City of Griffin, Georgia

Annual Audit Agenda
June 30, 2014

Griffin
Growing, TOGETHER

Presented by:
Wade Sansbury

of

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

CITY OF GRIFFIN

Annual Audit Agenda

June 30, 2014

PURPOSE OF ANNUAL AUDIT AGENDA

- Engagement Team and Firm Information.

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

- Required Communications under Government Auditing Standards.

- Accounting Recommendations and Related Matters.

- Answer Questions.

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 with firm governmental leadership positioned in the Macon (and Atlanta) office(s).
- Approximately 280 personnel are employed at Mauldin & Jenkins.

Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- Serve more governmental entities in Georgia than any other certified public accounting firm requiring over 60,000 hours of service on an annual basis.
- Approximately 65 professional staff persons with current governmental experience.
- Current auditor for approximately 200 total governments in the Southeast, including:
  - ✓ 60 cities;
  - ✓ 35 counties;
  - ✓ 35 school systems (8 of the 10 largest in Georgia and 10 of the 30 largest in Georgia and Florida combined);
  - ✓ 15 state entities; and,
  - ✓ 55 special purpose entities (stand-alone business type entities, libraries, etc.).
- Serves 67 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 25% of the State's general fund; 13 of the State of Georgia's component units.

Engagement team leaders on the audit engagement include:

- Wade Sansbury, Engagement Partner – 19 years experience serving governments
- Meredith Lipson, Concurring Reviewer – 24 years experience serving governments
- Samantha Richardson, Engagement Manager – 10 years experience serving governments

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

INDEPENDENT AUDITOR'S REPORT

The standard independent auditor's report for governmental units has specific sections of 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 (or opinions) on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial statements are considered to present fairly the financial position and results of operations as of, and for the year ended June 30, 2014.

Emphasis of Matter

The financial statements reflect the change in reporting for the City's airport from that of a enterprise fund of the City to that of a discretely presented component unit.

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.

REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

General Information About the CAFR

Each year the City of Griffin, Georgia (the "City") prepares a Comprehensive Annual Financial Report (CAFR). A Comprehensive Annual Financial Report (CAFR) goes beyond the normal financial reporting required by accounting principles generally accepted in the United States. A CAFR includes at a minimum the following elements/sections:

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

In the end, 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.

OVERVIEW OF FINANCIAL STATEMENTS

A single audit report is included in this year's report as the City expended in excess of $500,000 of federal expenditures.

The financial statements as presented to you today include the basic financial statements as well as Management's Discussion and Analysis as prepared by City management.

The City's basic financial statements include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

The **government-wide financial statements** provide a broad overview of all of the City's funds. The *Statement of Net Position* presents information on all assets and liabilities of the City, with the difference between the two 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

COMPLIANCE REPORTS

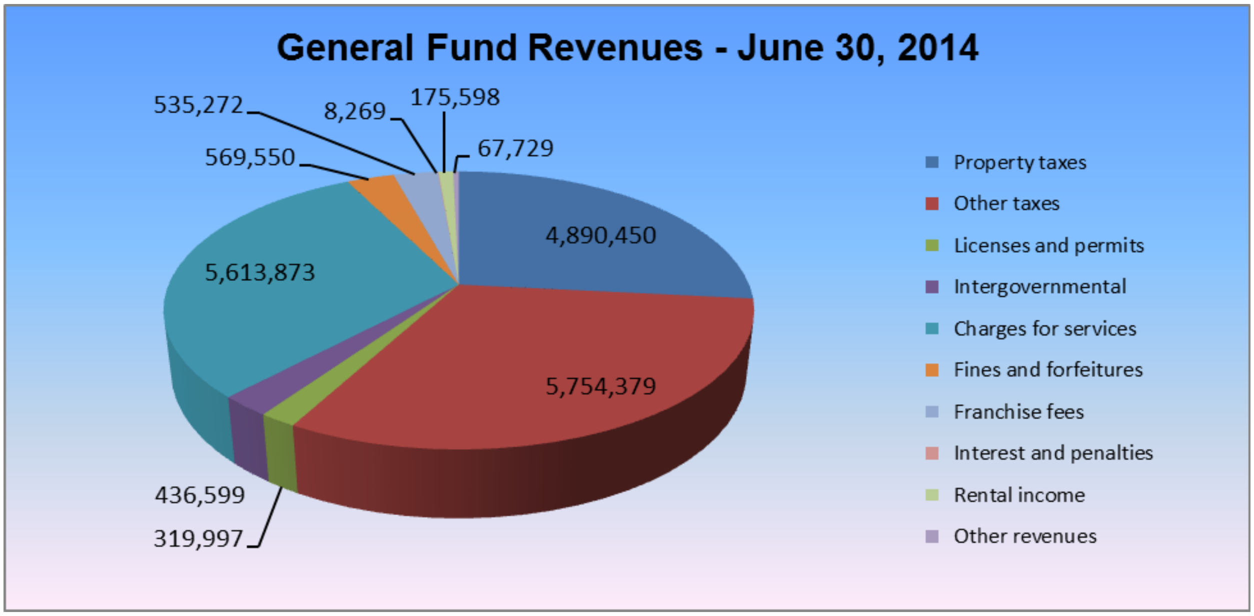
Last, but not least, two (2) reports on compliance and internal controls are included.

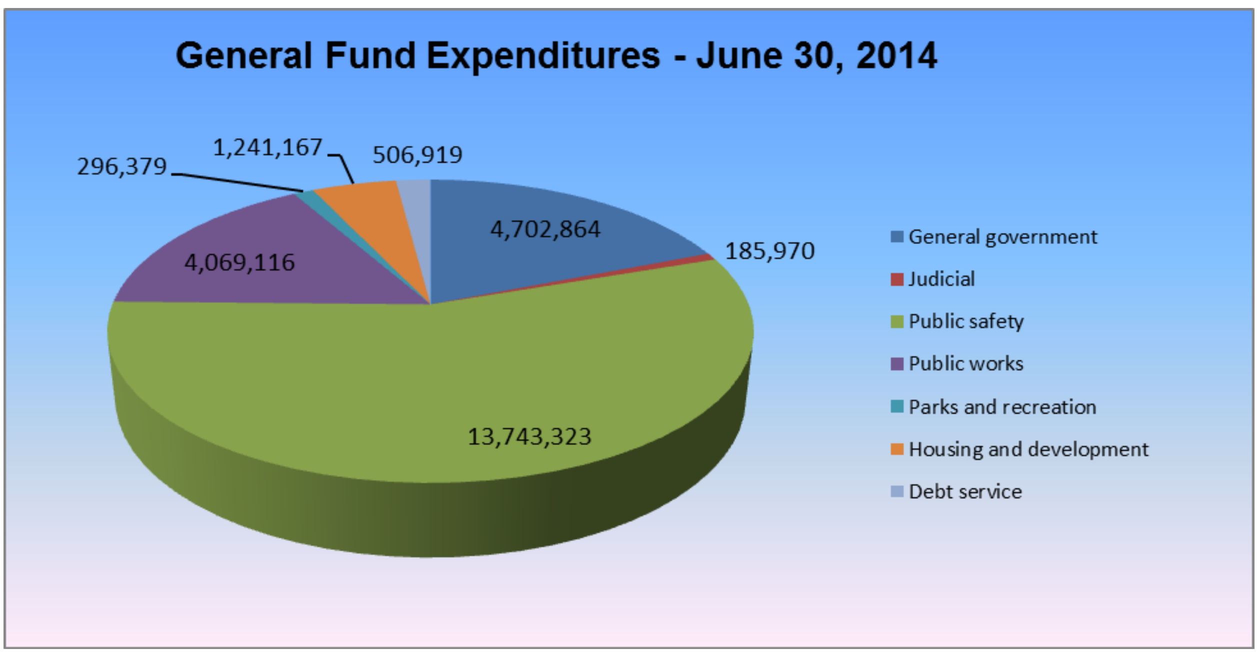
The first report is based on our tests of the City's internal controls and compliance with laws, regulations, etc. The report is not intended to provide an opinion, but to provide a form of negative assurance as to the City's internal controls and compliance with applicable rules and regulations. This report and the procedures performed are required by *Government Auditing Standards* as issued by the U. S. Government Accountability Office (GAO).

The second report is based on our tests of the City's internal controls and compliance with laws, regulations, etc. relative to the federal award expenditures reported for the fiscal year ended as required by the Single Audit Act and the U. S. Office of Management & Budget (OMB) Circular A-133. In this report we do provide an opinion on compliance that could have a direct and material effect on the City's major federal programs for the respective year ended.

General Fund

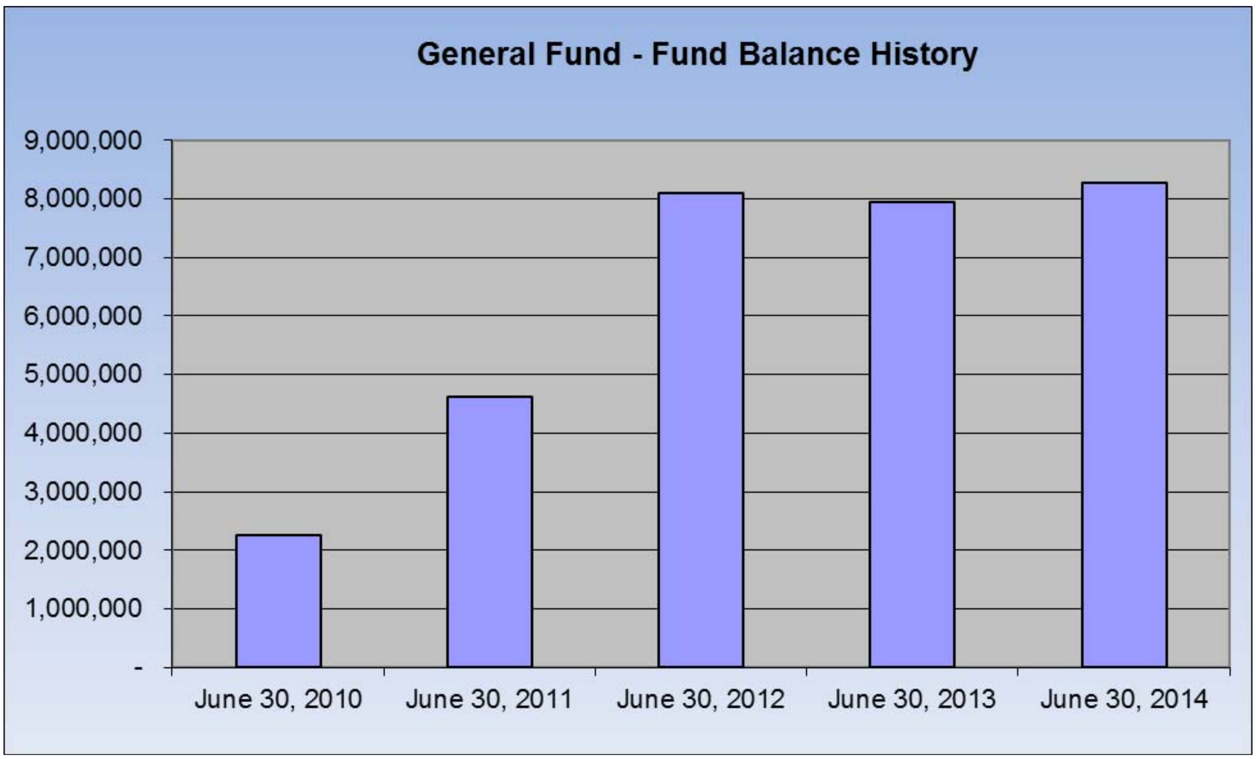
Of primary interest to the City is the General Fund, which accounts for the majority of revenues received and funds expended in the operations of the City, including administration, judicial activities, public safety, public works, parks and recreation, and community service. The following charts present the sources of revenues and the expenditures of the General Fund for the fiscal year ended June 30, 2014:





Total fund balance of the General Fund at June 30, 2014 was a positive $8,265,259. As discussed in prior years, fund balance does not necessarily equal cash on hand and available to spend. Fund balance is the difference between assets and liabilities, only a portion of which is cash available to be spent. While the City has cash and investments on hand at June 30, 2014, of $4,568,481, the City also has $1,146,480 in current liabilities due to outside parties and employees. The City's General Fund also has at June 30, 2014, other liabilities totaling $445,790 in deferred inflows of resources and $168,863 in due to other funds. Additionally, the General Fund incurs expenditures of approximately $2.1 million per month. A large part of the cash on hand at June 30, 2014, will be needed in subsequent months to fund these expenditures, until the City’s property tax revenues are fully collected in November and December.

The following is a history of the total ending fund balance of the General Fund over the past five years:

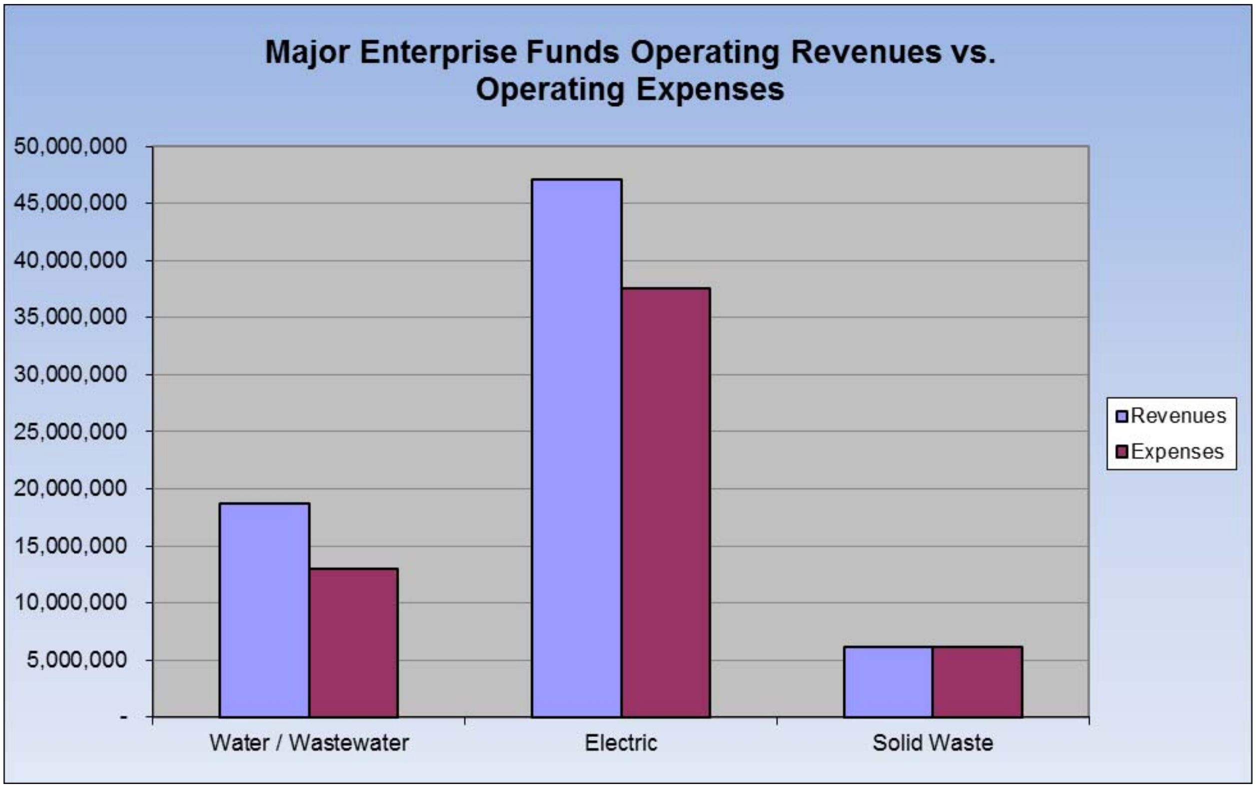


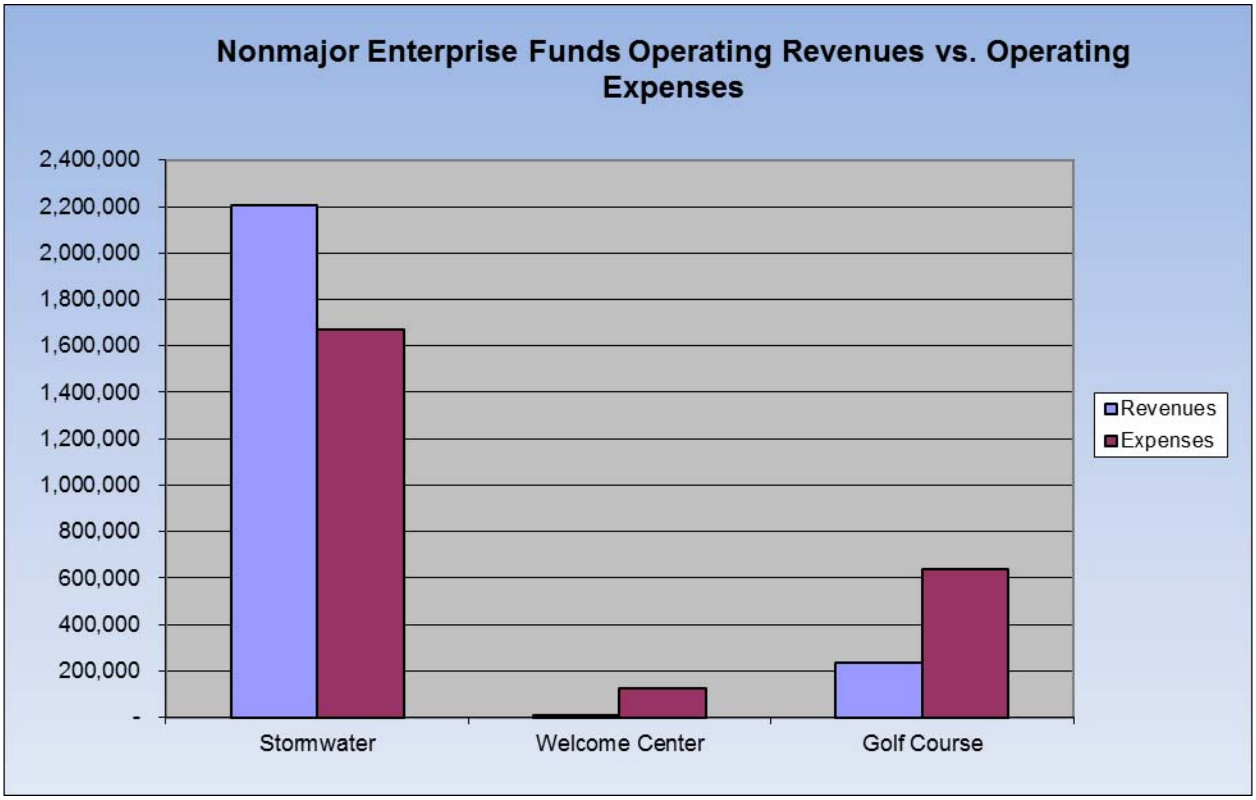
Other Governmental Funds

The City maintains various special revenue funds (Hotel/Motel Tax Fund, the Multiple Grant Fund, the Confiscated Assets Fund, the Police Technology Fund, the Court Technology Fund, Police Donations Fund, the 2012 CDBG Fund, the 2013 CDBG Fund, the 2008 CHIP Fund, the FEMA Grants Fund, the Neighborhood Stabilization Fund, the Neighborhood Stabilization 3 Fund, and the Tax Allocation Districts Fund). These funds account for revenues derived from specific sources which are legally restricted to finance particular functions or activities. Capital projects funds (the LCI Project Fund, the Federal Stimulus Fund, the General Capital Projects Fund and the SPLOST Fund) are used to account for revenues and expenditures related to the renovation and/or construction of major capital assets. The City also maintains two permanent funds – the Cemetery Trust Fund and the Mausoleum Trust Fund.

Enterprise Funds

The City maintains several enterprise funds which are used to account for operations in a manner similar to private business enterprises – where the intent is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Only the Water/Wastewater, Electric, Solid Waste, and Stormwater Utility Funds generate revenues sufficient to cover the costs of operations.





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 Griffin, Georgia (the "City") for the year ended June 30, 2014 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.

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 estimates. Estimates significant to the financial statements include such items as the estimated allowance for uncollectible accounts receivable, and the estimated lives of capital assets.

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.

Audit Adjustments

During our audit of the City's basic financial statements as of and for the year ended June 30, 2014, there were several adjustments proposed to the funds of the City. The detail of all proposed and passed audit adjustments for each fund are included with our Audit Agenda package of information for your review and discussion. All adjustments have been discussed with management.

Uncorrected Misstatements

We had no passed adjustments.

Disagreements with Management

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

Representation from Management

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

Management's Consultations with Other Accountants

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

Significant Issues Discussed with Management

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

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.

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.

RECOMMENDATIONS FOR IMPROVEMENT

During our audit of the financial statements as of and for the year ended June 30, 2014, we noted several areas within the accounting and internal control systems that we believe can be improved. Additionally, we noted certain items management should consider as part of its decision making process. Our recommendations (also commonly referred to as management points) are presented in the following paragraphs. We believe consideration of these recommendations will help provide proper control over financial activities, and add effectiveness and efficiency to overall operations.

Item Cited in the City's Financial Statements as Material Weaknesses:

1) Management of Accrued Liabilities (Payroll)

For the fiscal year ending June 30, 2014, we noted the City did not properly accrue its payroll for the pay period ending June 28, 2014 but not paid until July 3, 2014. This caused expenditures and liabilities to be understated for various funds of the City for the current year. Audit adjustments to increase salary expenditures/expenses and accrued liabilities within the General Fund by $443,485, the Water Fund by $105,318, the Electric Fund by $118,475, the Solid Waste Fund by $54,784 and other various nonmajor funds totaling $44,150 were required to be reported as of June 30, 2014.

We recommend the City's accounting staff develop year end processes to ensure all necessary accruals are prepared, recorded, and reviewed to ensure accuracy. A year end and monthly process checklist would work well to ensure that all necessary items are properly addressed at each period end.

The following items are listed as items for improvement in the City's management letter:

1) Segregation of Duties

During our testing of the City's Electric Fund revenues, we noted the functions relating to the receipting of cash, making deposits, and posting and approving customer account adjustments are not segregated. Without segregation of duties within these tasks, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City. We understand the staffing limitations which result in these overlapping duties; however, we strongly recommend the City review its processes and determine where it can effectively segregate duties to alleviate this issue. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. We did note additional monitoring procedures by individuals independent of customer service helping to mitigate these risks. However, we do recommend that these areas be segregated as much as possible.

The following items are listed as other matters, and are listed only within this annual audit agenda:

1) <u>Management of Due to/from Accounts</u>

During our review of the City's Due to/from accounts, we noted that several funds had multiple Due to/from accounts to the same fund. While reviewing the overall balance and makeup of the due to / due from balances, this made the review very difficult with so many different accounts. We recommend the City consider using only one account within each fund to reflect transactions between funds for each fund.

2) <u>Year End and Month End Close</u>

During our audit of the City, several year-end adjusting journal entries were provided to us by the City. To make for a more efficient audit in future periods as well as to properly report as accurate of information as possible to the City's Commission, we recommend the City's accounting staff review and post needed adjustments on a month to month basis and prior to audit fieldwork whenever possible.

3) <u>MEAG Expenditures</u>

During our testing of the City's Electric Fund expenses, we noted the June MEAG expenses were not properly recorded. An adjustment was made that increased expenses in the Electric Fund and increased Accounts Payable by approximately $186,000. We recommend the City's accounting staff review and post needed adjustments on a month to month basis and prior to audit fieldwork whenever possible.

Other Matters for Communication to the Board and Management

During our audit of the financial statements as of and for the year ended June 30, 2014, we noted other matters which we wish to communicate to you in an effort to keep the City abreast of accounting matters that could present challenges in financial reporting in future periods.

1) New Governmental Accounting Standards Board (GASB) Pronouncements

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

a) **Statement No. 65, *Items Previously Reported as Assets and Liabilities*** will be effective for fiscal years beginning after December 15, 2012 resulting in the City's fiscal year ended June 30, 2014. Although implementation is a year later, this standard goes along with Statement 63 which was implemented in the prior year. GASB Concepts Statement No. 4, *Elements of Financial Statements,* and Statement 63 specify that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources (expense) and inflows of resources (revenue).

Examples of these changes are as follows:

Reclassifying certain assets to be deferred outflows of resources:

- Grants paid in advance of meeting time requirements;
- Deferred amounts from refunding of debt (debits);
- Costs to acquire rights to future revenues;
- Deferred losses from sale-leasebacks;

Reclassifying certain liabilities to be deferred inflows of resources:

- Grants received in advance of meeting time requirements;
- Taxes received in advance;
- Deferred amounts from refunding of debt (credits);
- Proceeds from sales of future revenues;
- Deferred gains from sale-leasebacks;
- "Unavailable" revenue in governmental funds.

Recognizing certain assets as outflows (expenses):

- Debt issuance Costs (other than bond insurance);
- Initial costs incurred by lessor in an operating lease;
- Loan origination costs (by entities in the lending business);
- Costs to acquire loans.

Recognizing certain assets as inflows (revenues):

- Loan origination fees, excluding points (by entities in the lending business);
- Commitment fees (after exercise or expiration);
- Fees received for sales of loans.

The City elected to early implement the provisions of this pronouncement in conjunction with Statement No. 63.

b) **Statement No. 66, *Technical Corrections – 2012*** will be effective for fiscal years beginning after December 15, 2012 resulting in the City's fiscal year ending June 30, 2014. This pronouncement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (1) operating lease payments that vary from a straight-line basis; (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and, (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively.

c) **Statement No. 67, *Financial Reporting for Pension Plans*** will be effective for fiscal years beginning after June 15, 2013 resulting in the City's fiscal year ending June 30, 2014. This pronouncement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

The changes noted above by Statement No. 67 are significant to pension plans, and we strongly encourage City officials to review the actual pronouncement and consider the potential effects on the financial reporting of the City.

d) **Statement No. 68,** ***Accounting and Reporting for Pensions*** will be effective for fiscal years beginning after June 15, 2014 resulting in the City's fiscal year ending June 30, 2015. This pronouncement replaces 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 and using values reported as of June 30, 2014, the unfunded actuarial liability of the City's pension plan would be recorded in the respective amounts of approximately $10,091,494 which would reduce 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 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

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

Cost-sharing employers also will 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 is 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 review the actual pronouncement and consider the potential effects on the financial reporting of the City.

e) **Statement No. 69, *Government Combinations and Disposals of Government Operations*** will be effective for periods / fiscal years for years beginning after December 15, 2013 resulting in the City's fiscal year ending June 30, 2014. 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.

f) **Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*** will be effective for fiscal years beginning after June 15, 2013 resulting in the City's fiscal year ending June 30, 2014. City officials should review the provisions of this new pronouncement and determine if the City is a party to any form of non-exchange guarantees. If the City has ever entered into any currently active guarantee agreements, the City may be required to record certain accounting entries and, or disclose relevant details surrounding the guarantees.

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.

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

Free Continuing Education. We provide free quarterly continuing education 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:

1. American Recovery & Reinvestment Act (ARRA) information and issues;
2. GASB updates (several sessions);
3. Internal Controls Over Revenue and Cash Receipting;
4. Collateralization of Deposits and Investments;
5. SPLOST Accounting, Reporting and Compliance;
6. Internal Controls Over Accounts Payable, Payroll and Cash Disbursements;
7. Capital Asset Accounting Processes and Controls;
8. Grant Accounting Processes and Controls;
9. American Recovery & Reinvestment Act (ARRA) Updates;
10. Policies and Procedures Manuals;
11. Segregation of Duties;
12. GASB No. 51 – Intangible Assets;
13. Single Audits for Auditees;
14. GASB No. 54 – Governmental Fund Balance (subject addressed twice);
15. Best Budgeting Practices, Policies and Processes;
16. Internal Revenue Service (IRS) Compliance Issues, Primarily Payroll Matters;
17. CAFR Preparation (several times including a two (2) day hands-on course).
18. GASB No. 60, Service Concession Arrangements (webcast)
19. GASB No.'s 63 & 65, Deferred Inflows and Outflows (webcast)
20. GASB No. 61, the Financial Reporting Entity (webcast)
21. GASB No. 67 and 68, Financial Reporting for Pension Plans.

Governmental Newsletters. We 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 produced and delivered periodically, and 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 Lauren Payne at LPayne@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 Griffin, Georgia and look forward to serving the City in the future. Thank you.

MAULDIN & JENKINS