



CITY OF STONECREST, GEORGIA

Honorable Mayor Jason Lary, Sr.

Council Member Jimmy Clanton, Jr. – District 1

Council Member Rob Turner- District 2

Council Member Jazzmin Cobble – District 3

Council Member George Turner- District 4

Council Member Diane Adoma – District 5

CITY COUNCIL WORK SESSION

August 12, 2019

6:00 p.m.

3120 Stonecrest Blvd. Suite 190

Stonecrest, Georgia

- I. CALL TO ORDER:** Mayor Jason Lary
- II. AGENDA ITEMS:**
 - 1. Parks Master Plan Contract Award
 - 2. Transportation Master Plan
 - 3. Audit Presentation- Adam Fraley
- III. ADJOURNMENT**

Americans with Disabilities Act

The City of Stonecrest does not discriminate on the basis of disability in its programs, services, activities and employment practices.

If you need auxiliary aids and services for effective communication (such as a sign language interpreter, an assistive listening device or print material in digital format) or reasonable modification to programs, services or activities contact the ADA Coordinator, Megan Reid, as soon as possible, preferably 2 days before the activity or event.



CITY COUNCIL AGENDA ITEM

SUBJECT:

- ORDINANCE POLICY STATUS REPORT
 DISCUSSION ONLY RESOLUTION OTHER

Council Meeting: 08/12/2019

SUBMITTED BY: Shakera Hall on behalf of Sean DePalma

PURPOSE: Contract Award for 2019-012, Parks and Recreation Master Plan

HISTORY:

FACTS AND ISSUES: All procedures have been followed according to Stonecrest Purchasing Manuel and State of Georgia guidelines.

OPTIONS:

RECOMMENDED ACTION: Recommendation for Council approval.



CITY COUNCIL AGENDA ITEM

SUBJECT:

- ORDINANCE POLICY STATUS REPORT
 DISCUSSION ONLY RESOLUTION OTHER

Council Meeting: 08/12/2019

SUBMITTED BY: Shakera Hall on behalf of Plez Joyner

PURPOSE: Contract Award for 2019-014, Transportation Master Plan

HISTORY:

FACTS AND ISSUES: All procedures have been followed according to Stonecrest Purchasing Manuel and State of Georgia guidelines.

OPTIONS:

RECOMMENDED ACTION: Recommendation for Council approval.



SUBJECT: Audit Presentation

- ORDINANCE POLICY STATUS REPORT
 DISCUSSION ONLY RESOLUTION OTHER

Work Session Meeting: 08/12/2019

SUBMITTED BY: Adam Fraley

PURPOSE: 2018 Audit Presentation

HISTORY:

FACTS AND ISSUES:

OPTIONS:

RECOMMENDED ACTION:

CITY OF STONECREST, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

Prepared by:
City of Stonecrest Finance Department

INTRODUCTORY SECTION

CITY OF STONECREST, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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CITY OF STONECREST, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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June 24, 2019

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 year ended December 31, 2018. 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 year ended December 31, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Stonecrest's financial statements for the year ended December 31, 2018 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of the report.

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



PROFILE OF THE GOVERNMENT

Stonecrest was incorporated in January of 2017. Positioned in the metropolitan area, just 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 54,522 (U.S. Census estimate for 2018). 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 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 reallocated 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 54,522 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 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 33 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 2018 to 3.7%, with a City-wide rate of 4.2%.

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 complete 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 two years and relies on franchise taxes, business taxes, and permitting fees to fund city services.

MAJOR INITIATIVES FOR THE YEAR

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 provides 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. The Comprehensive Plan was approved by the Department of Community Affairs and the Atlanta Regional Commission in 2018 and was approved by City Council in February 2019.

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. SPLOST collections began in 2018 and 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.

INITIATIVES FOR FUTURE YEARS

FINANCIAL POLICIES

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

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 year ended December 31, 2018 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 - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stonecrest for its comprehensive annual financial report for the fiscal period ended December 31, 2017. The City received this award in its initial period of operations. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Julian Jackson".

Julian Jackson

Interim City Manager

A handwritten signature in black ink, appearing to read "Megan Reid".

Megan Reid

City Clerk



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Stonecrest
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

**CITY OF STONECREST, GEORGIA
PRINCIPAL OFFICIALS
DECEMBER 31, 2018**

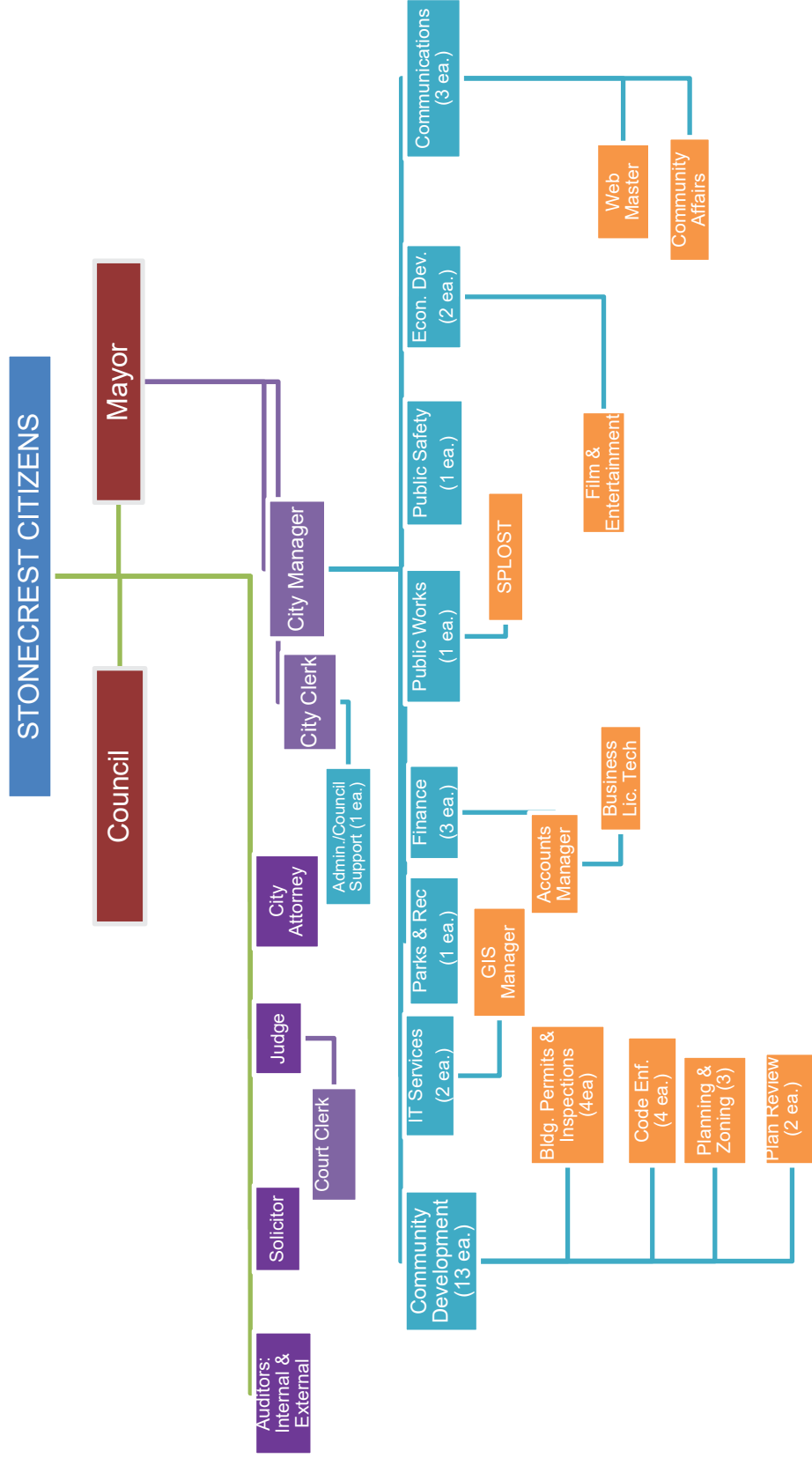
City Council

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

Julian Jackson	Interim City Manager
Megan Reid	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 year ended December 31, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the General 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 combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (Continued)

The combining and individual fund financial statements and schedules (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 24, 2019 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 24, 2019

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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, 2018. This activity is for the first full twelve month period of the City; therefore, selected comparative information will be between the twelve months ended December 31, 2018 and the six months ended December 31, 2017. 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 54,522. 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. Although 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, it has not done so.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$6,713,169 (total net position), which represents an increase of \$6,441,205 or 2,368.40% from the prior year end balance. Of the total net position, \$834,179 (unrestricted net position) is available to meet the ongoing obligations of the City.
- As of the December 31, 2018, the City's governmental funds reported combined ending fund balances of \$6,647,604.

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, 2018

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 12 and 13 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 four individual governmental funds, the General Fund, the Special Purpose Local Option Sale Tax (SPLOST) fund, the Hotel/Motel Tax Fund, and the Auto Rental Excise Tax Fund. The General Fund and the SPLOST Fund are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14 through 16 of this report.

The City adopts an annual appropriated budget for its governmental funds, except capital project funds for which project length budgets are adopted. A budgetary comparison statement has been provided for the General Fund, Hotel/Motel Tax Fund and the Auto Rental Excise Tax Fund on pages 32 through 34 of this report.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

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 17 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 and 31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$6,713,169, representing a \$6,441,205 or 2,368.40% increase over the prior fiscal period.

The City's net position is comprised of net investment in capital assets of \$68,765, amounts restricted for tourism of \$65,712, capital projects of \$5,554,729, Homestead Option Sales Tax (HOST) activities of \$186,981, and public improvements of \$2,803. The remaining portion of the City's net position represents unrestricted net position of \$834,179 which is available to meet the ongoing obligations of the government.

City of Stonecrest Net Position

	<u>Governmental Activities</u>		<u>Dollar Increase (Decrease)</u>	<u>Percent</u>
	<u>December 31 2018</u>	<u>December 31 2017</u>		
ASSETS				
Current assets	\$ 7,173,621	\$ 871,490	\$ 6,302,131	723.14%
Capital assets, net	181,546	209,635	(28,089)	-13.40%
Total assets	<u>7,355,167</u>	<u>1,081,125</u>	<u>6,274,042</u>	<u>580.33%</u>
LIABILITIES				
Current liabilities	529,217	672,190	(142,973)	-21.27%
Capital lease payable	112,781	136,971	(24,190)	-17.66%
Total liabilities	<u>641,998</u>	<u>809,161</u>	<u>(167,163)</u>	<u>-20.66%</u>
NET POSITION				
Net investment in capital assets	68,765	72,664	(3,899)	-5.37%
Restricted	5,810,225	-	5,810,225	100.00%
Unrestricted	834,179	199,300	634,879	318.55%
Total net position	<u>\$ 6,713,169</u>	<u>\$ 271,964</u>	<u>\$ 6,441,205</u>	<u>2368.40%</u>

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

The largest portion of the City's current assets, \$5,339,290, reflects its cash holdings at December 31, 2018, an increase of \$4,693,531 or 726.82%. The increase was primarily the result of 2018 being the first full year of operations and the collection of SPLOST revenue during the year. Capital assets are primarily for office equipment financed with a capital lease.

Revenues: Government-wide revenues increased \$8,785,045, or 292.18%, primarily the result of 2018 being a full twelve months as compared to six months for the prior period. Charges for services is comprised of license and permit fees of \$1,631,999 and fines and forfeitures of \$16,248. Capital grants and contributions of \$5,547,695 are comprised of SPLOST revenues. This revenue source was not available in the prior six month period. Sales and use tax revenue was \$186,981 in the current period. This revenue source was not available in the prior six month period. Hotel/Motel tax increased \$381,462 or 138.51% primarily as a result of a full year of collections. Franchise taxes increased \$1,827,009 or 302.36% primarily as a result of a full year of collections.

Expenses: General government expenses increased \$1,348,905 or 67.17%. Judicial expenses increased \$93,332 and Community Development expenses increased \$1,067,611. Both of these increases can be attributed to 2018 being the first full year of operation for the City as well as ongoing increases in government services and staff as the City takes on additional responsibilities from the County.

Governmental activities: The table on the following page reflects changes in the net position for the calendar year 2018 as well as the period of the six months ended December 31, 2017:

City of Stonecrest, Georgia
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

City of Stonecrest's Changes in Net Position

	Governmental Activities		Dollar Increase (Decrease)	Percent
	Twelve Months Ended December 31 2018	Six Months Ended December 31 2017		
REVENUES				
Program revenues				
Charges for services	\$ 1,648,247	\$ 866,743	781,504	90.17%
Capital grants and contributions	5,547,695	-	5,547,695	-
General revenues				
Sales and use tax	186,981	-	186,981	-
Hotel/Motel taxes	656,874	275,412	381,462	138.51%
Motor vehicle taxes	2,803	7,356	(4,553)	-61.90%
Franchise taxes	2,431,266	604,257	1,827,009	302.36%
Business and occupation taxes	1,158,721	1,208,500	(49,779)	-4.12%
Alcoholic beverage taxes	144,585	44,411	100,174	225.56%
Unrestricted investment earnings	7,034	-	7,034	-
Miscellaneous revenues	7,518	-	7,518	-
Total revenues	<u>11,791,724</u>	<u>3,006,679</u>	<u>8,785,045</u>	<u>292.18%</u>
EXPENSES				
General government	3,357,065	2,008,160	1,348,905	67.17%
Judicial	94,947	1,615	93,332	5779.07%
Community development	1,785,857	718,246	1,067,611	148.64%
Cultural and recreation	98,440	-	98,440	-
Interest charges	14,210	6,694	7,516	112.28%
Total expenses	<u>5,350,519</u>	<u>2,734,715</u>	<u>2,615,804</u>	<u>95.65%</u>
Increase in net position	6,441,205	271,964	6,169,241	2268.40%
Net position, beginning of year	271,964	-		
Net position, end of year	<u>\$ 6,713,169</u>	<u>\$ 271,964</u>		

City of Stonecrest, Georgia
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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 \$1,024,360, an increase of \$821,860 or 405.86%. The fund balance includes \$44,670 of nonspendable fund balance, \$186,981 restricted for HOST activities, and an unassigned fund balance of \$792,709.

Total general fund revenues increased \$2,853,407 or 104.75%. Franchise taxes increased \$1,827,009 or 302.36% as of result of an additional six months of collections and the timing of various franchise payments not available in the prior period. Licenses and permits increased \$765,256 or 88.29% primarily due to variance in fiscal periods and increases in fees from building permits. Sales and use tax revenue was \$186,981 in 2018. This was a new revenue stream in 2018.

Total General fund expenditures increased \$2,275,037 or 80.10%. All increases can be attributable to the variance in length of fiscal years as well as ongoing increases in government services and staff as the city takes on additional responsibilities from the County.

SPLOST Fund. In 2018, the City began receiving proceeds of a sales tax levied in DeKalb County, which will be used by the City for the exclusive purpose of capital outlay projects in accordance with a voter approved sales tax referendum. For the year ended December 31, 2018, the City received a total of \$5,547,695 in SPLOST revenue. There have been no capital related expenditures using these funds in 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget versus actual comparison can be found on page 30. Total revenues were \$276,182 less than budgeted and total expenditures were \$1,381,915 less than budgeted. The City has used a conservative budgeting approach based on the limited information available at the time the budget was prepared. The budget included a \$801,150 contingency to cover unforeseen expenditures, which the City did not have to use.

City of Stonecrest, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's net investment in capital assets for its governmental activities as of December 31, 2018, was to \$181,546. These assets primarily reflect office equipment assets such as computers and furniture.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Furniture and Equipment	\$ 164,821	\$ 188,640
Improvements	16,725	20,995
	<u>\$ 181,546</u>	<u>\$ 209,635</u>

Additional information on the City's capital assets can be found in note 5 on page 25 of this report.

Capital lease financing. At the end of fiscal period December 31, 2018 the City had total borrowings outstanding of \$112,781 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 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These factors were considered in preparing the City's budget for the 2019 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 mils. 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.
- Department expansions – The City will expand to include three new departments – Business Development, Parks and Recreations, and Community and Cultural Affairs. The Public Works Department will expand services to include a right of way maintenance department that will keep the lawns on the city's thoroughfares maintained and clean.
- The City will restrict the use of one-time revenues to capital projects when the City starts to accumulate fund balance.

City of Stonecrest, Georgia
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,339,290
Taxes receivable	1,077,255
Intergovernmental receivable	715,606
Prepays	41,470
Capital assets, net of accumulated depreciation	<u>181,546</u>
Total assets	<u>7,355,167</u>
LIABILITIES	
Accounts payable	311,557
Accrued liabilities	217,660
Capital lease payable, due within one year	24,688
Capital lease payable, due in more than one year	<u>88,093</u>
Total liabilities	<u>641,998</u>
NET POSITION	
Net investment in capital assets	68,765
Restricted for:	
Promotion of trade and tourism	65,712
Capital projects	5,554,729
HOST activities	186,981
Public improvements	2,803
Unrestricted	<u>834,179</u>
Total net position	<u>\$ 6,713,169</u>

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

CITY OF STONECREST, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Primary government:</u>		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
General government	\$ 3,357,065	\$ 292,305	\$ -	\$ (3,064,760)
Judicial	94,947	-	-	(94,947)
Public safety	-	-	631,281	631,281
Public works	-	-	4,012,294	4,012,294
Community development	1,785,857	1,355,942	-	(429,915)
Culture and recreation	98,440	-	904,120	805,680
Interest on long-term debt	14,210	-	-	(14,210)
Total governmental activities	\$ 5,350,519	\$ 1,648,247	\$ 5,547,695	1,845,423
General revenues:				
Sales and use taxes				186,981
Hotel/Motel taxes				656,874
Franchise taxes				2,431,266
Business taxes				1,158,721
Motor vehicle excise taxes				2,803
Alcoholic beverage taxes				144,585
Unrestricted investment earnings				7,034
Miscellaneous revenues				7,518
Total general revenues				4,595,782
Change in net position				6,441,205
Net position, beginning of year				271,964
Net position, end of year				\$ 6,713,169

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

CITY OF STONECREST, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

ASSETS	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 500,167	\$ 4,839,123	\$ -	\$ 5,339,290
Taxes receivable	1,008,740	-	68,515	1,077,255
Intergovernmental receivable	-	715,606	-	715,606
Prepays	44,670	-	-	44,670
Total assets	\$ 1,553,577	\$ 5,554,729	\$ 68,515	\$ 7,176,821
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 311,557	\$ -	\$ -	\$ 311,557
Accrued liabilities	217,660	-	-	217,660
Total liabilities	529,217	-	-	529,217
FUND BALANCE				
Nonspendable:				
Prepays	44,670	-	-	44,670
Restricted:				
Capital projects	-	5,554,729	-	5,554,729
Promotion of trade and tourism	-	-	65,712	65,712
HOST activities	186,981	-	-	186,981
Public improvements	-	-	2,803	2,803
Unassigned	792,709	-	-	792,709
Total fund balance	1,024,360	5,554,729	68,515	6,647,604
Total liabilities and fund balance	\$ 1,553,577	\$ 5,554,729	\$ 68,515	
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.				181,546
In the governmental funds, debt service expenditures prepaid by year-end are not recognized as expenditures until they are due and payable; however, in the governmental activities those payments are recognized as reductions of the long-term liabilities when paid.				(3,200)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount is the outstanding capital lease payable.				(112,781)
Net position of governmental activities				\$ 6,713,169

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

CITY OF STONECREST, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Franchise taxes	\$ 2,431,266	\$ -	\$ -	\$ 2,431,266
Hotel/Motel taxes	-	-	656,874	656,874
Excise taxes on rental motor vehicles	-	-	2,803	2,803
Business taxes	1,158,721	-	-	1,158,721
Alcoholic beverage excise taxes	144,585	-	-	144,585
Sales and use taxes	186,981	-	-	186,981
Licenses and permits	1,631,999	-	-	1,631,999
Intergovernmental	-	5,547,695	-	5,547,695
Fines and forfeitures	16,248	-	-	16,248
Interest earned	-	7,034	-	7,034
Miscellaneous	7,518	-	-	7,518
Total revenues	<u>5,577,318</u>	<u>5,554,729</u>	<u>659,677</u>	<u>11,791,724</u>
Expenditures:				
Current:				
General government	3,299,608	-	-	3,299,608
Judicial	92,909	-	-	92,909
Community development	1,548,944	-	231,285	1,780,229
Culture and recreation	98,440	-	-	98,440
Capital outlay	37,034	-	-	37,034
Debt service:				
Principal	23,965	-	-	23,965
Interest	14,435	-	-	14,435
Total expenditures	<u>5,115,335</u>	<u>-</u>	<u>231,285</u>	<u>5,346,620</u>
Excess of revenues over expenditures	461,983	5,554,729	428,392	6,445,104
Other financing sources (uses):				
Transfers in	359,877	-	-	359,877
Transfers out	-	-	(359,877)	(359,877)
Total other financing sources (uses)	<u>359,877</u>	<u>-</u>	<u>(359,877)</u>	<u>-</u>
Net change in fund balances	821,860	5,554,729	68,515	6,445,104
Fund balances, beginning of year	<u>202,500</u>	<u>-</u>	<u>-</u>	<u>202,500</u>
Fund balances, end of year	<u>\$ 1,024,360</u>	<u>\$ 5,554,729</u>	<u>\$ 68,515</u>	<u>\$ 6,647,604</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 YEAR ENDED DECEMBER 31, 2018**

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

Net change in fund balances - total governmental funds \$ 6,445,104

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 depreciation expense exceeded capital outlays in the current period. (28,089)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the principal payments on the long-term debt in the current year. 23,965

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. 225

Change in net position - governmental activities \$ 6,441,205

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

CITY OF STONECREST, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

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, 2018, 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, 2018, 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 6% of current year revenues 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 \$28,089 difference are as follows:

Capital outlay	\$ 18,679
Depreciation expense	<u>(46,768)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (28,089)</u></u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

B. Excess Expenditures Over Appropriations

For the year ended December 31, 2018 the following funds had actual expenditures in excess of their appropriations:

General Fund

General government:

IT/GIS	\$	3,909
General operations		6,678

Debt service:

Principal		23,965
Interest		14,435

These expenditures in excess of appropriations were funded by lower than budgeted expenditures in other areas.

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 and City policy require all deposits to be collateralized by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2018, the City had deposits with one (1) financial institution collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. Additionally, the City had deposits with one (1) financial institution that were collateralized by pledged securities, as defined above, such that all of the City's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the City for the year ended December 31, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 200,178	\$ 18,679	\$ -	\$ 218,857
Improvements	21,351	-	-	21,351
Total	<u>221,529</u>	<u>18,679</u>	<u>-</u>	<u>240,208</u>
Less accumulated depreciation for:				
Furniture and equipment	(11,538)	(42,498)	-	(54,036)
Improvements	(356)	(4,270)	-	(4,626)
Total	<u>(11,894)</u>	<u>(46,768)</u>	<u>-</u>	<u>(58,662)</u>
Total capital assets being depreciated, net	<u>209,635</u>	<u>(28,089)</u>	<u>-</u>	<u>181,546</u>
Governmental activities capital assets, net	<u>\$ 209,635</u>	<u>\$ (28,089)</u>	<u>\$ -</u>	<u>\$ 181,546</u>

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

Governmental activities:	
General government	<u>\$ 46,768</u>

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, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 136,971	\$ -	\$ (24,190)	\$ 112,781	\$ 24,688
Governmental activity long-term liabilities	<u>\$ 136,971</u>	<u>\$ -</u>	<u>\$ (24,190)</u>	<u>\$ 112,781</u>	<u>\$ 24,688</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, 2018 is \$112,781.

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

<u>Year Ending December 31,</u>	
2019	\$ 35,200
2020	38,400
2021	38,400
2022	<u>25,600</u>
Total minimum lease payments	<u>137,600</u>
Less amounts representing interest	<u>(24,819)</u>
Present value of minimum lease payments	<u>\$ 112,781</u>

As of December 31, 2018, the cost and accumulated depreciation on the assets acquired under the capital lease is \$146,278 and \$34,132, respectively. The annual depreciation is included in the capital asset depreciation total in Note 5.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of December 31, 2018 is as follows:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund	\$ 359,877

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.

NOTE 8. 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 year ended December 31, 2018, the City collected \$591,162 in hotel/motel tax revenues. Of this amount, \$231,285, or 39%, was used for the promotion of tourism in accordance with the provisions of O.C.G.A §48-13-51(a)(3).

NOTE 9. AUTO RENTAL 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 year ended December 31, 2018, the City accrued \$2,803 in motor vehicle excise taxes revenues. Of this amount, \$2,803, or 100%, was restricted for use 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 \$185,718 for the year ended December 31, 2018.

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

<u>Year Ending December 31,</u>	<u>City Hall</u>
2019	\$ 227,556
2020	231,516
2021	235,581
2022	239,745
2023	60,198
Total lease payments	\$ 994,596

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 two years 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 \$3.7 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 YEAR ENDED DECEMBER 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Franchise taxes	\$ 2,310,000	\$ 2,240,000	\$ 2,431,266	\$ 191,266
Business taxes	2,235,000	2,230,000	1,158,721	(1,071,279)
Alcoholic beverage excise taxes	96,000	96,000	144,585	48,585
Sales and use taxes	-	-	186,981	186,981
Licenses and permits	1,142,500	1,282,500	1,631,999	349,499
Fines and forfeitures	5,000	5,000	16,248	11,248
Miscellaneous	-	-	7,518	7,518
Total revenues	<u>5,788,500</u>	<u>5,853,500</u>	<u>5,577,318</u>	<u>(276,182)</u>
Expenditures:				
Current:				
General government:				
City council	285,500	240,500	169,805	70,695
City manager	228,250	235,550	235,086	464
City clerk	152,650	144,100	118,900	25,200
Financial administration	654,700	603,700	593,546	10,154
Legal services department	450,000	531,000	530,164	836
Economic development	517,250	655,350	550,999	104,351
Facilities and building department	244,000	244,000	240,843	3,157
Communications	330,000	391,500	308,678	82,822
IT/GIS	205,000	293,000	296,909	(3,909)
General operations	529,500	248,000	254,678	(6,678)
Contingency	851,150	801,150	-	801,150
Total general government	<u>4,448,000</u>	<u>4,387,850</u>	<u>3,299,608</u>	<u>1,088,242</u>
Judicial:				
Court services	<u>47,500</u>	<u>107,200</u>	<u>92,909</u>	<u>14,291</u>
Community development	<u>1,316,500</u>	<u>1,599,000</u>	<u>1,548,944</u>	<u>50,056</u>
Culture and recreation	<u>130,000</u>	<u>105,000</u>	<u>98,440</u>	<u>6,560</u>
Capital outlay	<u>261,500</u>	<u>298,200</u>	<u>37,034</u>	<u>261,166</u>
Debt service:				
Principal	-	-	23,965	(23,965)
Interest	-	-	14,435	(14,435)
Total debt service	<u>-</u>	<u>-</u>	<u>38,400</u>	<u>(38,400)</u>
Total expenditures	<u>6,203,500</u>	<u>6,497,250</u>	<u>5,115,335</u>	<u>1,381,915</u>
Excess (deficiency) of revenues over expenditures	(415,000)	(643,750)	461,983	1,105,733
Other financing sources:				
Transfers in	<u>315,000</u>	<u>405,000</u>	<u>359,877</u>	<u>(45,123)</u>
Total other financing sources	<u>315,000</u>	<u>405,000</u>	<u>359,877</u>	<u>(45,123)</u>
Net change in fund balance	(100,000)	(238,750)	821,860	1,060,610
Fund balance, beginning of year	<u>202,500</u>	<u>202,500</u>	<u>202,500</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 102,500</u>	<u>\$ (36,250)</u>	<u>\$ 1,024,360</u>	<u>\$ 1,060,610</u>

NONMAJOR GOVERNMENTAL FUNDS

Hotel/Motel Tax Fund – To account 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.

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

CITY OF STONECREST, GEORGIA

**COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Hotel/Motel Tax Fund</u>	<u>Auto Rental Excise Tax Fund</u>	
ASSETS			
Taxes receivable	\$ 65,712	\$ 2,803	\$ 68,515
Total assets	<u>\$ 65,712</u>	<u>\$ 2,803</u>	<u>\$ 68,515</u>
FUND BALANCE			
Restricted:			
Promotion of trade and tourism	65,712	-	65,712
Public improvements	<u>-</u>	<u>2,803</u>	<u>2,803</u>
Total fund balance	<u>\$ 65,712</u>	<u>\$ 2,803</u>	<u>\$ 68,515</u>

CITY OF STONECREST, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Special Revenue Funds</u>		
	<u>Hotel/Motel Tax Fund</u>	<u>Auto Rental Excise Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Hotel/Motel taxes	\$ 656,874	\$ -	\$ 656,874
Excise taxes on rental motor vehicles	-	2,803	2,803
Total revenues	<u>656,874</u>	<u>2,803</u>	<u>659,677</u>
Expenditures:			
Current:			
Community development	<u>231,285</u>	-	<u>231,285</u>
Total expenditures	<u>231,285</u>	-	<u>231,285</u>
Excess of revenues over expenditures	425,589	2,803	428,392
Other financing uses:			
Transfers out	<u>(359,877)</u>	-	<u>(359,877)</u>
Total other financing uses	<u>(359,877)</u>	-	<u>(359,877)</u>
Net change in fund balances	65,712	2,803	68,515
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 65,712</u>	<u>\$ 2,803</u>	<u>\$ 68,515</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 YEAR ENDED DECEMBER 31, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 656,874	\$ 656,874
Total revenues	<u>-</u>	<u>-</u>	<u>656,874</u>	<u>656,874</u>
Expenditures:				
Community development	260,000	260,000	231,285	28,715
Total expenditures	<u>260,000</u>	<u>260,000</u>	<u>231,285</u>	<u>28,715</u>
Excess (deficiency) of revenues over expenditures	(260,000)	(260,000)	425,589	685,589
Other financing uses:				
Transfers out	(390,000)	(390,000)	(359,877)	30,123
Total other financing uses	<u>(390,000)</u>	<u>(390,000)</u>	<u>(359,877)</u>	<u>30,123</u>
Net change in fund balances	(650,000)	(650,000)	65,712	715,712
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ (650,000)</u>	<u>\$ (650,000)</u>	<u>\$ 65,712</u>	<u>\$ 715,712</u>

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 YEAR ENDED DECEMBER 31, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Excise taxes	\$ 15,000	\$ 15,000	\$ 2,803	\$ (12,197)
Total revenues	15,000	15,000	2,803	(12,197)
Other financing uses:				
Transfers out	(15,000)	(15,000)	-	15,000
Total other financing uses	(15,000)	(15,000)	-	15,000
Net change in fund balances	-	-	2,803	2,803
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ 2,803	\$ 2,803

CITY OF STONECREST, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Project</u>	Original and Current Estimated Cost	Prior Year	Current Year	Total
SPLOST - 2017 SERIES				
Resurfacing and street paving	\$ 10,000,000	\$ -	\$ -	\$ -
Transportation improvements, design, and planning	18,539,000	-	-	-
Parks and recreation	5,000,000	-	-	-
Multi-modal transportation consisting of, sidewalks, paths and bikeways projects	3,240,000	-	-	-
Capital improvements on public safety facilities and City Hall	7,161,000	-	-	-
Construction and program management	3,820,000	-	-	-
	<u>\$ 47,760,000</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.

	<u>Page</u>
Financial Trends	36
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	40
These schedules contain information to help the reader assess the City's most significant local revenue source, franchise taxes.	
Debt Capacity	42
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	44
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	46
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

The City contracted out most of its services during the fiscal year 2018. The schedule of Capital Asset Statistics by Function has been omitted for the year ended December 31, 2018 as the City did not purchase or acquire significant capital assets during fiscal year 2018.

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

CITY OF STONECREST, GEORGIA

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

	<u>2018</u>	<u>2017</u>
Governmental activities:		
Net investment in capital assets	\$ 68,765	\$ 72,664
Restricted	5,810,225	-
Unrestricted	834,179	199,300
Total governmental activities net position	<u>\$ 6,713,169</u>	<u>\$ 271,964</u>

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

CITY OF STONECREST, GEORGIA

CHANGES IN NET POSITION LAST TWO FISCAL YEARS (accrual basis of accounting)

	2018	2017
Expenses		
Governmental activities:		
General government	\$ 3,357,065	\$ 2,008,160
Judicial	94,947	1,615
Community development	1,785,857	718,246
Culture and recreation	98,440	-
Interest on long-term debt	14,210	6,694
Total governmental activities expenses	5,350,519	2,734,715
Program revenues		
Governmental activities:		
Charges for services:		
General government	\$ 292,305	\$ 198,509
Housing and development	1,355,942	668,234
Capital grants and contributions	5,547,695	-
Total governmental activities program revenues	7,195,942	866,743
Total program revenues	\$ 7,195,942	\$ 866,743
Net (expense)/revenue		
Governmental activities	\$ 1,845,423	\$ (1,867,972)
General Revenues and Other Changes in Net Position		
Governmental activities:		
Taxes		
Sales and use taxes	\$ 186,981	\$ -
Hotel/Motel taxes	656,874	275,412
Franchise taxes	2,431,266	604,257
Business taxes	1,158,721	1,208,500
Motor vehicle excise taxes	2,803	7,356
Alcoholic beverage excise taxes	144,585	44,411
Unrestricted investment earnings	7,034	-
Miscellaneous revenues	7,518	-
Total governmental activities	4,595,782	2,139,936
Total primary government	\$ 4,595,782	\$ 2,139,936
Change in Net Position		
Governmental activities	\$ 6,441,205	\$ 271,964

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

CITY OF STONECREST, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUND LAST TWO FISCAL YEARS (modified accrual basis of accounting)

	<u>2018</u>	<u>2017</u>
General Fund:		
Restricted	\$ 186,981	\$ -
Nonspendable	44,670	3,200
Assigned	-	100,000
Unassigned	792,709	99,300
Total General fund	<u>\$ 1,024,360</u>	<u>\$ 202,500</u>
All other governmental funds:		
Restricted	<u>\$ 5,623,244</u>	<u>\$ -</u>

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

CITY OF STONECREST, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TWO FISCAL YEARS (modified accrual basis of accounting)

	2018	2017
Revenues		
Taxes	\$ 4,581,230	\$ 2,139,936
Licenses and permits	1,631,999	866,743
Fines and forfeitures	16,248	-
Intergovernmental	5,547,695	-
Interest earned	7,034	-
Miscellaneous	7,518	-
Total revenues	11,791,724	3,006,679
Expenditures		
Current:		
General government	3,299,608	2,217,795
Judicial	92,909	1,615
Community development	1,780,229	718,246
Culture and recreation	98,440	-
Capital outlay	37,034	-
Debt service:		
Principal	23,965	7,410
Interest	14,435	5,391
Total expenditures	5,346,620	2,950,457
Excess of revenues over expenditures	6,445,104	56,222
Other Financing Sources (Uses)		
Issuance of long term debt	-	146,278
Transfers in	359,877	172,609
Transfers out	(359,877)	(172,609)
Total other financing sources (uses)	-	146,278
Net change in fund balances	\$ 6,445,104	\$ 202,500
Debt service as a percentage of noncapital expenditures	0.7%	0.5%

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

CITY OF STONECREST, GEORGIA

**PRINCIPAL FRANCHISE TAXPAYERS
CURRENT YEAR**

Franchise Taxpayer	2018		
	Revenue	Rank	Percentage of Total Revenue
Georgia Power Company	\$ 872,427	1	35.88 %
Comcast	551,669	2	22.69
Snapping Shoals EMC	427,605	3	17.59
Southern Company Gas	308,649	4	12.70
AT&T/ BellSouth & Uverse	270,915	5	11.14
Totals	\$ 2,431,266		100.00 %

Source: City of Stonecrest Finance Department

Note: Fiscal year 2018 will be the first year the City has a full year of franchise agreements.

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

CITY OF STONECREST, GEORGIA

FRANCHISE TAX RATES CURRENT CALENDAR YEAR

<u>Calendar Year</u>	<u>Telecommunication</u>	<u>Cable</u>	<u>Electric</u>	<u>Gas</u>
2018	3%	5%	4%	4%

Source: Stonecrest Finance Department

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

CITY OF STONECREST, GEORGIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TWO FISCAL YEARS**

Fiscal Period Ended December 31,	Governmental Activities			Percentage of Personal Income (1)	Per Capita (1)
	Notes Payable	Capital Lease Payable	Total		
2018	\$ -	\$ 112,781	\$ 112,781	0.00870 %	\$ 2.07
2017	-	136,971	136,971	0.01099	2.61

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

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

CITY OF STONECREST, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT as of December 31, 2018

Governmental Unit	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Overlapping debt			
DeKalb County GO Bonds & Leases Payable (1)	\$ 270,470,000	4.54 %	\$ 12,268,519
DeKalb County Board of Education GO bonds and Leases Payable (1)	194,485,000	4.54 %	8,821,840
Total overlapping debt	464,955,000		21,090,359
City of Stonecrest direct debt	112,781	100 %	112,781
Total direct and overlapping debt	\$ 465,067,781		\$ 21,203,140

(1) DeKalb County Comprehensive Annual Financial Report for December 31, 2018

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

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

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

CITY OF STONECREST, GEORGIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TWO FISCAL YEARS

Fiscal Period	Population (1)	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2018	54,522	\$ 1,296,642	\$ 23,782	32.9	10,432	4.2 %
2017	52,393	1,246,010	23,782	32.9	10,432	8.8

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

(2) Source: DeKalb County Board of Education

(3) Bureau of Labor Statistics July, 2018

Note: 2018 population, per capita, and personal income are estimates based on past regional trends.

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

CITY OF STONECREST, GEORGIA

PRINCIPAL EMPLOYERS CURRENT YEAR AND PRIOR YEAR

Employer	Description	2018			2017		
		Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
Dart Container Corporation	Plastics Foam Products	500	1	6.07 %	500	1	6.07 %
Dekalb Medical Center at Hillandale	Hospitals, General Medical & Surgical	500	2	6.07	500	2	6.07
Home Chef	Catalog Mall Order Houses	500	3	6.07	500	3	6.07
Walmart Supercenter	Department Store	300	4	3.64	250	5	3.04
Plaid Enterprise Inc	Paint, Varnishes, Lacquers, Enamels	292	5	3.54	143	10	1.74
Trojan Battery Company	Storage Batteries	250	6	3.04	250	4	3.04
Traditions Health & Rehabilitation	Intermediate Care Facilities	190	7	2.31	190	6	2.31
International Paper Company	Fiber-Based Production	183	8	2.22			
Griffith Laboratories	Food Service Distributor	181	9	2.20			
Macys	Department Store	180	10	2.19	180	7	2.19
Kiiklok-Woodman	Packaging Machinery				178	8	2.16
Sears	Department Store				150	9	1.82
Totals		<u>3,076</u>		<u>37.34 %</u>	<u>2,841</u>		<u>34.49 %</u>

(1) Source: 2018 individual employer's business license filing

CITY OF STONECREST, GEORGIA

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

Function	2018	2017
General Government (City Council)	5	5
J. Clanton, R. Turner, J. Cobble, G. Turner, D. Adoma		
Mayor's Office	1	1
J. Lary		
City Manager/Assistant City Manager	2	2
M. Harris, P. Joyner		
City Clerk/Receptionist	2	2
B. James, L. Rodriguez		
Finance/Licensing	2	2
A. Mays, T. Adams		
IT/ GIS	2	2
D. Ivy, N. Holman		
Economic Development	1	1
S. Wright		
Communications	3	3
A. Bell, A. Franklin, E. Maddox		
Community Development/Planning-Zoning	5	5
N. Dozier, T. Daniel, L. Lowe, C. Wheeler, K. Hildebrandt		
Code Enforcement	4	4
A. Ferrell, W. Kirkland, L. Black, D. Richardson		
Building/Land Development	4	4
K. Caldwell, M. Hill, M. Tyler, J. Reed		
Total	<u>31</u>	<u>31</u>

Source: City of Stonecrest Human Resources Department

NOTE:

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

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

CITY OF STONECREST, GEORGIA

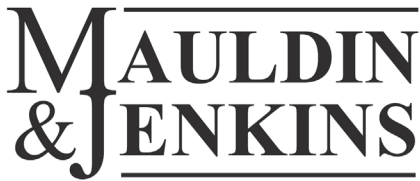
OPERATING INDICATORS BY FUNCTION CURRENT YEAR

Function	2018
General government	
Ordinances approved	45
Special events held	N/A
Court cases	N/A
Bond rating	N/A
Software applications supported	2
Grants managed	N/A
Police	
Calls for Service	N/A
Part 1 Crimes Reported	N/A
Traffic citation issued	N/A
Physical Arrest	N/A
Fire	
Incident responses	N/A
Average response time	N/A
Fire Safety programs conducted	N/A
inspection conducted	N/A
Public works	
Average days to repair pothole	N/A
Community Development	
New building permits issued	285
Parcels annexed	N/A
Parcels annexed	N/A
Culture and Recreation	
Annual program registrants	N/A

Sources: Various City and County departments.

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

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Stonecrest, Georgia (the "City") as of and for the year ended December 31, 2018, 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 24, 2019.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-002.

City of Stonecrest, Georgia's Responses to the Findings

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

Purpose of this Report

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



Atlanta, Georgia
June 24, 2019

CITY OF STONECREST, GEORGIA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SECTION I
SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs for the fiscal year ended December 31, 2018 due to the total amount expended being less than \$750,000.

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001 Revenue Recognition

Criteria: Internal controls should be in place to ensure that amounts reported as revenues and related balance sheet accounts are appropriate, are properly valued, and are recorded in the proper period in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect certain misstatements in the City's General Fund reported revenues at year end.

Context/Cause: During our audit for the year ended December 31, 2018, we noted that the City had recorded deferred revenue for business and alcohol licenses collected in the current year. Under GASB Statement No. 33, the licenses should be considered imposed non-exchange transactions. Under GASB Statement No. 33, the revenues for imposed non-exchange transactions should be recognized as revenue at the time in which the City receives the asset or has a legally enforceable claim, whichever occurs first. As the City collected the cash as of December 31, 2018, an adjustment was recorded to recognize the revenues.

Effects: To properly recognize the revenue and reduce the deferred revenues, an adjustment of approximately \$149,000 was recorded in the General Fund.

Recommendation: We recommend the City carefully review the various revenues reported throughout the City and ensure the associated revenues are being recognized in accordance with generally accepted accounting principles (GAAP).

Auditee's Response: We concur with the finding and will take the necessary steps in the future to ensure the revenues and related balance sheet accounts are properly reported in accordance with GAAP.

CITY OF STONECREST, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-002 Governmental Fund Budget

Criteria: State of Georgia law (OCGA 36-81-3) states:

- a) Each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government. The annual balanced budget shall be adopted by ordinance or resolution and administered in accordance with this article;
- b) a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Condition: State law requires local governments to adopt annual appropriated balanced budgets for all governmental funds. Management did not adopt a balanced budget for the General Fund and the Hotel/Motel Tax Fund.

Context/Cause: The City was not adopting and operating under balanced budgets as follows:

- The City's original and final Hotel/Motel Tax Fund's budgets were set to utilize fund balance of \$650,000 to fund current period expenditures. The Hotel/Motel Tax Fund's available fund balance for appropriation was \$0. As a result, the Hotel/Motel Tax Fund's original and final budget was not balanced.
- The City's original General Fund's budget was appropriately established. However, throughout the year supplemental appropriations were approved which ultimately created an unbalanced budget. The final approved budget amendments for the General Fund resulted in a budgeted deficit of \$36,250; whereby the expenditures were greater than revenues and available fund balance by \$36,250.

Effects: The City failed to operate under balanced budgets in the General Fund and Hotel/Motel Tax Fund, which has resulted in a compliance violation with State law.

Recommendation: We recommend the City timely adopt and operate under balanced budgets for all governmental funds.

Auditee's Response: We concur with the finding and will take the necessary steps in the future to ensure the budgets are adopted and amended in accordance with State law.

City of Stonecrest, Georgia

Auditor's Discussion & Analysis
Financial & Compliance Audit Summary
December 31, 2018



Presented by:

**MAULDIN
& JENKINS**

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

PURPOSE OF THE AUDITOR'S DISCUSSION & ANALYSIS

- ◆ Engagement Team and Firm Information.

- ◆ Overview of:
 - Audit Opinion;
 - Financial Statements, Footnotes and Supplementary Information; and
 - Compliance Reports.

- ◆ Required Communications under Government Auditing Standards.

- ◆ Accounting Recommendations and Other Matters.

- ◆ Other Items and Closing Thoughts.

- ◆ Answer Questions.



City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

General Information:

- Founded in 1918. Large regional firm serving the Southeastern United States.
- Offices located in Macon, Atlanta, Albany, Savannah, Bradenton, Chattanooga, Birmingham, and Columbia.
- Approximately 280 personnel are employed at Mauldin & Jenkins.

Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- Serve more governmental entities in the Southeast than any other certified public accounting firm requiring over 85,000 hours of service on an annual basis.
- Approximately 90 professional staff persons with current governmental experience.
- In past three (3) years, have served approx. **400 governments** in the Southeast, including:
 - ✓ **100 cities**;
 - ✓ 45 counties;
 - ✓ 50 school systems and another 30 charter schools;
 - ✓ 40 state entities;
 - ✓ 100 stand-alone governmental special purpose entities (housing, development, industrial, other educational, health & welfare, retirement, libraries, etc.);
 - ✓ 100+ water & sewer systems, 20 airport operations, 10 gas systems, 15 electrical utilities, & 10 transit services;
 - ✓ Inclusive of the above, we serve 100 governments receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Auditor of a substantial part of the State of Georgia including approximately 30% of the State's General Fund, and a substantial number of the State of Georgia's component units.
- Experience performing forensic audit services and information technology consultations.
- Experience performing municipal bond debt issuance attestation services serving approx. 50 clients with over \$11 billion in aggregate publicly issued debt instruments.
- Experience performing an aggregation of Single Audits in excess of \$8 billion annually.
- Experience auditing a substantial part of the State of Georgia including approximately 30% of the State's General Fund, and a substantial number of the State's component units.

Engagement Team Leaders for the City of Stonecrest Include:

- Adam Fraley – Engagement Partner – Over 20 years' experience, 100% governmental
- James Bence – Audit Service Partner – 16 years' experience, 100% governmental

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

MAULDIN & JENKINS – ADDITIONAL INFORMATION

Other Industries & Services by Mauldin & Jenkins:

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

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

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

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

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

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

Auditor's Responsibility

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

Opinion

We have issued an unmodified audit report (i.e., "clean opinion"). The respective financial statements are considered to present fairly the financial position and results of operations as of, and for the year ended December 31, 2018.

Other Matters

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

Other Reporting

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

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

A Comprehensive Annual Financial Report (CAFR) goes beyond the normal financial reporting required by accounting principles generally accepted in the United States. A CAFR includes at a minimum the following elements/sections:

- **Introductory Section:** general information on the City's structure and the services it provides.
 - Letter of Transmittal
 - Organizational Chart
 - Directory of Officials
 - Certificate of Achievement for Excellence in Financial Reporting
- **Financial Section:** basic financial statements, footnotes and required supplementary information along with the auditor's report.
 - Independent Auditor's Report
 - Management Discussion & Analysis (MD&A)
 - Financial Statements and Footnotes
- **Statistical Section:** broad range of financial, demographic information useful in assessing the City's economic condition, and this information covers multiple years.
 - Financial Trends Information
 - Revenue Capacity Information
 - Debt Capacity Information
 - Operating Information

A CAFR goes far beyond the basic requirements of annual financial reporting, and the City should be commended for going beyond the minimum and providing such a report.



City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

Recognition and Award

Once completed, the fiscal year 2017 CAFR was submitted to the Government Finance Officers Association (GFOA) for determination if the report would merit the GFOA's Certificate of Achievement for Excellence in Financial Reporting. We are happy to inform everyone that the GFOA did indeed review the CAFR and awarded the City with the sought after Certificate.

The GFOA Certificate has been made a part of the City's 2018 fiscal year CAFR, and is included in the Introductory Section.

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements include three components:

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

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

The **fund financial statements** more closely resemble the financial statements as presented prior to the adoption of GASB Statement No. 34. All of the funds of the City can be included as governmental funds.

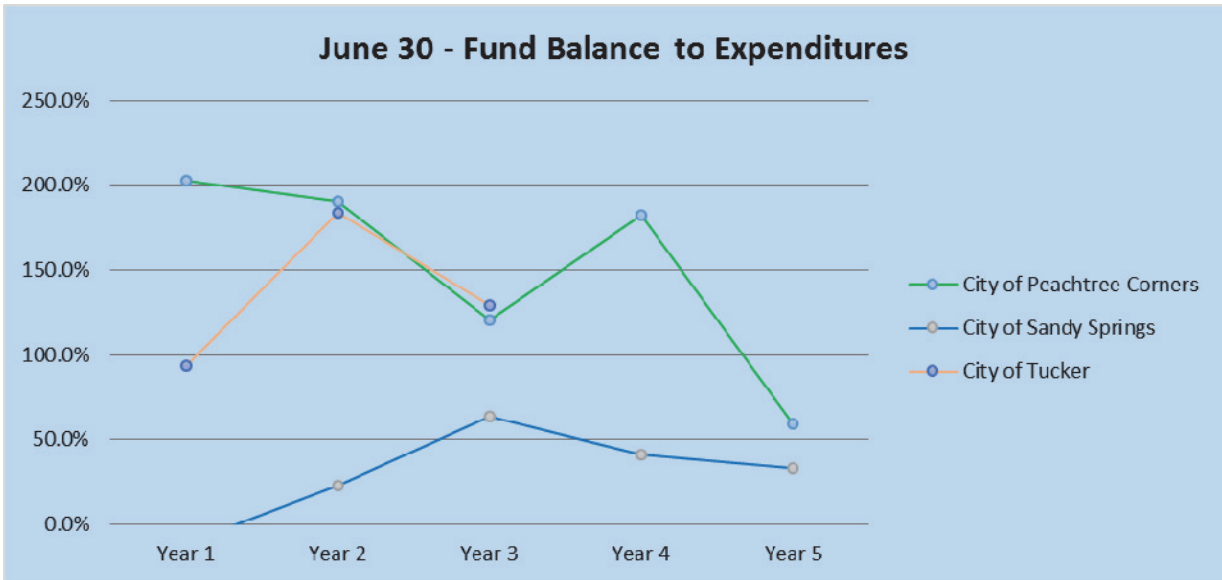
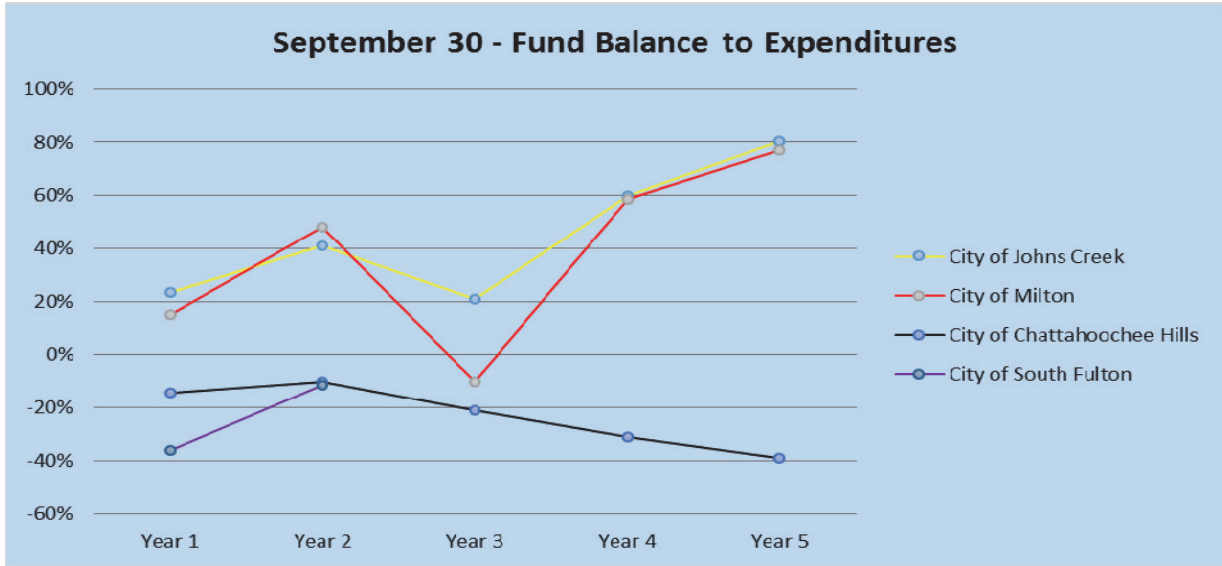
City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

Newly Incorporated City Analytics

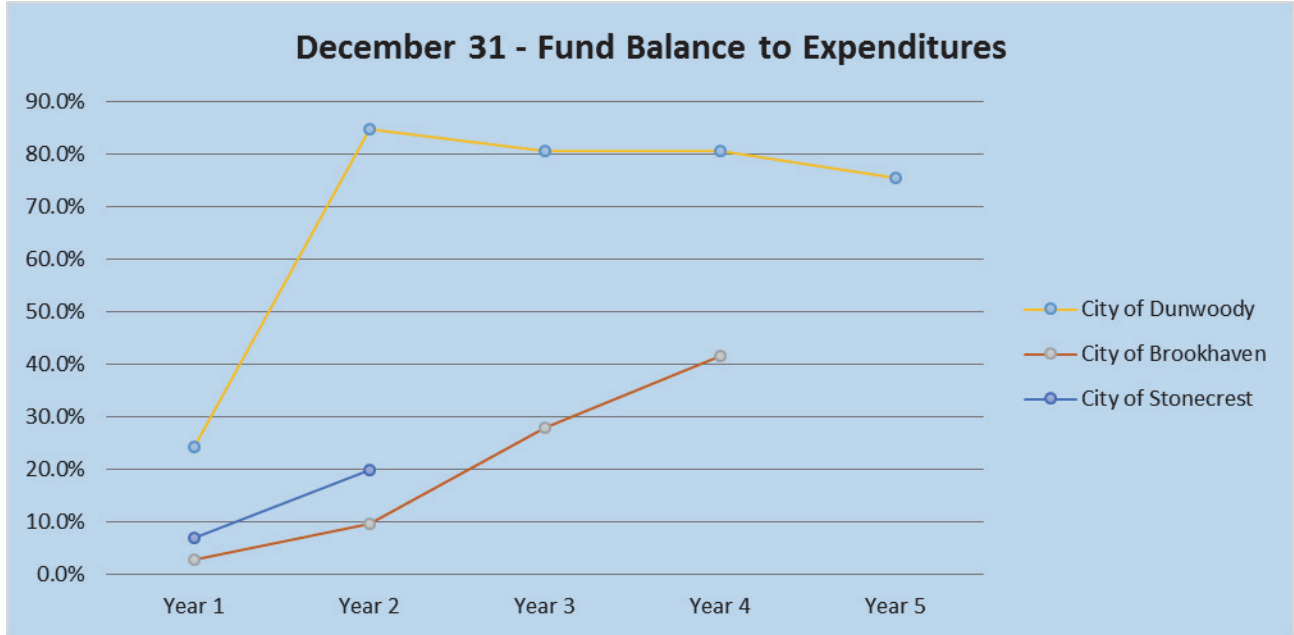
Over the past 14 years we have worked with each of the newly incorporated cities throughout the State. Below is an analysis of the City of Stonecrest's year two performance as compared to each of the cities, broken into charts for each of the respective fiscal years (September 30, June 30, and December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



City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018



It is common for new cities to commence operations with the use of a tax anticipation note (TAN). In year one, the City of Stonecrest utilized a TAN for its operations. However, in year two management elected not to use one. Typically year three is the point in which cities can operate 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 begin getting more involved into the capital improvements and expansions.

City of Stonecrest, Georgia

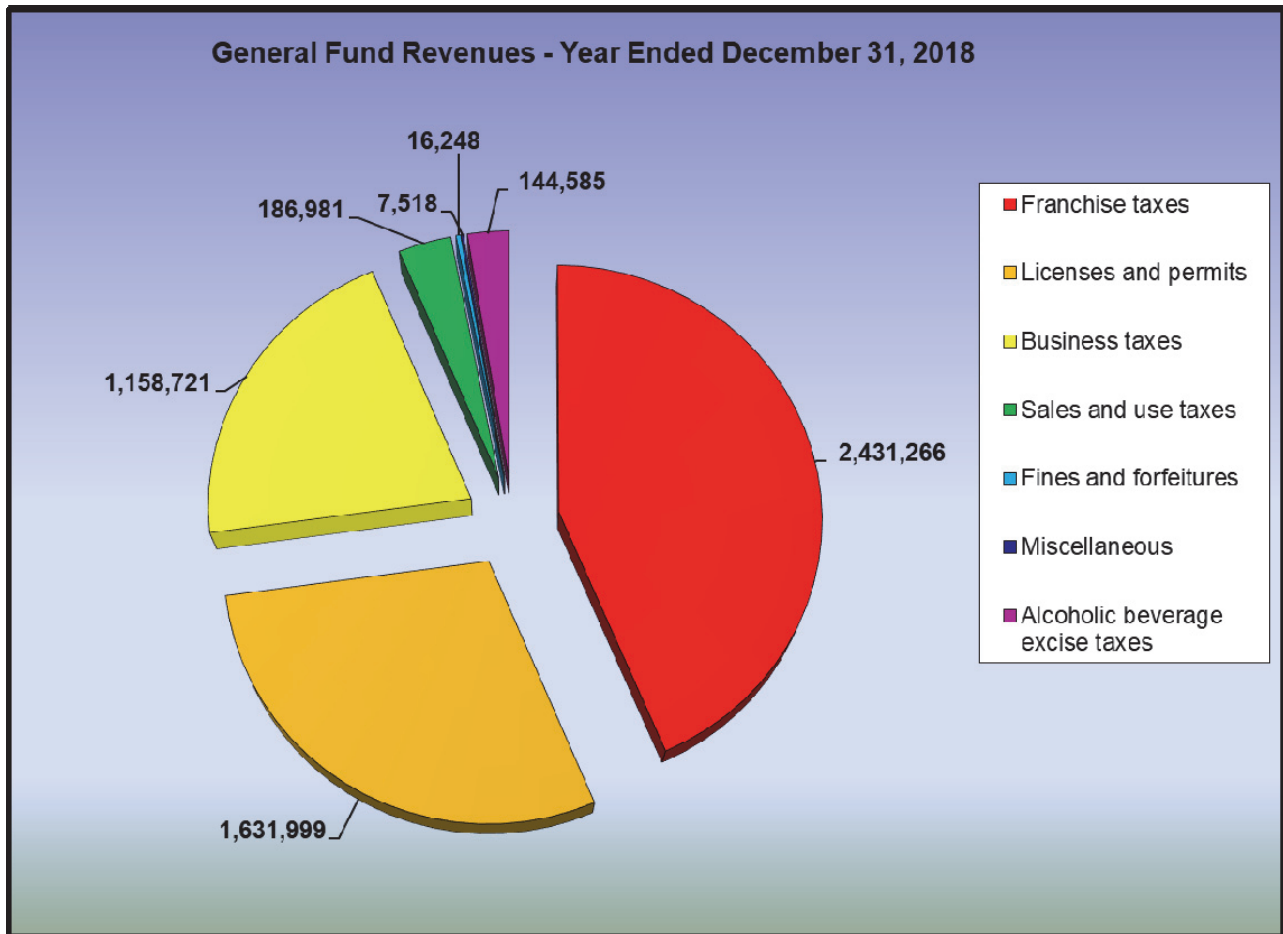
Auditor's Discussion & Analysis (AD&A)

December 31, 2018

General Fund

Of primary interest to the City is the **General Fund**, which accounts for all revenues received and funds expended in the operations of the City, including general government activities, judicial and housing and development. The following charts present the sources of revenues and the expenditures of the General Fund for the year ended December 31, 2018:

General Fund Revenues: The following chart depicts the primary revenue sources of the General Fund for the 2018 fiscal year. Franchise taxes, licenses and permits and business taxes represent a key component of revenue.



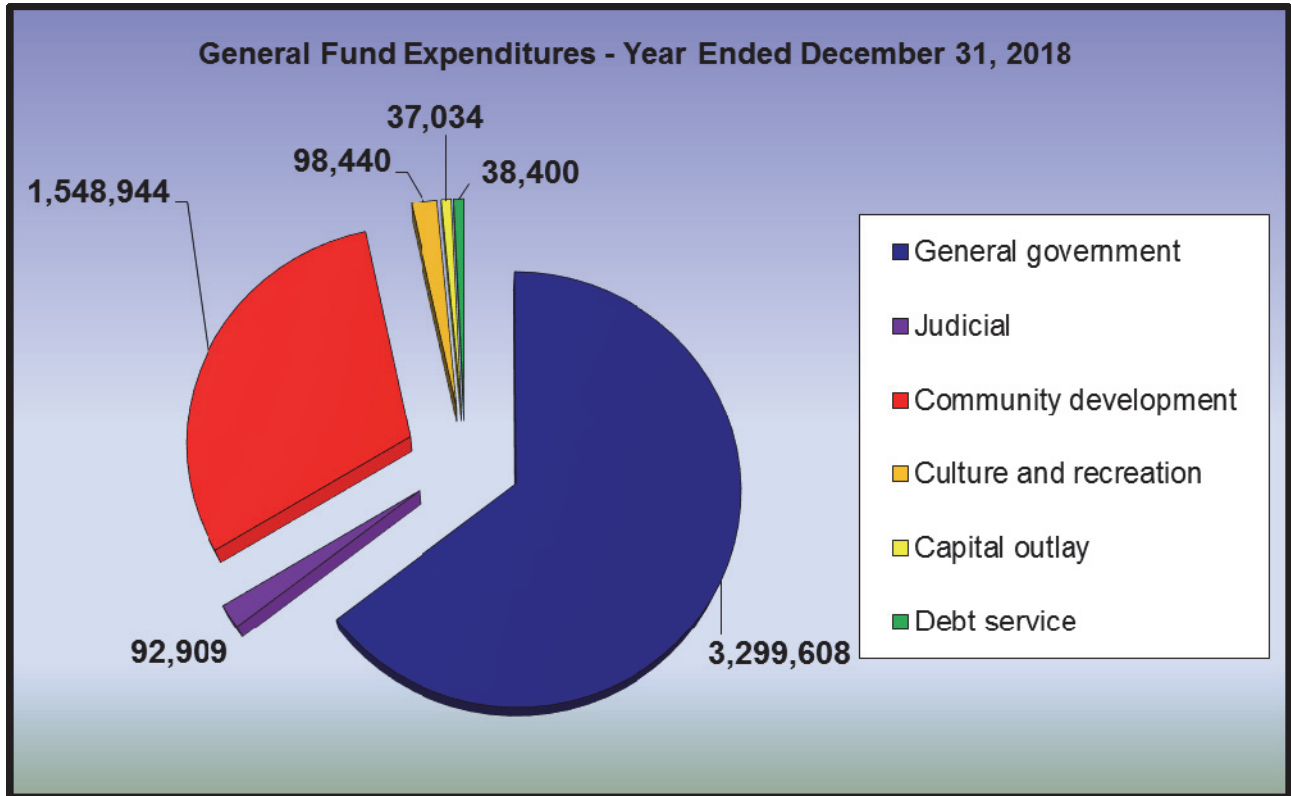
The City did not collect real property taxes in the fiscal year ended December 31, 2018.

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

General Fund Expenditures: The following chart presents the General Fund's expenditures by major function for the year ended December 31, 2018. As expected, general government is the primary expenditure of the City.



Footnotes

Note 1 – Accounting Policies: This footnote discusses the overall organization of the City, the nature of its operations, and the fact that it was created by the State of Georgia in 2017. This note also discloses pertinent information regarding the governing body of the City.

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

Note 2 – Reconciliation of Government-wide Financial Statements and Fund Financial Statements: This footnote provides additional detailed information that is not already shown within the financial statements themselves, on the differences between the City's fund level financial statements and its government-wide financial statements.

Note 3 – Legal Compliance – Budgets: This footnote discloses the City's procedures in establishing its annual budget and discloses excesses of actual expenditures over appropriations for the year, if any.

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

Note 4 – Deposits and Investments: The disclosure addresses common deposit and investment risks related to custodial credit risk.

Note 5 – Capital Assets: This footnote discloses the City's capital asset activity and its related accumulated depreciation for the year.

Note 6 – Long-Term Debt: This footnote discloses the City's long-term debt activity for the year, and other information and maturities for the capital leases.

Note 7 – Interfund Receivables, Payables and Transfers: This footnote discloses detailed information on the City's interfund transfers and the purpose of these balances and transactions.

Note 8 – Hotel/Motel Lodging Tax: This footnote discloses the City's tax rate for hotel/motel taxes, along with the amounts and nature of these revenues and expenditures.

Note 9 – Motor Vehicle Excise Tax: This footnote discloses the City's tax on motor vehicle rental along with the amounts and nature of collections.

Note 10 – Operating Leases: This footnote discloses the details of the City's operating lease for the City Hall and information on the maturity of this lease.

Note 11 – Risk Management: This footnote discloses the City's various risks of loss and the measures the City has taken to mitigate those potential losses.

Note 12 – Commitments and Contingent Liabilities: This footnote discloses the contingencies from potential litigation, claims, and assessments filed against the City and significant contractual commitments of the City at year end.

Note 13 – Joint Venture: This footnote discloses the City's involvement in the Atlanta Regional Commission (ARC) as required by State law.



City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

COMPLIANCE REPORT

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

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

REQUIRED COMMUNICATIONS

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

Our audit of the financial statements of the City of Stonecrest, Georgia (the "City") for the year ended December 31, 2018, was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

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

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

Accounting Policies

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

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

Management Judgments and Accounting Estimates

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

Financial Statement Disclosures

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

Significant Difficulties Encountered in Performing the Audit

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

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

Disagreements with Management

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

Representation from Management

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

Management's Consultations with Other Accountants

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

Significant Issues Discussed with Management

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

Audit Adjustments

During our audit of the City's basic financial statements as of and for the year ended December 31, 2018, there were a few adjustments proposed to the funds of the City. We have provided a detail of all such adjustments to management. All adjustments have been discussed with management.

Uncorrected Misstatements

We had no passed adjustments.

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

Independence

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

Other Information in Documents Containing Audited Financial Statements

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

ACCOUNTING RECOMMENDATIONS AND RELATED MATTERS

Recommendations for Improvement and Other Matters

During our audit of the financial statements as of and for the year ended December 31, 2018, we noted some areas within the accounting and internal control systems that we believe can be improved. We have reported one finding (material weakness). Additionally, we noted some items management should consider as part of its decision making process, referred to as management recommendations. Further, we noted other matters which we wish to communicate to you in an effort to keep the City abreast of accounting matters that could present challenges in financial reporting in future periods. Our recommendations and proactive thoughts and communications are presented in the following paragraphs.

Items Cited in the City's Financial Statements as Noncompliance and Material Weakness

1) Revenue Recognition

During our audit for the year ended December 31, 2018, we noted that the City had recorded deferred revenue for business and alcohol licenses collected in the current year. Under GASB Statement No. 33, the licenses should be considered imposed non-exchange transactions. Under GASB Statement No. 33, the revenues for imposed non-exchange transactions should be recognized as revenue at the time in which the City receives the asset or has a legally enforceable claim, whichever occurs first. As the City collected the cash as of December 31, 2018, an adjustment was recorded to recognize the revenues. To properly recognize the revenue and reduce the deferred revenues, an adjustment of approximately \$149,000 was recorded in the General Fund.

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

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2) Governmental Fund Budgets

State law requires local governments to adopt annual appropriated balanced budgets for all governmental funds. Management did not adopt a balanced budget for the General Fund and the Hotel/Motel Tax Fund. The City was not adopting and operating under balanced budgets as follows:

- The City's original and final Hotel/Motel Tax Fund's budgets were set to utilize fund balance of \$650,000 to fund current period expenditures. The Hotel/Motel Tax Fund's available fund balance for appropriation was \$0. As a result the Hotel/Motel Tax Fund's original and final budget was not balanced.
- The City's original General Fund's budget was appropriately established. However, throughout the year supplemental appropriations were approved which ultimately created an unbalanced budget. The final approved budget amendments for the General Fund resulted in a budgeted deficit of \$36,250; whereby the expenditures were greater than revenues and available fund balance by \$36,250.

The City failed to operate under balanced budgets in the Hotel/Motel Fund and General Fund, which has resulted in a compliance violation with State law.

Recommendations for Improvement (Management Points)

1) Credit Card Policy and Procedures

During our testing of credit card transactions, we noted that, for the two employees that are issued a credit card, the cards are maintained by the two employees and are kept in their possession at all times. We recommend that, when not in use, the credit cards be securely kept in the Accounting Manager's office for safekeeping and control purposes.

2) Checks Custody

During our testing of cash we noted that three checks totaling \$311,556 were held in custody by finance and reported as outstanding checks, but not submitted until January 2019. A reclassification in the General Fund balance sheet was posted to correct the reporting. We recommend that the City not hold drawn checks and should timely issue those checks. Additionally, held checks should not be shown as outstanding checks.

3) Hotel/Motel Taxes

During our testing of the City's Hotel/Motel Fund we noted the County has levied a 5% Hotel/Motel tax in accordance with OCGA 48-13-51(a)(3). Under the code section, the City is

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

required to remit 40% of the annual collections to the DeKalb Convention and Visitors Bureau (DCVB) and 60% can be transferred to the General Fund. Based on testing of the activity in the Hotel/Motel Fund, we noted the City expended 39% of the revenues to DCVB.

4) Policy Adoption

During our walkthroughs, review of the City Council minutes, and examination of the City's Internal Control Questionnaires we noted the City has yet to formally adopt the following policies and/or procedures:

- Capital Asset policy – The City should adopt a formal capitalization policy that specifies the types of items that qualify for reporting as capital assets, the thresholds over which those items will be capitalized, and the applicable depreciable lives to be applied to those assets.
- Fund balance policy - the City should adopt a fund balance policy in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54 that specifies the relevant aspects of the City's reporting of fund balances, including to whom the authority has been given to assign fund balances for reporting in the City's financial statements.
- Information Technology policy, which formalizes the procedures and policies related to set-up, user access, testing of back-up procedures, and emergency changes to the City's software applications.
- A record retention policy for the legal, fiscal, and administrative needs of the City.
- Purchasing – the City should implement and systemize the use of purchase orders within its operations; management and/or governing body approval should be required for purchase orders that exceed established limits per the City's purchasing policy and there should be an adequate segregation of duties for those employees that initiate, approve and record purchase orders within the purchasing cycle.
- Management should establish a well-defined process for financial reporting that includes the following: formal documentation for approval and review of new accounting policy, a system to monitor changes in authoritative guidance and implement necessary changes on a timely basis, and an independent review and supporting analysis for all significant judgements, estimates and non-routine transactions that documents compliance with relevant GAAP framework.

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

5) Capital Asset Software

During our testing of the City's capital assets, we noted the assets are maintained in Microsoft Excel. While the City is still new and developing many of the accounting systems and processes, we strongly recommend the City consider purchasing a system for capital asset maintenance. The

City of Stonecrest, Georgia

Auditor's Discussion & Analysis (AD&A)

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schedules and detail listings are much more susceptible to errors with having all of the calculations being based on manually created formulas, as opposed to system generated reports.

6) IT and Cybersecurity

The Information Technology environment is characterized by rapid change and there has been no shortage of headlines about cybersecurity attacks. While breaches of large organizations have been very high profile and have received a lot of press coverage, organizations of all sizes face the same types of threats and are experiencing similar breaches. Many organizations are still struggling to effectively address cybersecurity issues; however, they are no longer ignoring them. During the performance of our audit of the financial statements of the City, we noted that the organization is lacking some elements of a Cybersecurity Framework or Cybersecurity Risk Management Program (CRMP). A functioning CRMP will assist the City with comprehensively identifying cybersecurity weaknesses, potential threats and risks, and controls used to safeguard information and systems. We recommend that the City investigate and consider implementation of a Cybersecurity Risk Management Program covering: monitoring and testing of controls in place, selection of a particular framework and general cybersecurity training for employees.

Other Matters for Communication to the Council and Management

During our audit of the financial statements as of and for the year ended December 31, 2018, we noted other matters which we wish to communicate to you in an effort to keep the City abreast of accounting matters that could present challenges in financial reporting in future periods.

1) New Governmental Accounting Standards Board (GASB) Pronouncements



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

- a) **Statement No. 83, Certain Asset Retirement Obligations** was issued in November 2016, and is effective for the first reporting period beginning after June 15, 2018. An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Timing could be based on the occurrence of external laws, regulations, contracts or court judgments. Examples include the closure of a nuclear reactor or a sewage treatment facility. This statement addresses the financial reporting and accounting as well as the respective disclosures relative to ARO's.
- b) **Statement No. 84, Fiduciary Activities** was issued in January 2017 and is effective for the first reporting period beginning after December 15, 2018. This statement establishes criteria for identifying fiduciary activities with a focus on: 1) whether a government is controlling the

City of Stonecrest, Georgia

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assets of the fiduciary activity; and, 2) the beneficiaries with whom a fiduciary relationship exists.

Further, this statement describes four (4) fiduciary funds that should be reported, if applicable: 1) pension and other employee benefit trust funds; 2) investment trust funds; 3) private-purpose trust funds; and, 4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

c) **Statement No. 85, Omnibus 2017** was issued in March 2017 and is effective for the first reporting period beginning after June 15, 2017. This statement addresses a variety of topics including issues related to:

- 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;
- Goodwill - reporting amounts previously reported as goodwill and “negative” goodwill;
- Real Estate - classifying real estate held by insurance entities;
- Fair Value Measurement and Application - measuring certain money market investments and participating interest earning investment contracts at amortized cost;
- 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.

d) **Statement No. 86, Certain Debt Extinguishment Issues** was issued in May 2017 and is effective for the first reporting period beginning after June 15, 2017. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed into an irrevocable trust for the sole purpose of extinguishing

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debt. This statement also addresses prepaid insurance on debt that is extinguished and the notes to financial statements for debt that is in-substance defeased.

- e) **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 foundational principle that leases are financings 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.

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.

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;

City of Stonecrest, Georgia

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- 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.

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.

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.

City of Stonecrest, Georgia

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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.

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.

- f) **Statement 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements** was issued in March 2018 and is effective for reporting periods beginning after June 15, 2018 (meaning September 30, 2019). This standard defines debt for disclosure

City of Stonecrest, Georgia

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purposes and adds disclosures related to debt (it does not reduce any previously required disclosures).

Under Statement 88, debt for disclosure purposes is defined as a liability that arises from a contractual obligation to pay cash (or other assets) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This would include, but is not limited to:

- Direct Borrowings: Entering into a loan agreement with a lender.
- Direct Placements: Issuing a debt security directly to an investor.

This excludes leases (except for contracts reported as a financed purchase) and accounts payable.

In addition to other disclosures related to debt, the notes to the financial statements should include:

- The amount of any unused lines of credit.
- Assets pledged as collateral for debt.
- Terms specified in the debt agreement related to significant:
 - Events of default with finance-related consequences
 - Termination events with finance-related consequences
 - Subjective acceleration clauses
- Debt disclosures should separate information regarding direct borrowings and direct placements from other debt.

g) Statement 89, Accounting for Interest Cost Incurred Before the End of a Construction Period was issued in June 2018 and is effective for reporting periods beginning after December 15, 2019 (meaning December 31, 2020). This standard eliminates the requirement/ability to capitalize construction period interest costs as part of the cost of a capital asset in enterprise funds. This standard should be applied prospectively with no restatement. This standard can be early implemented as part of fiscal year 2019.

h) Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61 was issued in August 2018 and is effective for reporting periods beginning after December 15, 2018 (meaning December 2019). This standard improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

City of Stonecrest, Georgia

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- i) **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:
- **Re-Examination of the Financial Reporting Model.** GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability.
 - **Conceptual Framework** is a constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense things such as supplies and prepaid assets at acquisition. Will look into which balances (at all statement levels) are measured at acquisition and which need to be re-measured at year-end. Project placed on hold for now.
 - **Revenue and Expense Recognition** is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions. The final standard is expected in 2023.
 - **Conduit Debt.** The GASB is looking at improving the definition of conduit debt and determining whether a liability should be reported for these transactions. Additionally, they are reviewing what information should be disclosed by government issuers. Final standard is expected in mid-2019.

Summations of Thoughts Noted Above

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

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FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

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

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

City of Stonecrest, Georgia

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

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpa.com (send corresponding copy to Adam Fraley at 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.

CLOSING

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

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

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



Client: **03013437 - City of Stonecrest**
 Engagement: **03013437 - City of Stonecrest**
 Period Ending: **12/31/2018**
 Trial Balance: **0200.000 - General Fund Database**
 Workpaper: **0204.100 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		PBC		
To record due from Hotel / motel fund				
100-390-39100-39120	Transfer from Hotel/Motel		18,553.80	
100-110-11110-11375	Due From Hotel Motel			18,553.80
Total			<u>18,553.80</u>	<u>18,553.80</u>
Adjusting Journal Entries JE # 2		1001.000		
To reclass amounts recorded as outstanding checks as accounts payable for financial reporting				
100-110-11110-11110	Bb&t Bank		311,556.64	
100-210-21000-21200	Accounts Payable			311,556.64
Total			<u>311,556.64</u>	<u>311,556.64</u>
Adjusting Journal Entries JE # 3		5001.000		
To reclass debt service payment made prior to FYE as prepaid asset				
100-110-11110-111MJ	Prepaid expense		3,200.00	
100-110-11110-11382	Prepaid Expenses			3,200.00
Total			<u>3,200.00</u>	<u>3,200.00</u>
Adjusting Journal Entries JE # 4		1701.000		
To record imposed non-exchange transaction as revenues in FY 2018				
100-210-21000-22500	Deferred Revenue		149,055.38	
100-032-03210-32110	Alcoholic Beverages			142,786.48
100-032-03210-32120	General Business License			6,268.90
Total			<u>149,055.38</u>	<u>149,055.38</u>

Client: 03013437 - City of Stonecrest
 Engagement: 03013437 - City of Stonecrest
 Period Ending: 12/31/2018
 Trial Balance: 0200.275 - Hotel Motel Tax Fund Database
 Workpaper: 0204.275 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To correct 2018 Hotel/motel balances				
275-075-07500-75400	Discover Dekalb		109,845.59	
275-210-21000-12190	Due To City		18,553.80	
275-075-07500-61100	Transfer To General Fund			18,553.80
275-210-21000-12190	Due To City			109,845.59
Total			128,399.39	128,399.39
	Total Adjusting Journal Entries		128,399.39	128,399.39
	Total All Journal Entries		128,399.39	128,399.39



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

In planning and performing our audit of the financial statements of the City of Stonecrest, Georgia (the "City") as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the City as of and for the year ended December 31, 2018. A separate report dated June 24, 2019 contains our report on the City's internal control. This letter does not affect our report dated June 24, 2019, on the financial statements of the City.

The following items are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the City's practices and procedures:

1) Purchase Cards

During our testing of credit card transactions we noted that, for the two employees that are issued a credit card, the cards are maintained by the two employees and are kept in their possession at all times. While they are the only two employees that are issued cards and authorized to make purchases, we recommend that, when not in use, the credit cards be securely locked and kept in the Accounting Manager's office for safekeeping and control purposes.

2) Checks Custody

During our testing of cash we noted that three checks totaling \$311,556 were held in custody by finance and reported as outstanding checks, but not submitted until January 2019. A reclassification in the General Fund balance sheet was posted to correct the reporting. We recommend that the City not hold drawn checks and should timely issue those checks. Additionally, held checks should not be shown as outstanding checks.

3) Hotel/Motel Taxes

During our testing of the City's Hotel/Motel Fund we noted the City has levied a 5% Hotel/Motel tax in accordance with OCGA 48-13-51(a)(3). Under the code section, the City is required to remit 40% of the annual collections to the DeKalb Convention and Visitors Bureau (DCVB) and 60% can be transferred to the General Fund. Based on testing of the activity in the Hotel/Motel Fund, we noted the City expended 39% of the revenues to DCVB.

4) Policy Adoption

During our walkthroughs, review of the City Council minutes, and examination of the City's Internal Control Questionnaires we noted the City has yet to formally adopt the following policies and/or procedures:

- Capital Asset policy – the City should adopt a formal capitalization policy that specifies the types of items that qualify for reporting as capital assets, the thresholds over which those items will be capitalized, and the applicable depreciable lives to be applied to those assets.
- Information Technology policy, which formalizes the procedures and policies related to set-up, user access, testing of back-up procedures, and emergency changes to the City's software applications.
- A record retention policy for the legal, fiscal, and administrative needs of the City.
- Purchasing – the City should implement and systemize the use of purchase orders within its operations; management and/or governing body approval should be required for purchase orders that exceed established limits per the City's purchasing policy and there should be an adequate segregation of duties for those employees that initiate, approve and record purchase orders within the purchasing cycle.
- Management should establish a well-defined process for financial reporting that includes the following: formal documentation for approval and review of new accounting policies, a system to monitor changes in authoritative guidance and implement necessary changes on a timely basis, and an independent review and supporting analysis for all significant judgements, estimates and non-routine transactions that documents compliance with relevant GAAP framework.

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

5) Capital Asset Software

During our testing of the City's capital assets, we noted the assets are maintained in Microsoft Excel. While the City is still new and developing many of the accounting systems and processes, we strongly recommend the City consider purchasing a system for capital asset maintenance. The schedules and detail listings are much more susceptible to errors with having all of the calculations being based on manually created formulas, as opposed to system generated reports.

6) IT and Cybersecurity

The Information Technology environment is characterized by rapid change and there has been no shortage of headlines about cybersecurity attacks. While breaches of large organizations have been very high profile and have received a lot of press coverage, organizations of all sizes face the same types of threats and are experiencing similar breaches. Many organizations are still struggling to effectively address cybersecurity issues; however, they are no longer ignoring them. During the performance of our audit of the financial statements of the City, we noted that the organization is lacking some elements of a Cybersecurity Framework or Cybersecurity Risk Management Program (CRMP). A functioning CRMP will assist the City with comprehensively identifying cybersecurity weaknesses, potential threats and risks, and controls used to safeguard information and systems. We recommend that the City investigate and consider implementation of a Cybersecurity Risk Management Program covering: monitoring and testing of controls in place, selection of a particular framework and general cybersecurity training for employees.

Closing Thoughts

We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

We appreciate serving the City of Stonecrest and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
June 24, 2019