114,902</u>
Total liabilities	<u>809,161</u>
NET POSITION	
Net investment in capital assets	72,664
Unrestricted	<u>199,300</u>
Total net position	<u>\$ 271,964</u>

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

CITY OF STONECREST, GEORGIA

STATEMENT OF ACTIVITIES FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in Net</u> <u>Position</u> <u>Governmental</u> <u>Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 2,008,160	\$ 198,509	\$ (1,809,651)
Judicial	1,615	-	(1,615)
Community development	718,246	668,234	(50,012)
Interest on long-term debt	6,694	-	(6,694)
Total governmental activities	<u>\$ 2,734,715</u>	<u>\$ 866,743</u>	<u>(1,867,972)</u>
General revenues:			
Hotel/Motel taxes			275,412
Franchise taxes			604,257
Business taxes			1,208,500
Motor vehicle excise taxes			7,356
Alcoholic beverage taxes			44,411
Total general revenues			<u>2,139,936</u>
Change in net position			271,964
Net position, beginning of period			-
Net position, end of period			<u>\$ 271,964</u>

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

CITY OF STONECREST, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

ASSETS	General Fund	Hotel/Motel Tax Fund	Non-major Governmental Fund	Total Governmental Funds
			Auto Rental Excise Tax Fund	
Cash and cash equivalents	\$ 645,759	\$ -	\$ -	\$ 645,759
Taxes receivable	176,687	48,494	550	225,731
Due from other funds	550	61,665	-	62,215
Prepays	3,200	-	-	3,200
Total assets	\$ 826,196	\$ 110,159	\$ 550	\$ 936,905
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 87,398	\$ 110,159	\$ -	\$ 197,557
Accrued liabilities	474,633	-	-	474,633
Due to other funds	61,665	-	550	62,215
Total liabilities	623,696	110,159	550	734,405
FUND BALANCE				
Fund balance:				
Nonspendable - prepaids	3,200	-	-	3,200
Assigned for use in 2018 budget	100,000	-	-	100,000
Unassigned	99,300	-	-	99,300
Total fund balance	202,500	-	-	202,500
Total liabilities and fund balance	\$ 826,196	\$ 110,159	\$ 550	

Amounts reported for governmental activities in the 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.	209,635
In the governmental funds, debt service expenditures prepaid by year-end are not recognized as expenditures until the are due and payable; however, in the governmental activities those payments are recognized as interest expenses and 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.	(136,971)
Net position of governmental activities	\$ 271,964

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 SIX MONTHS ENDED DECEMBER 31, 2017**

	General Fund	Hotel/Motel Tax Fund	Non-major Governmental Fund Auto Rental Excise Tax Fund	Total Governmental Funds
Revenues:				
Franchise taxes	\$ 604,257	\$ -	\$ -	\$ 604,257
Hotel/Motel taxes	-	275,412	-	275,412
Excise taxes on rental motor vehicles	-	-	7,356	7,356
Business taxes	1,208,500	-	-	1,208,500
Alcoholic beverage excise taxes	44,411	-	-	44,411
Licenses and permits	866,743	-	-	866,743
Total revenues	<u>2,723,911</u>	<u>275,412</u>	<u>7,356</u>	<u>3,006,679</u>
Expenditures:				
Current:				
General government	2,217,795	-	-	2,217,795
Judicial	1,615	-	-	1,615
Community development	608,087	110,159	-	718,246
Debt service:				
Principal	7,410	-	-	7,410
Interest	5,391	-	-	5,391
Total expenditures	<u>2,840,298</u>	<u>110,159</u>	<u>-</u>	<u>2,950,457</u>
Excess (deficiency) of revenues over expenditures	(116,387)	165,253	7,356	56,222
Other financing sources (uses):				
Issuance of capital lease	146,278	-	-	146,278
Transfers in	172,609	-	-	172,609
Transfers out	-	(165,253)	(7,356)	(172,609)
Total other financing sources (uses)	<u>318,887</u>	<u>(165,253)</u>	<u>(7,356)</u>	<u>146,278</u>
Net change in fund balances	202,500	-	-	202,500
Fund balances, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of period	<u>\$ 202,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,500</u>

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 SIX MONTHS ENDED DECEMBER 31, 2017**

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

Net change in fund balances - total governmental funds \$ 202,500

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. 209,635

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 net effect of these differences in the treatment of long-term debt and related items. (138,868)

Interest expenses reported in the statement of activities which were paid in advance of their due date are reported as prepaid items in the governmental funds. (1,303)

Change in net position - governmental activities \$ 271,964

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

CITY OF STONECREST, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

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, 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.

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. 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.

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 **Hotel/Motel Tax Fund** accounts for the collection of the 5% 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.

Additionally, the City reports the following fund type:

The **Special Revenue Fund** is used to account for specific revenues which are legally restricted 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. During the fiscal period ended December 31, 2017, the original budget was amended through supplemental appropriations. These changes 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 a useful life of 5-7 years.

I. Prepaids

Payments made to vendors for services that will benefit periods beyond December 31, 2017, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

Fund balances are classified as follows (continued):

- **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 two-and-one-half months of its prior fiscal year's actual operating expenditures of the General Fund, in order to cover unforeseen emergencies and/or revenue shortfalls. The City's resolution states the minimum fund balance policy is effective beginning the City's third fiscal year.

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.

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.

L. 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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net change in fund balance and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$209,635 difference are as follows:

Capital outlay	\$ 221,529
Depreciation expense	(11,894)

Net adjustment to increase <i>net change in fund balances - total governmental funds to arrive at change in net position - governmental activities</i>	\$ 209,635

Another element of the reconciliation states that “The issuance of long term debt (e.g. bonds, leases) 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. The details of this \$138,868 difference are as follows:

Issuance of capital lease	\$ (146,278)
Principal repayments of capital lease	7,410

Net adjustment to decrease <i>net change in fund balances - total governmental funds to arrive at change in net position - governmental activities</i>	\$ (138,868)

NOTES TO FINANCIAL STATEMENTS

NOTE 3. 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, within the fund.

Transfers of appropriations within a department budget or within a non-departmental expenditure category require the approval of the City Council. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

B. Excess Expenditures Over Appropriations

For the six months ended December 31, 2017 the following funds had actual expenditures in excess of their appropriations:

General Fund	
General government:	
City council	\$ 3,066
Legal services department	24,373
Economic development	9,789
Facilities and building department	113,188
General operations	402,292
Judicial:	
Court services	615
Debt service:	
Principal	7,410
Interest	5,391
Hotel/Motel Tax Fund	
Community development	10,159

These expenditures in excess of appropriations were funded by lower than budgeted expenditures in other areas and proceeds from issuances of leases.

NOTE 4. 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 require all deposits and investments (other than federal or state government instruments) to be collateralized 110% by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of December 31, 2017, all of the City's bank balances were insured and collateralized as defined by GASB standards and state statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the City for the six months ended December 31, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ -	\$ 200,178	\$ -	\$ 200,178
Improvements	-	21,351	-	21,351
Total	-	221,529	-	221,529
Less accumulated depreciation for:				
Furniture and equipment	-	(11,538)	-	(11,538)
Improvements	-	(356)	-	(356)
Total	-	(11,894)	-	(11,894)
Total capital assets being depreciated, net	-	209,635	-	209,635
Governmental activities capital assets, net	\$ -	\$ 209,635	\$ -	\$ 209,635

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

Governmental activities:	
General government	\$ 11,894

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG TERM DEBT

The following is a summary of long-term debt activity of the City for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ -	\$ 146,278	\$ (9,307)	\$ 136,971	\$ 22,069
Governmental activity long-term liabilities	<u>\$ -</u>	<u>\$ 146,278</u>	<u>\$ (9,307)</u>	<u>\$ 136,971</u>	<u>\$ 22,069</u>

Capital Lease

On July 1, 2017, the City entered into a capital lease to purchase 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, 2017 is \$136,971.

The total debt service requirements to maturity for the City's capital lease is as follows:

<u>Year Ending December 31,</u>	
2018	\$ 35,200
2019	38,400
2020	38,400
2021	38,400
2022	<u>25,600</u>
Total minimum lease payments	<u>176,000</u>
Less amounts representing interest	<u>(39,029)</u>
Present value of minimum lease payments	<u>\$ 136,971</u>

As of December 31, 2017, the cost and accumulated depreciation on the assets acquired under the capital lease is \$146,278 and \$4,876, respectively. The annual depreciation is included in the capital asset depreciation total in Note 5.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. SHORT-TERM BORROWINGS

The City utilized a short-term notes payable in the form of a tax anticipation note during the six months ended December 31, 2017. Pursuant to the agreement between the City and a local financial institution, the lender agreed to advance the City up to \$579,000 secured by future revenues. Interest accrued on the note equal to 2.92 percent. Total short-term borrowings interest incurred and paid for the six months ended December 31, 2017 was \$1,110.

The following is a summary of the City's short-term borrowings for the period ended December 31, 2017:

Beginning Balance	Additions	Reductions	Ending Balance
\$ -	\$ 92,500	\$ (92,500)	\$ -

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental fund	\$ 550
Hotel/Motel Tax Fund	General Fund	61,665
		\$ 62,215

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers:

Transfers in	Transfers out	Amount
General Fund	Hotel/Motel Tax Fund	\$ 165,253
General Fund	Nonmajor governmental fund	7,356
		\$ 172,609

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 9. HOTEL/MOTEL LODGING TAX

The City has levied an occupancy tax of 5% 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 six months ended December 31, 2017, the City collected \$275,412 in hotel/motel tax revenues. Of this amount, \$110,159, 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. MOTOR VEHICLE EXCISE TAX

The City has levied an excise tax on the rental of motor vehicles. The Official Code of Georgia Annotated §48-13-93 requires that all motor vehicle excise taxes be expended or obligated contractually, in accordance with the City's ordinance, for the acquisition, construction, renovating, improving, maintenance and equipping of pedestrian walkways, installation of traffic lights, and street lights associated with public safety facilities or public improvements for sports and recreational facilities. During the period ended December 31, 2017, the City received \$7,356 in motor vehicle excise taxes. Of this amount, \$7,356, or 100%, was used for these purposes.

NOTE 10. 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 \$103,607 for the six month period ended December 31, 2017.

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

Year Ending December 31,	City Hall
2018	\$ 185,718
2019	227,556
2020	231,516
2021	235,581
2022	239,745
2023	60,198
Total lease payments	<u><u>\$ 1,180,314</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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.

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 this first period of operations.

NOTE 12. 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.

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 \$3.0 million annually. The contracts were bid for five annual service periods and run through the year ending 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. 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 ARC, 40 Courtland Street NE, Atlanta, Georgia 30303.

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 SIX MONTHS ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Franchise taxes	\$ 900,000	\$ 900,000	\$ 604,257	\$ (295,743)
Business taxes	1,200,000	1,200,000	1,208,500	8,500
Alcoholic beverage excise taxes	225,000	225,000	44,411	(180,589)
Licenses and permits	365,000	365,000	866,743	501,743
Total revenues	<u>2,690,000</u>	<u>2,690,000</u>	<u>2,723,911</u>	<u>33,911</u>
Expenditures:				
Current:				
General government:				
City council	81,417	81,417	84,483	(3,066)
City manager	250,000	250,000	237,287	12,713
City clerk	167,123	167,123	149,958	17,165
Financial administration	13,710	13,710	12,426	1,284
Legal services department	400,000	400,000	424,373	(24,373)
Economic development	77,500	77,500	87,289	(9,789)
Facilities and building department	78,500	78,500	191,688	(113,188)
Communications	107,000	107,000	90,848	16,152
IT/GIS	170,810	170,810	169,651	1,159
General operations	367,500	367,500	769,792	(402,292)
Contingency	247,740	247,740	-	247,740
Total general government	<u>1,961,300</u>	<u>1,961,300</u>	<u>2,217,795</u>	<u>(256,495)</u>
Judicial:				
Court services	1,000	1,000	1,615	(615)
Community development				
	<u>886,700</u>	<u>886,700</u>	<u>608,087</u>	<u>278,613</u>
Debt service:				
Principal	-	-	7,410	(7,410)
Interest	-	-	5,391	(5,391)
Total debt service	<u>-</u>	<u>-</u>	<u>12,801</u>	<u>(12,801)</u>
Total expenditures	<u>2,849,000</u>	<u>2,849,000</u>	<u>2,840,298</u>	<u>8,702</u>
Deficiency of revenues over expenditures	(159,000)	(159,000)	(116,387)	42,613
Other financing sources:				
Issuance of capital lease	-	-	146,278	146,278
Transfers in	159,000	159,000	172,609	13,609
Total other financing sources	<u>159,000</u>	<u>159,000</u>	<u>318,887</u>	<u>159,887</u>
Net change in fund balance	-	-	202,500	202,500
Fund balance, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,500</u>	<u>\$ 202,500</u>

CITY OF STONECREST, GEORGIA

**HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 250,000	\$ 250,000	\$ 275,412	\$ 25,412
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>275,412</u>	<u>25,412</u>
Expenditures:				
Community development	<u>100,000</u>	<u>100,000</u>	<u>110,159</u>	<u>(10,159)</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>110,159</u>	<u>(10,159)</u>
Excess of revenues over expenditures	150,000	150,000	165,253	15,253
Other financing uses:				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(165,253)</u>	<u>(15,253)</u>
Total other financing uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>(165,253)</u>	<u>(15,253)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NONMAJOR GOVERNMENTAL FUND

Auto Rental Excise Tax Fund – To account for the rental motor vehicle excise tax collected as allowed by Georgia law.

CITY OF STONECREST, GEORGIA

**AUTO RENTAL EXCISE TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Excise taxes	\$ 9,000	\$ 9,000	\$ 7,356	\$ (1,644)
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>7,356</u>	<u>(1,644)</u>
Other financing uses:				
Transfers out	<u>(9,000)</u>	<u>(9,000)</u>	<u>(7,356)</u>	<u>1,644</u>
Total other financing uses	<u>(9,000)</u>	<u>(9,000)</u>	<u>(7,356)</u>	<u>1,644</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

This part of the City of Stonecrest's comprehensive annual 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..... 33

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

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

No sales taxes were raised or collected during fiscal year 2017. Therefore, the schedules for Principal Sales Taxpayers and Sales Tax Rates and Collections are not applicable for the period ended December 31, 2017. Sales taxes will be the City's largest own-source revenue beginning in fiscal year 2018 at which time the City will be able to report all sales tax information

Debt Capacity 37

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..... 39

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 41

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 did not commence operations until July 2017 and contracted out most of its services during the fiscal year 2017. The schedule of Operating Indicators by Function has been omitted for the period ended December 31, 2017 as the City did not provide services during fiscal year 2017 for which relevant operating indicators are available. The schedule of Capital Asset Statistics by Function has been omitted for the period ended December 31, 2017 as the City did not purchase or acquire significant capital assets during fiscal year 2017.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. Note that 2017 was the first period of operations.

CITY OF STONECREST, GEORGIA

NET POSITION BY COMPONENT CURRENT YEAR (accrual basis of accounting)

	<u>2017</u>
Governmental activities:	
Net investment in capital assets	\$ 72,664
Unrestricted	<u>199,300</u>
Total governmental activities net position	<u><u>\$ 271,964</u></u>

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

CITY OF STONECREST, GEORGIA

CHANGES IN NET POSITION CURRENT YEAR (accrual basis of accounting)

	<u>2017</u>
Expenses	
Governmental activities:	
General government	\$ 2,008,160
Judicial	1,615
Housing and development	718,246
Interest on long-term debt	6,694
Total governmental activities expenses	<u>2,734,715</u>
Program revenues	
Governmental activities:	
Charges for services:	
General government	\$ 198,509
Housing and development	668,234
Total governmental activities program revenues	<u>866,743</u>
Total program revenues	<u>\$ 866,743</u>
Net (expense)/revenue Governmental activities	<u>\$ (1,867,972)</u>
General Revenues and Other Changes in Net Position	
Governmental activities:	
Taxes	
Hotel/Motel taxes	\$ 275,412
Franchise taxes	604,257
Business taxes	1,208,500
Motor vehicle excise taxes	7,356
Alcoholic beverage excise taxes	44,411
Total governmental activities	<u>2,139,936</u>
Total primary government	<u>\$ 2,139,936</u>
Change in Net Position	
Governmental activities	<u>\$ 271,964</u>

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

CITY OF STONECREST, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUND CURRENT YEAR (modified accrual basis of accounting)

	<u>2017</u>
General Fund	
Nonspendable	\$ 3,200
Assigned	100,000
Unassigned	<u>99,300</u>
Total General fund	<u>\$ 202,500</u>

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

CITY OF STONECREST, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS CURRENT YEAR (modified accrual basis of accounting)

	<u>2017</u>
Revenues	
Taxes	\$ 2,139,936
Licenses and permits	866,743
Total revenues	<u>3,006,679</u>
Expenditures	
Current:	
General government	2,217,795
Judicial	1,615
Housing and development	718,246
Debt service:	
Principal	7,410
Interest	5,391
Total expenditures	<u>2,950,457</u>
Excess of revenues over expenditures	<u>56,222</u>
Other Financing Sources (Uses)	
Issuance of long term debt	146,278
Transfers in	172,609
Transfers out	(172,609)
Total other financing sources (uses)	<u>146,278</u>
Net change in fund balances	<u>\$ 202,500</u>
Debt service as a percentage of noncapital expenditures	0.5%

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

CITY OF STONECREST, GEORGIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
CURRENT YEAR**

Fiscal Period Ended December 31,	Governmental Activities			Percentage of Personal Income (1)	Per Capita (1)
	Notes Payable	Capital Lease Payable	Total		
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, 2017

Governmental Unit	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Overlapping debt			
DeKalb County GO Bonds & Leases Payable (1)	\$ 176,345,000	4.54 %	\$ 7,999,009
DeKalb County Board of Education GO bonds (2)	42,520,000	4.54 %	1,928,707
Total overlapping debt	218,865,000		9,927,716
City of Stonecrest direct debt	136,971	100 %	136,971
Total direct and overlapping debt	\$ 219,001,971		\$ 10,064,687

(1) Dekalb County Comprehensive Annual Financial Report for December 31, 2017

(2) Dekalb County Board of Education Comprehensive Annual Financial Report for June 30, 2017

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 CURRENT YEAR

<u>Fiscal Period</u>	<u>Population (1)</u>	<u>Personal Income (amounts expressed in thousands) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
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, 2017

Note: 2017 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**

Employer	Description	2017		
		Employees (1)	Rank	Percentage of Total City Employment (2)
Dart Container Corporation	Plastics Foam Products	500	1	6.07 %
Dekalb Medical Center at Hillandale	Hospitals, General Medical & Surgical	500	2	6.07
Home Chef	Catalog Mall Order Houses	500	3	6.07
Trojan Battery Company	Storage Batteries	250	4	3.04
Walmart Supercenter	Department Store	250	5	3.04
Traditions Health & Rehabilitation	Intermediate Care Facilities	190	6	2.31
Macys	Department Store	180	7	2.19
Kliklok-Woodman	Packaging Machinery	178	8	2.16
Sears	Department Store	150	9	1.82
Plaid Enterprise Inc	Paint, Varnishes, Lacquers, Enamels	143	10	1.74
Totals		2,841		34.49 %

(1) Source: 2017 individual employer's business license filing

CITY OF STONECREST, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION CURRENT FISCAL YEAR

Function	2017
General Government (City Council)	5
J. Clanton, R. Turner, J. Cobble, G. Turner, D. Adoma	
Mayor's Office	1
J. Lary	
City Manager/ Assistant City Manager	2
M. Harris, P. Joyner	
City Clerk/ Receptionist	2
B. James, L. Rodriguez	
Finance/ Licensing	2
A. Mays, T. Adams	
IT/ GIS	2
D. Ivy, N. Holman	
Economic Development	1
S. Wright	
Communications	3
A. Bell, A. Franklin, E. Maddox	
Community Development/ Planning-Zoning	5
N. Dozier, T. Daniel, L. Lowe, C. Wheeler, K. Hildebrandt	
Code Enforcement	4
A. Ferrell, W. Kirkland, L. Black, D. Richardson	
Building/ Land Development	4
K. Caldwell, M. Hill, M. Tyler, J. Reed	
Total	31

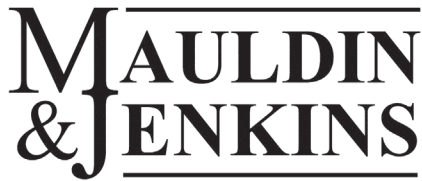
Source: City of Stonecrest Human Resources Department

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).

* The 2017 period was only six (6) months. All full-time employees are scheduled to work 2,080 hours per year (including vacation and sick).

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 six months ended December 31, 2017, 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 22, 2018.

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") to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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*.

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 22, 2018