

CITY OF STOCKBRIDGE, GEORGIA
ANNUAL COMPLIANCE AUDIT REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

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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

**Honorable Mayor and Members
Of City Council
City of Stockbridge, Georgia**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Stockbridge, Georgia** (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 9, 2015. Our report includes reference to other auditors who audited the financial statements of the City of Stockbridge Downtown Development Authority, as described in our report on the City's financial statements. This report does not include results of the other auditors' testing of internal control over financing reporting or compliance and other matters that are reported on separately by those auditors.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2014-001 through 2014-003, to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-004 to be a significant deficiency.

Compliance and Other Matters

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

The City of Stockbridge, Georgia's Responses to 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
October 9, 2015

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs as of December 31, 2014 due to the total amount expended being less than \$500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-001. Accounts Receivable and Unearned Revenues (Repeat of Finding 2013-002)

Criteria: Generally accepted accounting principles generally require accounts receivable and related revenues be recognized in the accounting period in which they are measurable and available to finance expenditures of the current period. Additionally, amounts collected for services not yet rendered should be classified as unearned revenue until such time the related services are provided.

Condition: At December 31, 2014, amounts due to the City in the form of grants receivable were not recorded. Additionally amounts received for residential sanitation services in advance of the City providing services were recorded as revenue rather than unearned revenue.

Context: The City did not record amounts received subsequent to year end, but related to the previous fiscal year, as accounts receivable as of December 31, 2014. Additionally, amounts not yet earned were recorded as revenue for the fiscal year ended December 31, 2014.

Effect: An adjustment in the amount of \$29,322 was required in the State and Federal Grants Fund to increase accounts receivable and related revenues. An adjustment in the amount of \$40,948 was required in the Solid Waste Fund to decrease revenue and increase unearned revenue.

CITY OF STOCKBRIDGE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2014-001. Accounts Receivable and Unearned Revenues (Repeat of Finding 2013-002) (Continued)

Cause: Internal controls were not in place to properly record accounts receivable and unearned revenue.

Recommendation: We recommend the City implement controls to properly review and record amounts as accounts receivable and related revenues as well as record amounts not yet earned as unearned revenue.

Views of Responsible Officials and Planned Corrective Action: We concur. The suggested recommendation to this finding as provided by the City's audit organization is acceptable. The City will implement controls to ensure proper reporting of accounts receivable.

2014-002. Management of Capital Assets

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost on the balance sheet of proprietary funds, which is written off periodically, or depreciated, in a systematic and rational manner.

Condition: For fiscal year 2014, the City did not properly record and depreciate capital assets.

Context: We addressed the matter with the City and management was able to determine the appropriate adjustments so as to properly state the balances of capital assets at December 31, 2014.

Effect: Adjustments to capital assets in the following amounts were required:

- Entries to the Solid Waste Fund in the amount of \$24,329 to increase net position;
- An entry to the Stormwater Fund to increase construction in progress and accounts payable in the amount of \$10,256;
- Entries to the Stormwater Fund in the amount of \$67,042 to increase net position; and
- Adjustments to the capital assets of governmental activities in the amount of \$139,885 which are reflected in the government-wide statements.

Cause: Not all capital assets are being properly recorded or depreciated.

Recommendation: We recommend the City review all capital asset activity and capitalize and depreciate assets based on the City's capitalization policy.

Views of Responsible Officials and Planned Corrective Action: We concur. The suggested recommendation to this finding as provided by the City's audit organization is acceptable. The City will implement controls to ensure proper reporting of capital assets.

CITY OF STOCKBRIDGE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2014-003. Reconciliation of the General Fund Operating Bank Account (Repeat of Finding 2012-3, 2013-001)

Criteria: Sound internal controls require accounts be reconciled timely and activity be appropriately recorded in the books and records of the governmental entity.

Condition: The City's General Fund operating account was not properly reconciled to the general ledger during the fiscal year ended December 31, 2014.

Context: Due to lack of proper internal controls in both prior and current years, as well as problems with implementation of a new financial software package, the reconciliation for December 2014 included items which were presented as outstanding checks, but were checks that had actually cleared in 2012.

Effect: An adjustment was required to increase cash and net position in the amount of \$126,400.

Cause: Internal controls were not in place to ensure the bank account was properly reconciled.

Recommendation: We recommend the City implement controls over bank account reconciliations to ensure all accounts are properly reconciled and items included in the reconciliation as outstanding are truly outstanding as of the period end.

Views of Responsible Officials and Planned Corrective Action: We concur. The suggested recommendation to this finding as provided by the City's audit organization is acceptable. This finding is currently being addressed during 2015 and should be corrected by year end.

2014-004. Recording of Accounts Payable

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: During our audit of liabilities, we noted disbursements made subsequent to year end which should have been recorded as payable at December 31, 2014.

Context: We addressed this matter with management, who agreed adjustments were necessary to properly reflect the balances of accounts payable at December 31, 2014.

Effect: An entry to the SPLOST IV Fund resulting in increases in liabilities and expenditures of \$11,950 was required.

Recommendation: We recommend the City strengthen internal controls in the area of accounts payable cutoff, in order to better identify amounts which should be recorded as payable at the end of each financial reporting cycle.

CITY OF STOCKBRIDGE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2014-004. Recording of Accounts Payable (Continued)

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. The City will strengthen internal controls to ensure accurate reporting of accounts payable.

SECTION III
FEDERAL AWARDS FINDINGS

Not applicable

CITY OF STOCKBRIDGE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

2013-001. Reconciliation of the General Fund Operating Bank Account (Repeat of Finding 2011-3, 2012-003)

Criteria: Sound internal controls require accounts be reconciled timely and activity be appropriately recorded in the books and records of the governmental entity.

Condition: The City's General Fund operating account was not properly reconciled to the general ledger during the fiscal year ended December 31, 2013.

Auditee Response/Status: Unresolved. See Finding 2014-003

2013-002. Accounts Receivable

Criteria: Generally accepted accounting principles generally require accounts receivable and related revenues be recognized in the accounting period in which they are measurable and available to finance expenditures of the current period.

Condition: At December 31, 2013, amounts due to the City in the form of special purpose local option sales tax (SPLOST) and grants receivable were not recorded.

Auditee Response/Status: Unresolved. See Finding 2014-001

2013-003. Violation of Georgia Law – SPLOST Funds

Criteria: The OCGA Section 48-8-121(a)(1) states that the proceeds received from the tax authorized by this section shall be used by the county and qualified municipalities within the special district receiving proceeds of the sales and use tax exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax.

Condition: The City expended SPLOST funds for items not included in the resolution.

Auditee Response/Status: Resolved