

**Presentation of Audit Results  
December 31, 2022**



## Agenda

- Engagement Team
- Overview of:
  - Audit Opinion
  - Financial Statements and Footnotes
  - Compliance Report
  - Audit Scopes and Procedures
- Required Communications
- Financial Trends
- Accounting Recommendations, and Related Matters
- Answer Questions



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**100+ year**  
HISTORY  
OF QUALITY SERVICE

**Serve 650+**  
GOVERNMENT CLIENTS

GOVERNMENTAL PARTNERS **16**



**140+**

TEAM MEMBERS DEDICATED TO SERVING THE GOVERNMENTAL INDUSTRY



VISION

*To be a trusted advisor, earning trust and building respect through our consistent commitment to sustainable excellence, leadership, and integrity.*



**225+**

SINGLE AUDITS PERFORMED LAST YEAR COVERING OVER \$4 BILLION OF FEDERAL GRANTS



**135,000+**

HOURS ANNUALLY PROVIDED TO GOVERNMENTAL CLIENTS

**150+**

CURRENT CLIENTS AWARDED THE GFOA CERTIFICATE OF EXCELLENCE

**5**

STATES

**13**

OFFICES



**Engagement Team Leaders**

- Adam Fraley, Engagement Partner | Josh Carroll, Engagement Director | Trey Scott, Quality Control Reviewer



## Audit Opinion

- **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS)**
  - We considered the internal control structure for the purpose of expressing our opinion on the City of Avondale Estates, Georgia's ("the City") basic financial statements and not for the purpose of providing an opinion on the effectiveness of internal controls.
  - Our audit was performed in accordance with GAAS and *Government Auditing Standards*.
  - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
  - The basic financial statements are the responsibility of the City's management.
  
- **Report on Basic Financial Statements**
  - Unmodified ("clean") opinion on basic financial statements.
  - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
  - Our responsibility does not extend beyond financial information contained in our report.



## Compliance Report and Audit Scopes & Procedures

- **Compliance Report**

- The financial report package contains a report on our tests of City's internal controls and compliance with laws, regulations, etc. The report is not intended to provide an opinion on internal controls and compliance with applicable rules and regulations.
- This report and the procedures performed are required by *Government Auditing Standards*.

- **Audit Scopes and Procedures (Governmental Audit Programs Utilized in All Areas)**

- Confirmed receivables (TIA), cash, debt and other elements.
- Vouched substantiated additions of capital assets, balances of construction in progress, and vouched significant retainage payable.
- Performed a search for unrecorded liabilities via review of unpaid vouchers and subsequent disbursements.



## Required Communications

### • Significant Accounting Policies

- Management is responsible for the selection and use of appropriate accounting policies.
- The significant accounting policies used by the City of Avondale Estates are described in Note 1 to the respective basic financial statements.
- During the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.
- The policies used by the City are in accordance with generally accepted accounting principles.
- In considering the qualitative aspects of its policies, the City is not involved in any controversial or emerging issues for which guidance is not available.

### • Management Judgment/Accounting Estimates

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.
- The City uses various estimates as part of its financial reporting process – including actuarial assumptions and useful lives of capital assets.



## Required Communications (Continued)

- **Relationship with Management**

- We received full cooperation from the City's management and staff.
- There were no disagreements with management on accounting issues or financial reporting matters.

- **Management Representation**

- We requested, and received, 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.

- **Consultation with Other Accountants**

- To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.

- **Significant Issues Discussed with Management**

- There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.



## Required Communications (Continued)

- **Audit Adjustments**

- There was one passed adjustment related to accrued interest on long-term debt in the General Fund.

- **Financial Statement Disclosures**

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

- **Information in Documents Containing Audited Financial Statements**

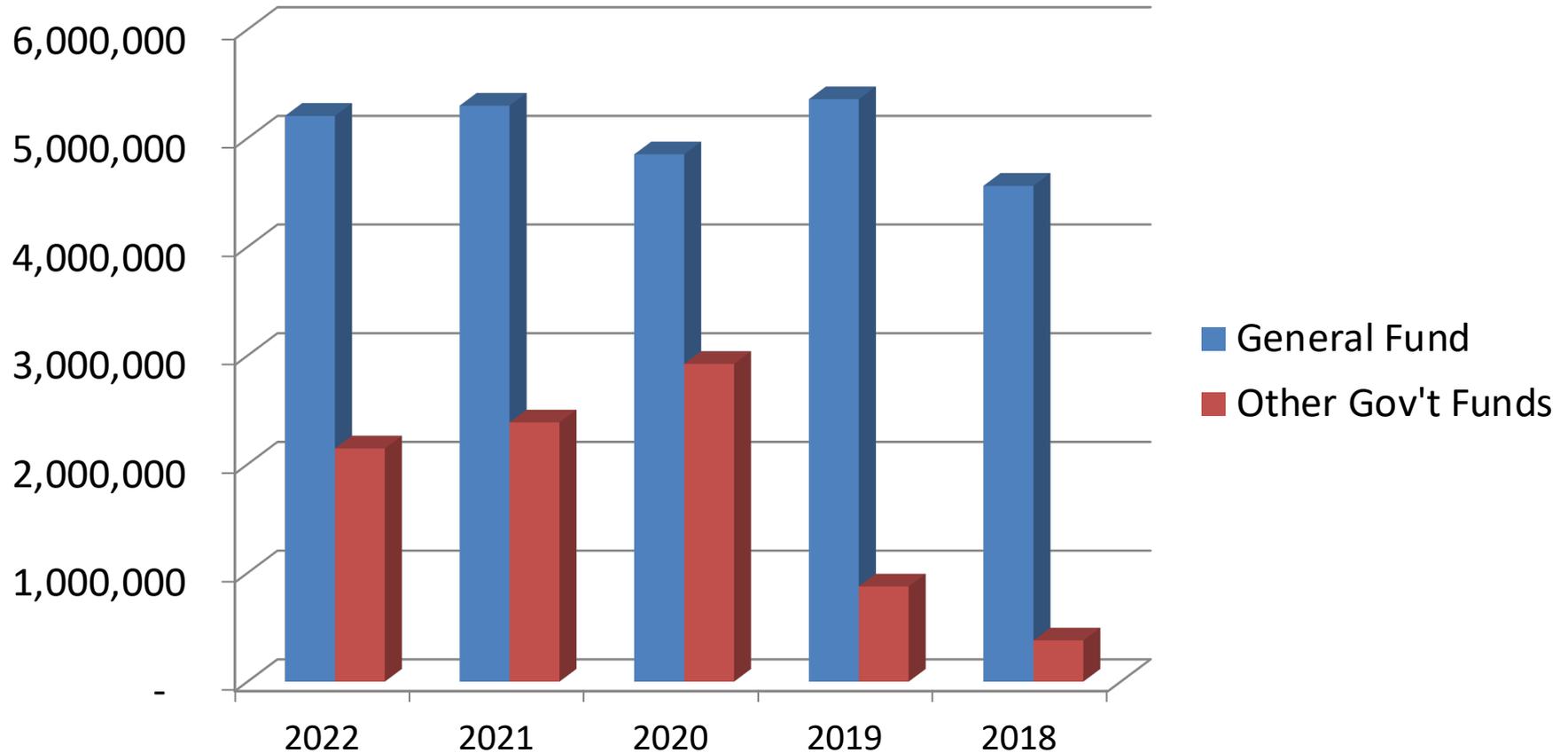
- Our responsibility for other information in the documents containing the City's basic financial statements and our report thereon does not extend beyond the information identified in our report. If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printer's proof for our review and approval before printing. You must also provide us with a copy of the final reproduced material for our approval before it is distributed.

- **Auditor Independence**

- In accordance with AICPA professional standards, M&J is independent with regard to the City and its financial reporting process.



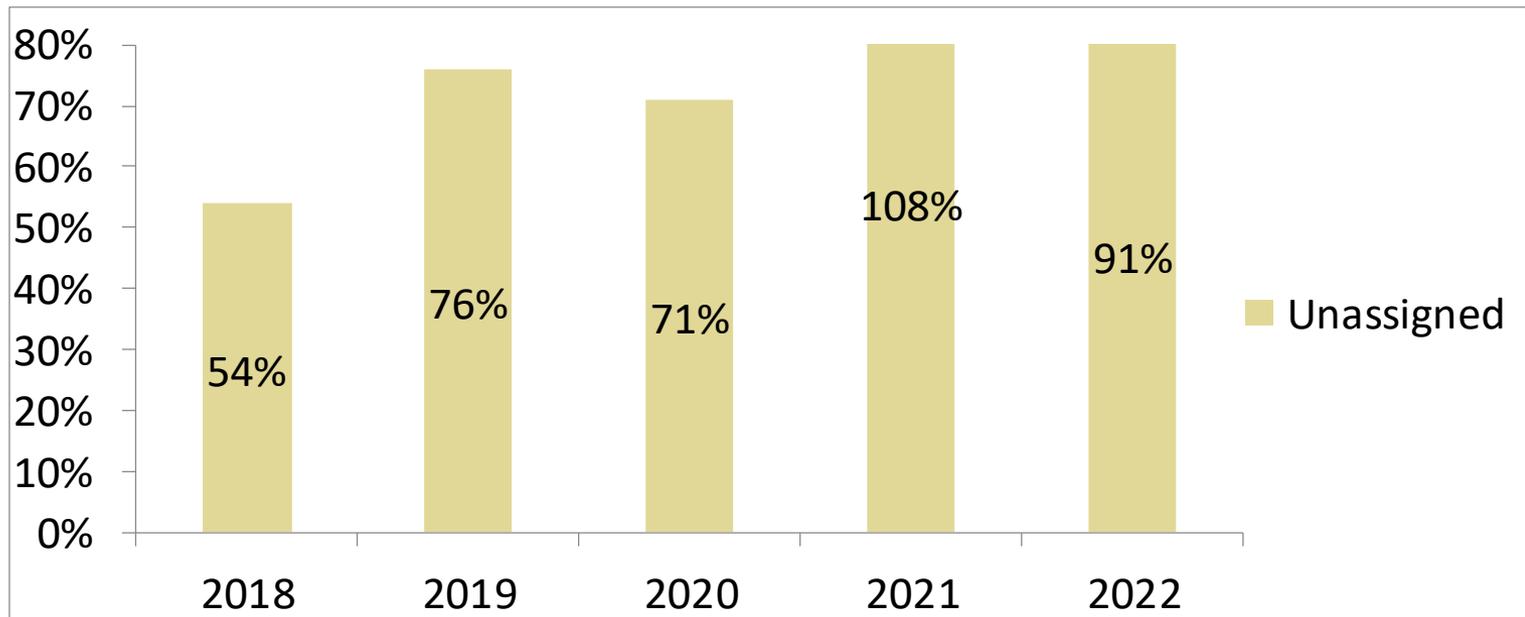
### Financial Trends – Fund Balances (5-Year Comparison)



Source: The City's Annual Financial Reports



## Financial Trends – General Fund Ratio of Fund Balance to Expenditures/Transfers



Source: The City's Annual Financial Reports



## Material Weakness

### Segregation of Duties

**Criteria:** Segregation of employee's duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas (such as cash receipting or cash disbursements) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

**Condition/Context:** During the course of our testwork, we noted several areas in which the segregation of duties could be improved. The following are duties which are not segregate at the City:

- The finance director posts journal entries and cash receipts to the general ledger, reconciles the bank accounts, and posts payroll to the general ledger without any independent review or approval of the journal entries, the bank reconciliations, and the payroll reports.
- Bank statements are received and/or accessed online by the same employee who reconciles the bank account without any independent review.
- Access to create, approve, and post journal entries in the account system is not restricted to appropriate personnel.

**Effect:** Without some segregation of duties within these functions; there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City.

**Cause:** The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult.

**Recommendation:** We recommend that the City review its processes and determine where it can cost-effectively segregate some of the duties in higher risk areas to alleviate the segregation of duties issues.



## Management Recommendation

### Purchase Card Documentation

During our testing of the December 31, 2022 credit card procedures, we tested a sample of twenty-five (25) transactions and the City was not able to produce a receipt for one (1) of the transactions. We recommend the City ensure all transactions have supporting documentation and those are maintained for at least one audit period.

### Payroll Processing Provider

During our testing of payroll, we noted the City uses an outside company, Corporate Payroll Systems, to process the City's payroll. Corporate Payroll Systems does not have an Independent Service Auditors' Report (SOC 1) performed. A SOC 1 primarily focuses on the outsourced services that could impact a company's financial reporting. While the payroll processing is very standard and the City does have a review in place of the information obtained for Corporate Payroll Systems, we recommend the City consider a new payroll provider or request Corporate Payroll Systems have an annual SOC 1 performed as part of the City's general data protection and information technology controls. Corporate Payroll Systems collects sensitive information and without a SOC 1, the City cannot be sure of the controls in place at Corporate Payroll Systems to protect and secure that information.

### Fund Level Accrued Interest

During our testing of debt, we noted the City recorded accrued interest on the Bond Anticipation Note Payable in the General Fund. GASB Interpretation No. 6 states the following: a government's unmatured long-term indebtedness (other than "specific fund debt" of proprietary and trust funds) should be reported as general long-term liabilities, rather than governmental fund liabilities. While the amount recorded by the City is not material, we recommend the City follow GASB Interpretation No. 6 and not record any accrued interest in the General Fund.

## Governmental Advisory Services

### Core Offerings

#### Strategy

Develops and defines the future vision, goals, and objectives

- Innovation
- Long-Term Planning
- Organization Management
- Workforce of the Future Planning
- Internet of Things/Market Disruptors Assessment
- Artificial Intelligence/Robotics
- Service Delivery Model Planning
- Strategy Mapping
- Technology Consulting/ERP
- Technology Solution/Vendor Selection
- Operational Vision
- Business Case

#### Operational Efficiency and Effectiveness

Ensures business processes and service delivery are provided in a manner maximizing targeted goals

- Cost Containment
- Operations Improvement
- Program Delivery
- Revenue Enhancement
- Staffing Assessments
- Benchmarking
- Technology Utilization
- Governance
- Policy/Procedure Assessments
- Operations/Management Reviews

#### Transformation

Allows for the successful change from the current state to the desired environment or outcome

- Change Management and Organizational Transformation Strategies
- Customer Service Optimization
- Service Delivery Modeling
- Technology/Workflow Design
- Human Capital Management

#### Performance Measurement

Ensures outputs and outcomes are producing desired results

- Budget Forecasting & Design
- Cost Accounting
- Data Science
- Grant Strategy
- Risk Assessments
- Internal Controls & Compliance
- KPI Design
- Benchmarking
- Project Management
- Independent Verification & Validation
- Management/Dashboard Reporting

## IT and Cybersecurity Solutions

### •Cybersecurity Framework Engagements

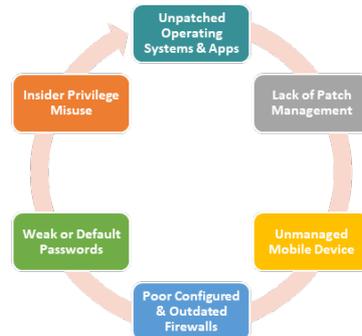
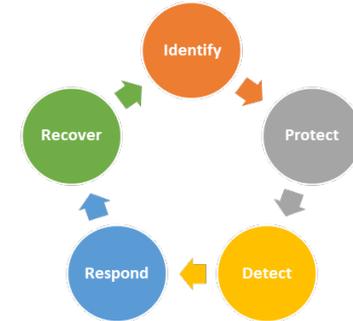
- Performed as either a SOC for Cybersecurity under AICPA attestation standards, or as a consulting engagement under AICPA consulting standards

### •System Vulnerability Assessment Engagements

- Process of defining, identifying, classifying and prioritizing vulnerabilities in computer systems, applications and network infrastructures, and providing an assessment with necessary knowledge, awareness and risks to understand the threats to determine appropriate reactions

### •Penetration Testing Engagements

- Practice of testing a computer systems to find security vulnerabilities that a hacker/attacker could exploit using automation or manual applications





## New Accounting Pronouncements

- **New GASB Pronouncements for Future Years**

- **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*** was issued in March 2020 and is effective for fiscal years beginning after June 15, 2022 which means year ends of June 30, 2023 and following.
- **Statement No. 96, *Subscription-Based Information Technology Arrangements*** was issued in May 2020 and is effective for fiscal years beginning after June 15, 2022 which means year ends of June 30, 2023 and following.
- **Statement No. 100, *Accounting Changes and Error Corrections*** was issued in June 2022 and is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- **Statement No. 101, *Compensated Absences*** was issued in June 2022 and is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.



## New Accounting Pronouncements (Continued)

### • **New GASB Pronouncements for Future Years (Continued)**

- Other Pending or Current GASB Projects:
  - **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 issued Statement No. 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability. GASB anticipates issuance of a final standard in late 2023 or early 2024.
  - **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 mid 2027.
  - **Going Concern Uncertainties and Severe Financial Stress** is a major project where the goal is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The project will consider (1) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate, (2) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (3) what information about a government's exposure to severe financial stress is necessary to disclose. technical topic being examined by the GASB due to a wide diversity in practice regarding required presentation on the face of the financial statements, disclosures, etc. An exposure draft on this topic is expected by mid-2025.

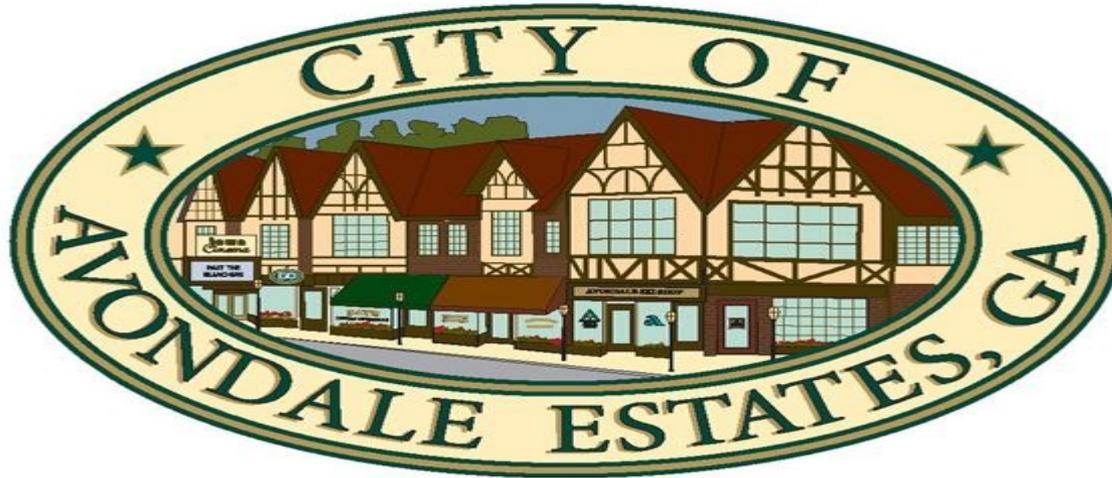
## Govt. Clients – Free Quarterly Continuing Education

- **Since March of 2009 – For Over 12 Years !!**

- Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are 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 and knowledge sharing among our governmental clients. We normally see approximately 180 people per quarter. Examples of subjects addressed in the past few quarters include:

- Accounting for Debt Issuances
- Achieving Excellence in Financial Reporting
- Best Budgeting Practices, Policies and Processes
- Budget Preparation
- ACFR Preparation (two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Collateralization of Deposits and Investments
- Component Units
- Cybersecurity Risk Management
- Evaluating Financial and Non-Financial Health of a Govt.
- Financial Report Card – Where Does Your Govt. Stand?
- Financial Reporting Model Improvements
- GASB Nos. 74 & 75, OPEB Standards
- GASB No. 77, Tax Abatement Disclosures
- GASB No. 84, Fiduciary Activities
- GASB Projects & Updates (ongoing & several sessions)
- Human Capital Management
- Grant Accounting Processes and Controls
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- IRS Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances & Disclosures
- 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

» We appreciate City's participation in these quarterly sessions.



## *Questions & Comments*



**Thank You for the Opportunity to Serve**