

# *City of Monroe, Georgia*

**Auditor's Discussion & Analysis**  
**Financial & Compliance Audit Summary**  
**December 31, 2015**



**Presented by:**

**MAULDIN  
& JENKINS**

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### 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 Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

#### **General Information:**

- Founded in ~1920. Large regional firm serving the Southeastern United States.
- Offices located in Macon, Atlanta, Albany, Bradenton, Chattanooga, and Birmingham.
- Approximately 260 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 70,000 hours of service on an annual basis.
- Approximately 90 professional staff persons with current governmental experience.
- In past three (3) years, have served approx. 300 governments in the Southeast, including:
  - ✓ **80 cities;**
  - ✓ 40 counties;
  - ✓ 40 school systems (8 of the 10 largest in Georgia and 9 of the 30 largest in Georgia and Florida combined) and another 20 charter schools;
  - ✓ 40 state entities;
  - ✓ 80 special purpose entities (stand-alone entities: water/sewer, transit, gas, electric, airports, housing, development, other educational, retirement, libraries, etc.);
  - ✓ Inclusive of the above, we serve over 80 water and sewer enterprise operations;
  - ✓ Inclusive of the above, we serve 85 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 clients with over \$11.0 billion in aggregate publicly issued debt instruments.
- 10<sup>th</sup> highest level of Single Audits conducted in U.S.A. approximating \$8.0 billion annually.

#### **Engagement Team Leaders for the City of Monroe Include:**

- Adam Fraley - Engagement Lead Partner - 18 years experience, 100% governmental
- Tim Lyons - Manager - 7 years experience, 100% governmental

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### 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 Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### 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, 2015.

#### Emphasis of Matter

The financial statements reflect the implementation of certain new pronouncements, and our opinion is not modified with respect to them.

#### 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 Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

#### General Information about the 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 Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### Recognition and Award

Once completed, the fiscal year 2014 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 2015 fiscal year CAFR, and is included in the Introductory Section. The City is one of only a handful of municipalities in the State of Georgia to elect to report at such a high level and to obtain this distinguished award.



# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### 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, as well as its discretely presented component units – the Downtown Development Authority and the Monroe Convention and Visitors Bureau. The *Statement of Net Position* presents information on all assets (and deferred outflows) and liabilities (and deferred inflows) 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 divided into two (2) categories: governmental funds (includes the General Fund) and business-type funds (Utilities Fund, Solid Waste Fund and GUTA).

The City also includes, as part of the CAFR, the Special Purpose Local Option Sales Tax (SPLOST) Schedules and Report.

#### Government-Wide (Full-Accrual) Financial Statements

As noted above, the financial report of the Government includes two (2) entity-wide financial statements: a *Statement of Net Position* and a *Statement of Activities*.

For the year ended December 31, 2015, as required, the City adopted the provisions of **Statement No. 68, Accounting and Reporting for Pensions** and **Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68)**. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The adoption of this new pension standard required restatements to the City's net position (a/k/a as "equity") of the governmental and business-type activities as follows:

# City of Monroe, Georgia

## Auditor's Discussion & Analysis (AD&A)

December 31, 2015

	Governmental Activities	Business-Type Activities
Total net position as previously reported as of December 31, 2014	\$ 20,268,684	\$ 67,043,360
Restatement for recording of net pension liabilities, deferred outflows and inflows relative to the retirement plans as of December 31, 2014	(3,274,762)	(3,460,130)
Total net position as restated as of December 31, 2014	\$ 16,993,922	\$ 63,583,230
Percentage change to prior year total net position	-16%	-5%

The percentage changes noted above, while significant, are not outside the bounds of many other governments. As part of the above restatement, and as components of the business-type activities, the Utilities Fund and the Solid Waste Fund were restated.

Highlights of the government-wide statements notes total assets (and deferred outflows of resources) of approximately \$126,000,000 offset by liabilities (and deferred inflows of resources) of approximately \$37,000,000. This results in the Government reported net position (or equity) of approximately \$89,000,000. Also, a substantial element of the net position is composed of a net investment in capital assets in the approximate amount of \$68,000,000. Restricted net position amounts to approximately \$13,000,000 leaving an unrestricted net position of \$8,000,000.

The *Statement of Activities* attempts to report expenses in the first column with direct offsetting program revenues to the adjacent columns to arrive a net cost of the functional areas of operation. General revenues (primarily property taxes and sales taxes) come to the rescue of the net cost functional areas resulting in the Government reporting a change in net position of approximately \$8,000,000 for the year ended December 31, 2015.

### General Fund

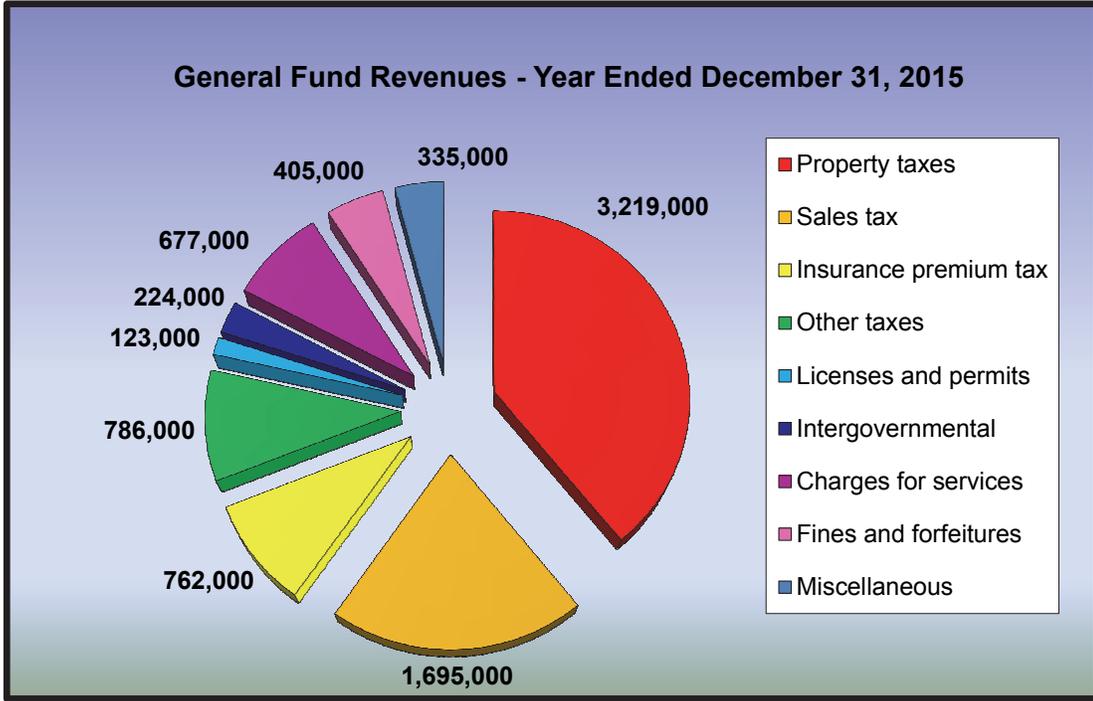
Of primary interest to the City is the **General Fund**, which accounts for the majority of revenues received and funds expended in the operations of the City, including general government activities, the municipal court and law enforcement, public safety, highways and streets administration, health and welfare, culture and recreation, protective inspections, and economic development.

**General Fund Revenues:** The chart on the following page depicts the primary revenue sources of the General Fund for 2015. Property taxes represent a key component of revenue.

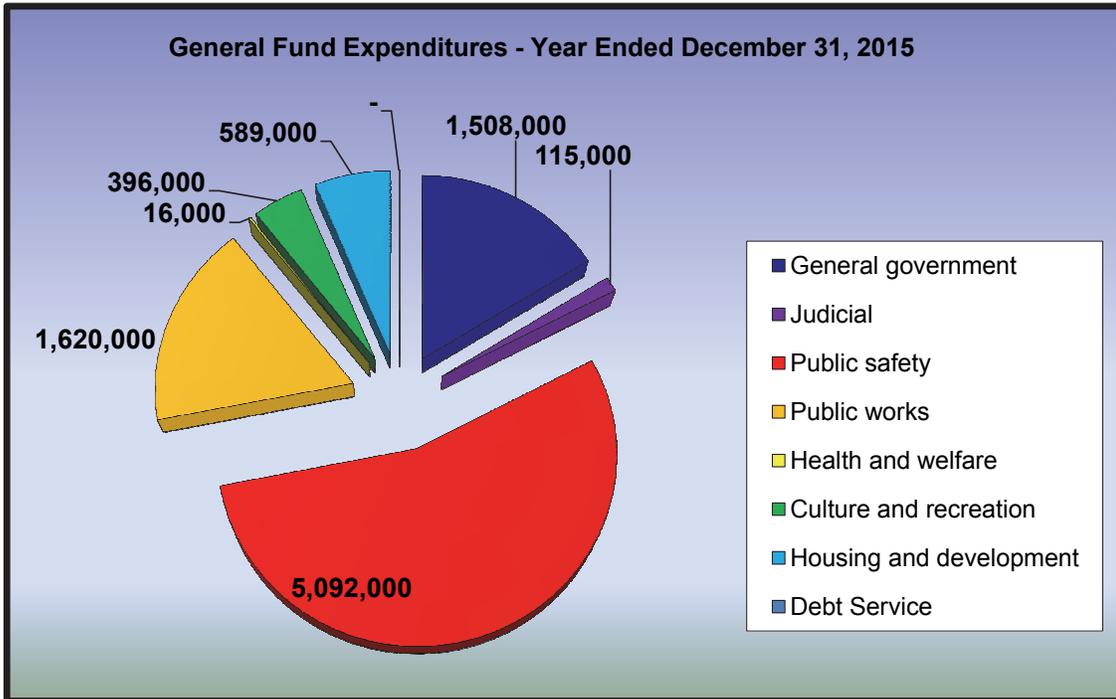
# City of Monroe, Georgia

## Auditor's Discussion & Analysis (AD&A)

### December 31, 2015



**General Fund Expenditures:** The following chart presents the General Fund's expenditures by major function for the year ended December 31, 2015:

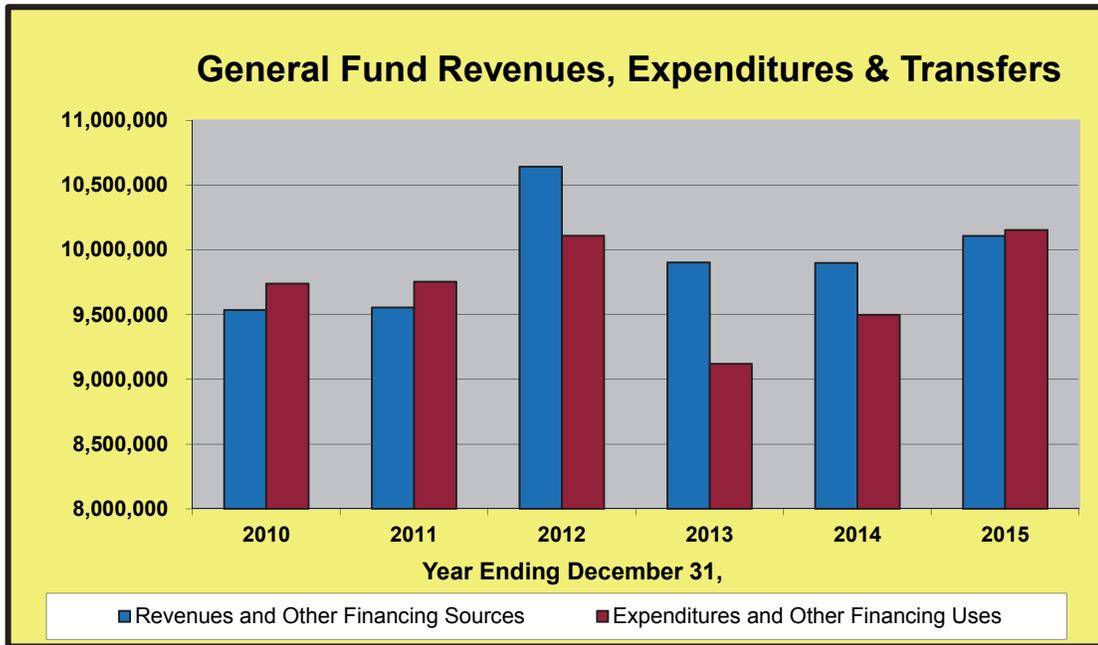


# City of Monroe, Georgia

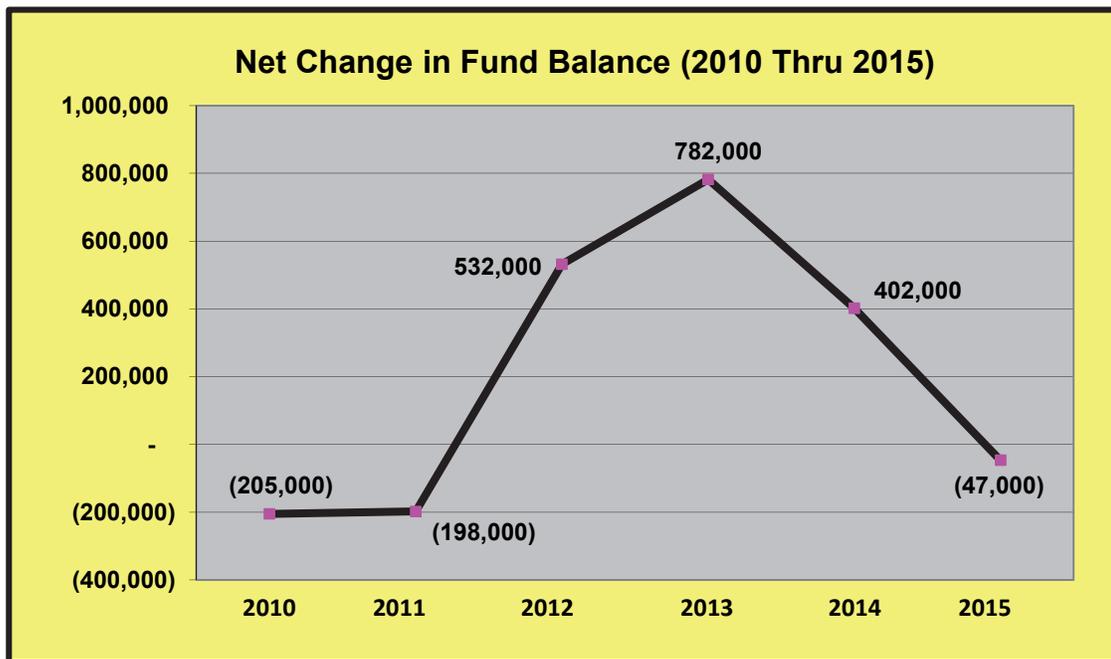
## Auditor's Discussion & Analysis (AD&A)

December 31, 2015

**Net Change in Fund Balance and the Revenues and Expenditures of the General Fund.** The following chart demonstrates General Fund revenues versus expenditures for a six (6) year period.



The following chart present the annual net change in fund balance of the General Fund for the past six (6) fiscal years.

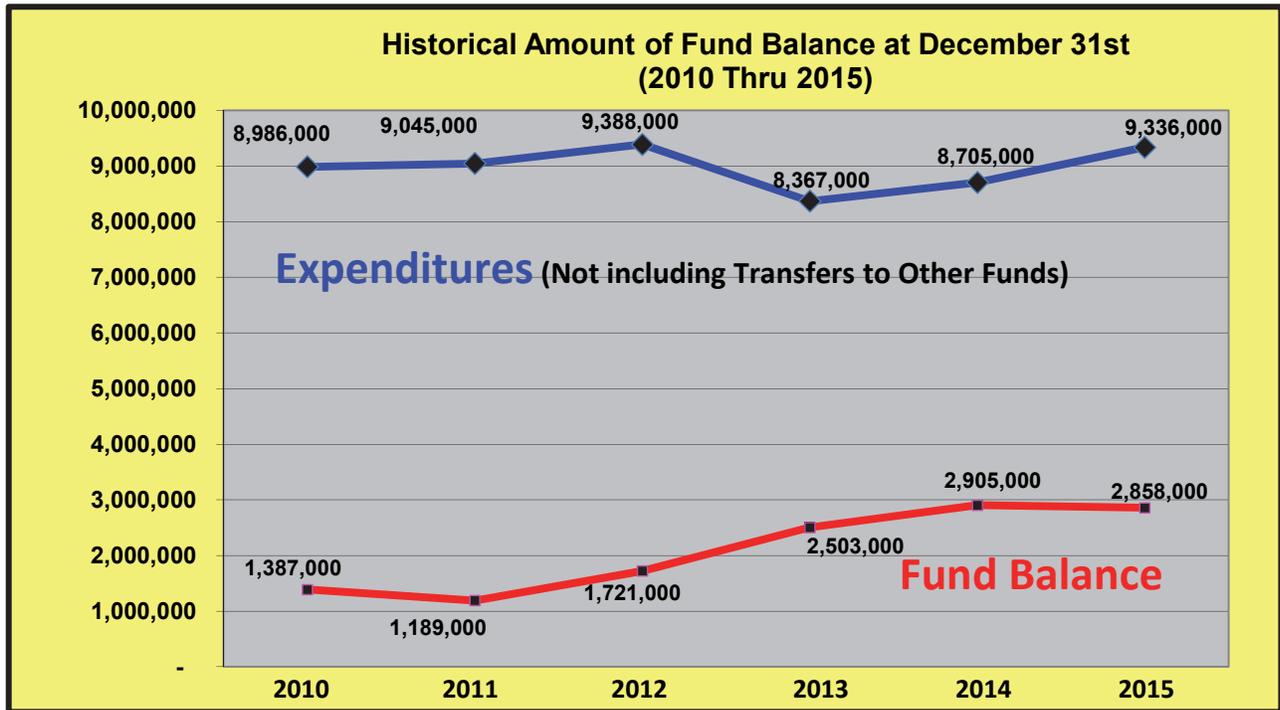


# City of Monroe, Georgia

## Auditor's Discussion & Analysis (AD&A)

December 31, 2015

The following graph reflects the overall financial strength of the City's General Fund as of each year ended December 31st for a six (6) year period. The wider the gap between expenditures and the fund balance, the less leverage the City has each year as it enters a new fiscal year. As of December 31, 2015, the City reflected a fund balance that is available to cover approximately 103 days. Standard industry benchmarking indicates that 75-90 days is considered a healthy fund balance position and as indicated, the City exceeds that benchmark.



In observation of the above chart, the relationship of year-end fund balance as compared to each year's expenditures should be further considered. The following is the relative percentage of fund balance as compared to annual expenditures for each of the past six (6) fiscal years:

- 2010 = 15.4%
- 2011 = 13.1%
- 2012 = 18.3%
- 2013 = 29.9%
- 2014 = 33.4%
- 2015 = 30.6%

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

The percentages noted above are indicative of the Government's ability to be proactive with its initiatives and general operations, and also its ability to proceed into the new fiscal year with or without certain seasonal revenue streams. Of course, it is of great importance to further reflect that fund balance does not always equate to cash and investments. Fund balance is simply the difference in all assets (and deferred outflows) and all liabilities (and deferred inflows). Cash and investments are simply a component of this equation.

### Other Governmental Funds

The City also maintains two (2) *special revenue funds*. These funds account for revenues derived from specific sources which are legally restricted to finance particular functions or activities. *Debt service funds* are used to account for the accumulation of resources for payment of the City's long-term debt. The City maintains one (1) debt service fund. *Capital projects funds* are used to account for revenues and expenditures related to the renovation and/or construction of major capital assets. Three (3) capital projects funds are maintained by the City.

### Business-Type Funds

The City maintains three (3) *enterprise funds*, which are used to account for operations in a manner similar to private business enterprises. The enterprise funds maintained are the Utilities Fund, the Solid Waste Fund, and the Georgia Utility Training Academy (GUTA) Fund.

### Business-Type Statement of Net Position

**Assets:** The City's assets recognized a slight increase during the year ended December 31, 2015. Assets increased approximately \$2,854,000 or 3.0% from \$93,749,000 to \$96,603,000. This increase can be attributed to the increase in restricted investments, as well as the increase in capital assets.

**Liabilities:** The City's liabilities decreased during the year ended December 31, 2015. Total liabilities went from approximately \$30,395,000 to \$28,325,000. The decrease is primarily attributed to scheduled maturities of the City's long-term debt.

**Net Position:** The City's equity position increased from approximately \$63,583,000 to \$69,152,000. This increase is reconciled on the City's "Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds". It should be noted that a very large portion of the City's net position is capital assets net of related debt. While the City is reflecting approximately \$69,152,000 in net position (or equity), only \$9,253,000 is unrestricted and considered available for operations. In the end, the statement of net position reflects the fact that the City has invested heavily in its business-type operations over the history of the organization.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### Business-Type Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues of the City increased from approximately \$39,669,000 to \$40,386,000. This represents growth of 1.8% vs. prior year's growth of 5.1%. Total operating expenses of the City decreased from approximately \$33,327,000 to \$32,897,000. This represents a decrease of 1.3% vs. prior year's growth of 0.5%. The effect of the increased revenues and decreased expenses resulted in an increase in operating income of approximately \$1,146,000 (or 18.1%) and ending at approximately \$7,488,000.

Non-operating income (expense) reflects reduced interest expense as the City retired one of its business-type bond series during the prior year. In addition, this statement reflects the capital contributions received by the City in form of a CDBG grant (\$500,000) and donated capital assets in the amount of \$12,575.

### Business-Type Statement of Cash Flows

The statement of cash flows is a very important statement for any enterprise, and the City is no different.

The "cash flows from operating activities" is the most important element in the statement of cash flows, because it should be the operations of an entity that provides a substantial portion of the capital needed in a growth environment. This section of the statement begins with operating income (not net income as you see in the commercial sector) as reported in the statement of operations.

**The City has very good cash flows from operations.** This has been true for the past several years. Such **operating cash flows amounted to approximately \$8,329,000** for the year ended December 31, 2015. The City had approximately \$9,449,225 in operating cash flows for the year ended December 31, 2014. Additionally, this section of the statement recognizes the fact that depreciation expense of approximately \$2,555,000 is a non-cash flow item.

Further, the operating cash flows were used to fund certain significant capital and related financing activities:

- The City purchased capital assets in the amount of approximately \$2,820,000.
- The City paid principal on notes and revenue bonds in the amount of approximately \$1,650,000.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

- The City received capital contribution amounts of approximately \$752,000, which were primarily related to a \$500,000 CDBG grant in the Utilities Fund and a transfer in reported in the Solid Waste Fund (from the SPLOST Fund) in the amount of \$239,000 to fund the acquisition of a 2015 Mack Garbage Truck.

In conclusion, the City reflects an increase in cash and cash equivalents in the approximate amount of \$718,000 to a balance of approximately \$11,936,000 at December 31, 2015.

### 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 1821. This note also discloses pertinent information regarding the governing body of the City as well as its two component units (the Downtown Development Authority and the Monroe Area Convention and Visitors Bureau).

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.

**Note 4 – Deposits and Investments:** The Governmental Accounting Standards Board (GASB) issued Statement No. 40, Deposit and Investment Risk Disclosure, an amendment of GASB Statement No. 3, which significantly changed the disclosure in the financial statements of the City related to deposits and investments. The disclosure addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

**Note 5 – Receivables:** This footnote discloses the City's property tax calendar and detailed information on various receivable (and allowances for doubtful receivables) balances.

**Note 6 – Capital Assets:** This footnote discloses the City's capital asset activity and its related accumulated depreciation for the year.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

**Note 7 – Long-Term Debt:** This footnote discloses the City's long-term debt activity for the year, and other information and maturities for the revenue bonds and installment notes.

**Note 8 – Interfund Receivables, Payables, and Transfers:** This footnote discloses detailed information on the City's interfund balances and transfers and the purpose of these balances and transactions.

**Note 9 – Pension Benefit Plans:** This footnote discloses the details of the City's Pension Plan.

**Notes 10 & 11 – Joint Venture and Related Organizations:** These footnotes disclose the City's relationship with the Northeast Georgia Regional Commission and the Monroe Housing Authority.

**Note 12 – Risk Management:** This footnote discloses the City's various risks of loss.

**Note 13 – Commitments and Contingencies:** This footnote discloses the outstanding commitments and contingencies of the City, including its agreements with the Municipal Electric Authority of Georgia (MEAG) and the Municipal Gas Authority of Georgia (MGAG). Certain other matters disclosed in this footnote include grant contingencies and outstanding contractual commitments.

**Note 14 – 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 15 – Change in Accounting Principle:** This footnote discloses the restatements to the beginning net position of the City's governmental activities, business-type activities, Utilities Fund, and Solid Waste Fund that were required as a result of the implementation of GASB Statement No. 68.

### COMPLIANCE REPORTS

The financial report package contains two (2) compliance reports.

**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.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

**Single Audit Report:** The second compliance report is a report on our tests of the City's internal controls and compliance with laws, regulations, etc. relative to certain federal grant programs and the respective expenditures. Our tests were performed on the City's major programs (as defined by the relevant federal guidelines), and were not applied to each and every federal grant expended by the Government. In accordance with the respective standards, we did provide an unmodified (or positive) opinion on the City's compliance based on our audit. However, we were not required to provide an opinion on the relevant internal controls, but to provide a form of negative assurance on such controls.

### 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 Monroe, Georgia (the "City") for the year ended December 31, 2015 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.

#### **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.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

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; actuarial assumptions and concepts relative to the benefit plans; deferred revenues; valuation of financial and non-financial instruments; the estimated incurred-but-not-reported liabilities; conservation commitments; extraordinary items; and the estimated allowance for uncollectible accounts.

### **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 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.

### **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.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### 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, 2015, there were several adjustments proposed to the funds of the City. We have provided a detail of all such adjustments in the back of this auditor discussion & analysis. All adjustments have been discussed with management.

### Uncorrected Misstatements

We had no passed adjustments.

### 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.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### 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, 2015, we noted certain items management should consider as part of its decision making process. 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.

### Recommendations for Improvement (Management Points)

#### 1) Proper Cutoff of Accounts Payable

During our testing of accounts payable, we performed a search for unrecorded liabilities and noted the City improperly excluded an invoice totaling \$14,317.20 from expenses/expenditures and liabilities as of December 31, 2015. However, no adjustment was necessary to correct the amounts as the amounts were immaterial when allocated to the various funds. We recommend the City review invoices after year-end to ensure amounts are recorded as expenses and related liabilities in the proper accounting period.

### Other Matters for Communication to the Board and Management

During our audit of the financial statements as of and for the year ended December 31, 2015, 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.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

- a) **Statement No. 68, Accounting and Reporting for Pensions** and **Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68)** are effective for the City's year ended December 31, 2015, and they have been adopted as part of the financial reports prepared and issued by the City for the year then ended. These pronouncements replace the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria, including agent and cost-sharing multiple employer plans.

Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

Relative to the City, the unfunded actuarial liabilities (net of certain deferred outflows and inflows) of the City's pension plan have been recorded in the governmental activities and business-type activities in the respective net amounts of approximately \$3,041,000 and \$3,213,000 which have effectively reduced net position (or equity) by the same respective amounts.

The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

**Defined Benefit Pension Plans.** Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

Statement No. 68 calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of: (1) changes in economic and demographic assumptions used to project benefits; and, (2) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

expense over a closed five-year period.

Statement No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense. These changes include:

- **Projections of Benefit Payments.** Projections of benefit payments to employees will be based on the then-existing benefit terms and incorporate projected salary changes and projected service credits (if they are factors in the pension formula), as well as projected automatic postemployment benefit changes (those written into the benefit terms), including automatic cost-of-living-adjustments (COLAs). For the first time, projections also will include ad hoc postemployment benefit changes (those not written into the benefit terms), including ad hoc COLAs, if they are considered to be substantively automatic.
- **Discount Rate.** The rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specific conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met.
- **Attribution Method.** Governments will use a single actuarial cost allocation method – “entry age,” with each period’s service cost determined as a level percentage of pay.

**Note Disclosures and Required Supplementary Information.** Statement No. 68 also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Single and agent employers will disclose additional information, such as the composition of the employees covered by the benefit terms and the sources of changes in the components of the net pension liability for the current year. A single or agent employer will also present RSI schedules covering the past 10 years regarding:

- Sources of changes in the components of the net pension liability.
- Ratios that assist in assessing the magnitude of the net pension liability.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

- Comparisons of actual employer contributions to the pension plan with actuarially determined contribution requirements, if an employer has actuarially determined contributions.

Cost-sharing employers are required to present the RSI schedule of net pension liability, information about contractually required contributions, and related ratios.

**Defined Contribution Pensions.** The existing standards for governments that provide defined contribution pensions are largely carried forward in this new statement. These governments will recognize pension expenses equal to the amount of contributions or credits to employees' accounts, absent forfeited amounts. A pension liability will be recognized for the difference between amounts recognized as expense and actual contributions made to a defined contribution pension plan.

**Special Funding Situations.** Certain governments are legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another government. For example, a state may be legally required to contribute to a pension plan that covers local school districts' teachers. In specific circumstances called special funding situations, the statement requires governments that are non-employer contributing entities to recognize in their own financial statements their proportionate share of the other governmental employers' net pension liability and pension expense.

The changes noted above by Statement No. 68 are significant to Governments who sponsor retirement plans, and we strongly encourage City officials to continue to review the actual pronouncement and always consider the potential effects on the financial reporting of the Government.

- b) **Statement No. 69, *Government Combinations and Disposals of Government Operations*** is effective for the City's year ended December 31, 2015. This pronouncement primarily applies to governments involved in some form of mergers, acquisitions, transfers of operations or disposal of operations. Unless the City enters into any agreements whereby such actions are anticipated, this pronouncement should not affect the City. As of December 31, 2015, we are not aware of any applications of this pronouncement to the City, but City officials should proceed forward always considering the potential effects of any prospective government combinations and disposal of operations.
- c) **Statement No. 72, *Fair Value Measurement and Application*** was issued in February of 2015, and is effective for financial statements for periods beginning after June 15, 2015 resulting in the City's year ending December 31, 2016.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

This statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

- d) Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68** was issued in June of 2015. The provisions of this standard are two (2) tiered. Amendments to GASB No 68 are required to be reported with the close of June 30, 2016. The elements of this pronouncement dealing with defined benefit pensions that are not within the scope of Statement No. 68 will be have disclosure requirements effective as of June 30, 2016 and financial reporting requirements effective as of June 30, 2017.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

The requirements of this statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and non-employer contributing entities.

This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

This statement also clarifies the application of certain provisions of Statements No.'s 67 and 68 with regard to the following issues:

- **Information** that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- **Accounting** and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- **Timing** of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

e) **Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2016 resulting in the City's year ending December 31, 2017. This statement could easily be described as the GASB No. 67 for postemployment benefit plans due to the fact that it will closely follow the provisions of GASB No. 67 for pension plans.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

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

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

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this statement includes OPEB plans (defined benefit and defined contribution) administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

The requirements of this statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability.

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

- f) **Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2017 resulting in the City's year ending December 31, 2018. This statement could easily be described as the GASB No. 68 for postemployment benefit plans due to the fact that it will closely follow the provisions of GASB No. 68 for pension plans.

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

**g) Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2015 resulting in the City's year ending

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

December 31, 2016. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The objective of this statement is to identify (in the context of the current governmental financial reporting environment) the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two (2) categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

- h) Statement No. 77, *Tax Abatement Disclosures*** was issued in August of 2015, and is effective for financial statements for periods beginning after December 15, 2015 resulting in the City's year ending December 31, 2016.

Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this statement defines tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

This statement requires disclosure of tax abatement information about: (1) a reporting government's own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

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

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements.
- The specific taxes being abated.
- The gross dollar amount of taxes abated during the period.

- i) **Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*** was issued in December of 2015, and is effective for financial statements for periods beginning after December 15, 2015 resulting in the City's year ending December 31, 2016.

This new pronouncement amends the scope and applicability of GASB No. 68 to **exclude** pensions provided via a cost-sharing multiple-employer defined benefit plan that meets the following:

- Plan is **not** a state or local government pension plan;
- Plan is used to provide defined benefit pensions to **both** governmental and private sector employees; and
- Plan has **no predominant state or local governmental employer** (individually or collectively).

For plans described above, this standard establishes requirements for measurement and recognition of:

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

- Pension expense;
- Expenditures;
- Liabilities;
- Note disclosures; and
- Required supplementary information (RSI).

We do not expect this pronouncement to affect the financial reporting of the City.

- j) **Statement No. 79, *Certain External Investment Pools and Pool Participants*** was issued in December of 2015, and is effective for financial statements for periods beginning after June 15, 2015 resulting in the City's year ending December 31, 2016.

This pronouncement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

This new standard also establishes additional note disclosures for the pool and the pool participants. Specifically, the new disclosures address:

- How the external investment pool transacts with participants;
- Requirements for portfolio maturity, quality, diversification, and liquidity; and
- Calculation and requirements of a shadow price (the amortized value rather than the assigned market value which is normally a nominal value of \$1.00 per share).

If a pool does not meet the above specifics, then pool participants should measure their investments in that pool at fair value (and not at amortized cost), as provided by GASB No. 31. We do not expect this pronouncement to affect the financial reporting of the City.

- k) **Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*** was issued in January of 2016, and is effective for financial statements for periods beginning after June 15, 2016 resulting in the City's year ending December 31, 2017.

This new standard amends the blending requirements established by paragraph 53 of GASB No. 14. This statement requires blending of not-for-profit component units whose primary government is the sole corporate member. This statement does not apply to component

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

units included in the provisions of GASB No. 39. We do not expect this pronouncement to affect the financial reporting of the City.

- l) Statement No. 81, Irrevocable Split-Interest Agreements** was issued in March of 2016, and is effective for financial statements for periods beginning after December 15, 2016 resulting in the City's year ending December 31, 2017.

Irrevocable split-interest agreements (which are prevalent at colleges and universities) whereby split-interest agreements in which an asset is given to a government in trust. During stated term of the trust the income generated by the trust goes to the donor and when the trust ends then the assets become the governments. We do not expect this pronouncement to affect the financial reporting of the City.

- m) 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:

- **Capital leases or operating leases** continues to be a hot topic. Looking into whether all leases should be treated the same way. Final standard expected in 2016.
- **Asset retirement obligations** in which the GASB is considering standards for reporting liabilities related to obligations to perform procedures to close certain capital assets, such as nuclear power plants. This concept would not change existing standards such as GASB 18 (landfills) or GASB 49 (pollution remediation). Final standard expected in 2016.
- **Fiduciary responsibilities** and new definitions for fiduciary funds and use of whether a government has "control" and who benefits to determine accounting as fiduciary. Final standard expected in 2016.
- **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. GASB anticipates issuing an initial due process document on this project by the end of 2016.
- **Conceptual Framework** is a constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense thing such as supplies and prepaid assets at acquisition. Will look into which balances (at all statement levels)

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

**December 31, 2015**

are measured at acquisition and which need to be re-measured at year-end. Project placed on hold for now.

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

## **2) Single Audit Standards**

There continues to be changes to auditing standards relative to the conduct and reporting of Single Audits. This year's financial and compliance audit recognized the implementation of the new Uniform Grant Guidance (a/k/a "Uniform Guidance" or "UG") which included significant changes to cost principles and other requirements for auditees receiving federal funds.

These changes are driven based on the grant award date as awarded by the federal agency. As such, auditors and auditees will follow requirements from both the "old" and "new" guidance for a few years to come.

Beginning with the City's year ending December 31, 2015, additional changes to audit requirements are effective and have been implemented. These include changes to the:

- Threshold requiring a Single Audit (from \$500,000 to \$750,000);
- Major program thresholds; and
- Percentage coverage thresholds (for low risk from 25% to 20% and for high risk from 50% to 40%).

### **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.

# City of Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

### 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 Monroe, Georgia

## *Auditor's Discussion & Analysis (AD&A)*

December 31, 2015

**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](mailto:pvercoe@mjcpa.com) (send corresponding copy to Adam at [afraley@mjcpa.com](mailto: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 Monroe, Georgia and look forward to serving the City in the future. Thank you.



Client: 0301650 - City of Monroe, Georgia  
 Engagement: 0301650 - City of Monroe, Georgia  
 Period Ending: 12/31/2015  
 Workpaper: 0204.100 - General Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>PBC</b>		
To recognize the LMIG check in the current year.				
100-120-12250-00121-122500	DEFERRED REVENUE		113,465.83	
100-330-33400-00334-334001	LMIG PROGRAM			113,465.83
<b>Total</b>			<b>113,465.83</b>	<b>113,465.83</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>1502.000</b>		
To reclass amounts owed to the DDA				
100-120-12110-00121-121100	ACCOUNTS PAYABLE		3,750.00	
100-120-12190-00121-121902	DUE TO OTHERS			3,750.00
<b>Total</b>			<b>3,750.00</b>	<b>3,750.00</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>PBC</b>		
To book 2015 Health Insurance Accruals				
100-110-11310-00111-113101	DUE FROM INS TRUST		54,190.56	
100-110-11310-00111-113101	DUE FROM INS TRUST		249,276.54	
100-510-01100-00512-512100	GROUP INS		21,676.22	
100-510-01300-00512-512100	GROUP INS		2,709.53	
100-510-07520-00512-512100	GROUP INS		5,419.06	
100-515-01500-00512-512100	GROUP INS		5,419.06	
100-515-01510-00512-512100	GROUP INS		8,128.58	
100-520-07200-00512-512100	GROUP INS		10,838.11	
100-530-03500-00512-512100	GROUP INS		56,900.08	
100-540-04200-00512-512100	GROUP INS		56,900.08	
100-550-02650-00512-512100	GROUP INS		2,709.53	
100-550-03200-00512-512100	GROUP INS		108,381.10	
100-565-06200-00512-512100	GROUP INS		8,128.58	
100-120-12110-00121-121102	ACCTS PAY - INSURANCE TRUST			54,190.56
100-120-12110-00121-121102	ACCTS PAY - INSURANCE TRUST			249,276.54
100-120-12110-00121-121102	ACCTS PAY - INSURANCE TRUST			287,209.93
<b>Total</b>			<b>590,677.03</b>	<b>590,677.03</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>PBC</b>		
To book 60 day collections for February				
100-120-12250-00121-122505	RESERVE FOR TAXES - 2006		80.84	
100-120-12250-00121-122515	RESERVE FOR TAXES - 2013		13.55	
100-120-12250-00121-122516	RESERVE FOR TAXES - 2014		4,487.33	
100-120-12250-00121-122517	RESERVE FOR TAXES - 2015		54,462.94	
100-310-31110-00311-311100	AD VALOREM TAX - CURRENT YEAR			54,462.94
100-310-31110-00311-311200	AD VALOREM TAX - PRIOR YEAR			4,581.72
<b>Total</b>			<b>59,044.66</b>	<b>59,044.66</b>

Client: 0301650 - City of Monroe, Georgia  
 Engagement: 0301650 - City of Monroe, Georgia  
 Period Ending: 12/31/2015  
 Trial Balance: 0200.320 - SPLOST Database  
 Workpaper: 0204.320 - SPLOST Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>PBC</b>		
To reclass outstanding requisition related to 2007 SPLOST not received from the County within 60 days of year-end.				
320-310-31320-00313-313200	SPLOST 2007		13,355.16	
320-120-12250-00121-122500	DEFERRED REVENUE			13,355.16
<b>Total</b>			<b><u>13,355.16</u></b>	<b><u>13,355.16</u></b>

Client: **0301650 - City of Monroe, Georgia**  
 Engagement: **0301650 - City of Monroe, Georgia**  
 Period Ending: **12/31/2015**  
 Trial Balance: **0200.520 - Utility Fund Database**  
 Workpaper: **0204.520 - Utility Fund Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 2</b>		<b>1505.000</b>		
To correct the Due to/Due from with the Solid Waste Fund				
520-527-04700-00531-531100	OFFICE SUPPLIES & EXPENSES		737.74	
520-121-12190-00121-121911	DUE TO SOLID WASTE FUND - UTIL			737.74
<b>Total</b>			<b>737.74</b>	<b>737.74</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>PBC</b>		
To book 2015 Health Insurance Claims				
520-515-01510-00512-512100	GROUP INS		13,547.64	
520-515-01590-00512-512100	GROUP INS		29,804.80	
520-515-01591-00512-512100	GROUP INS		8,128.58	
520-515-04975-00512-512100	GROUP INS		27,095.28	
520-526-01500-00512-512100	GROUP INS		5,419.06	
520-526-04600-00512-512100	GROUP INS		37,933.39	
520-526-04800-00512-512100	GROUP INS		21,676.22	
520-527-01500-00512-512100	GROUP INS		2,709.53	
520-527-04320-00512-512100	GROUP INS		8,128.58	
520-527-04330-00512-512100	GROUP INS		21,676.22	
520-527-04335-00512-512100	GROUP INS		18,966.69	
520-527-04430-00512-512100	GROUP INS		13,547.64	
520-527-04440-00512-512100	GROUP INS		18,966.69	
520-527-04700-00512-512100	GROUP INS		21,676.22	
520-120-12190-00121-121914	DUE TO GEN FUND FOR INS			249,276.54
<b>Total</b>			<b>249,276.54</b>	<b>249,276.54</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>6202.002</b>		
To implement GASB Statements No. 68 and 71 and record net pension liability and related amounts as of December 31, 2015.				
520-119-11920-00119-119200	DEFERRED OUTFLOWS OF RESOURCES - PENSION ITEMS		554,482.00	
520-133-13340-00133-133410	UTIL UNRESTRICTED NET ASSETS		2,842,252.00	
520-125-12520-00125-125265	NET PENSION LIABILITY			2,966,739.00
520-129-12930-00129-129300	DEFERRED INFLOWS OF RESOURCES - PENSION ITEMS			226,879.00
520-515-01510-00512-512400	GMEBS-RETIREMENT CONTRIBUTION			33,780.00
520-515-01590-00512-512400	GMEBS-RETIREMENT CONTRIBUTION			74,317.00
520-515-01591-00512-512400	GMEBS-RETIREMENT CONTRIBUTION			20,268.00
520-515-04975-00512-512400	GMEBS-RETIREMENT CONTRIBUTION			67,561.00
520-526-01500-00512-512400	GMEBS-RETIREMENT CONTRIBUTION			7,190.00
<b>Total</b>			<b>3,396,734.00</b>	<b>3,396,734.00</b>

Client: 0301650 - City of Monroe, Georgia  
 Engagement: 0301650 - City of Monroe, Georgia  
 Period Ending: 12/31/2015  
 Workpaper: 0204.540 - Solid Waste Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>5005.000</b>		
To adjust vacation accrual to actual.				
540-120-12120-00121-121202	SOLID WASTE VACATION ACCRUAL		9,014.74	
540-545-04510-00511-511100	REGULAR SALARIES			9,014.74
<b>Total</b>			<b>9,014.74</b>	<b>9,014.74</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>PBC</b>		
To book accrual of 2015 Health Insurance Claims				
540-545-04510-00512-512100	GROUP INS		8,128.58	
540-545-04520-00512-512100	GROUP INS		32,514.33	
540-545-04530-00512-512100	GROUP INS		5,419.06	
540-545-04540-00512-512100	GROUP INS		2,709.53	
540-545-04585-00512-512100	GROUP INS		5,419.06	
540-120-12190-00121-121914	DUE TO GEN FUND FOR INS			54,190.56
<b>Total</b>			<b>54,190.56</b>	<b>54,190.56</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>6202.002</b>		
To implement GASB Statements No. 68 and 71 and record the net pension liability and related amounts as of December 31, 2015.				
540-119-11920-00119-119200	DEFERRED OUTFLOWS OF RESOURCES - PENSION ITEMS		120,539.00	
540-133-13340-00133-133420	SW UNRESTRICTED NET ASSETS		617,877.00	
540-125-12520-00125-125265	NET PENSION LIABILITY			644,940.00
540-129-12930-00129-129300	DEFERRED INFLOWS OF RESOURCES - PENSION ITEMS			49,321.00
540-545-04510-00512-512400	GMEBS-RETIREMENT CONTRIBUTION			20,268.00
540-545-04520-00512-512400	GMEBS-RETIREMENT CONTRIBUTION			23,887.00
<b>Total</b>			<b>738,416.00</b>	<b>738,416.00</b>

Client: 0301650 - City of Monroe, Georgia  
 Engagement: 0301650 - City of Monroe, Georgia  
 Period Ending: 12/31/2015  
 Trial Balance: 0200.810 - Monroe CVB Database  
 Workpaper: 0204.810 - Monroe CVB Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>PBC</b>		
To reclass the amount owed to CVB from Hotel/Motel				
003-110-11110-00111-111100	WACHOVIA CHECKING		9,845.00	
003-110-11190-00111-111901	ACCOUNTS RECEIVABLE - MISC			9,845.00
<b>Total</b>			<b><u>9,845.00</u></b>	<b><u>9,845.00</u></b>