



City of Atlanta, Georgia

Auditor's Discussion & Analysis – June 30, 2023
Final Auditor Discussion and Analysis



Agenda

- Engagement Team
- Required Communications
- Financial Trends
- Financial Reporting Changes in Effect
- Comments, Recommendations, and Other Issues
- Client CPE & Other Services
- Questions & Comments



accountingTODAY

2022 Top 100 Firms

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HISTORY OF QUALITY SERVICE

Serve 650+ GOVERNMENT CLIENTS

GOVERNMENTAL PARTNERS 16



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VISION

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



225+

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



135,000+

HOURS ANNUALLY PROVIDED TO GOVERNMENTAL CLIENTS

150+

CURRENT CLIENTS AWARDED THE GFOA CERTIFICATE OF EXCELLENCE

5 STATES

13 OFFICES





Engagement Team Leaders for the City of Atlanta, Georgia include:

- Doug Moses, Engagement Partner – 24 years experience, 100% governmental – Total Engagement Focus
- James Bence, Engagement Partner – Over 20 years experience, 100% governmental – Aviation Focus
- Josh Carroll, Engagement Partner – 17 years experience, 100% governmental – Watershed Focus
- Will Derzis, Engagement Director – 8 years experience, 100% governmental - Central & Watershed Focus
- Tim Lyons, Quality Control Reviewer – Central File – 15 years experience, 100% governmental
- Trey Scott, Quality Assurance Review Partner – Aviation – 15 years experience, 100% governmental
- Christopher McKellar, Quality Control Reviewer – Watershed – 19 years experience, 100% governmental
- Alison Wester, Engagement Partner – Over 25 years experience – Pension Focus
- Wade Sansbury, Quality Assurance Review Partner – Pension – Over 25 years experience, 100% governmental
- Hope Pendergrass, Engagement Partner – 20 years experience, 100% governmental – Single Audit Focus



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)
- Agri-Businesses
- Professional Services
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Long-term Healthcare
- Individuals, Estates, and Trusts
- SEC Registrants
- Wholesale Distribution
- Manufacturing
- Employee Benefit Plans
- Non-Profit Organizations
- Retail Businesses
- Construction & Development
- Real Estate Management



Required Communications

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS)
 - We considered the internal control structure for the purpose of expressing our opinion on the City's basic financial statements and not providing assurance on the internal control structure.
 - Our audit was performed in accordance with GAAS.
 - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
 - The basic financial statements are the responsibility of the City's management.

- Report on 2023 Basic Financial Statements
 - Unmodified (“clean”) opinion on basic financial statements. Our opinion referred to other auditors for the audits of the Atlanta Development Authority (Invest Atlanta), the Atlanta-Fulton County Recreation Authority (AFCRA), and the Atlanta Housing Opportunity, Inc. (AHOI).
 - Unmodified (“clean”) opinions on basic financial statements for Aviation and Watershed separately issued financial statements.
 - Unmodified (“clean”) opinions on the basic financial statements for the General Employees', Police Officers' and Firefighters' Pension Plans.
 - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
 - Our responsibility does not extend beyond financial information contained in our report.



Required Communications (Continued)

- Report in accordance with *Government Auditing Standards* for 2023
 - One (1) instance of a material weakness for the fiscal year ended June 30, 2023 for the City (*to be discussed later in this presentation*).
 - Results of Pension audit engagement are reported separately and has been presented to the Pension and Investment Board (findings included in this presentation).
 - No reported instances of noncompliance for the fiscal year ended June 30, 2023. Note that the single audit will be issued separately at a later date.

- Report in accordance with *Uniform Guidance* for 2023
 - One (1) instance of a material weakness for the fiscal year ended June 30, 2023 for the City (*to be discussed later in this presentation*).

- Significant Accounting Policies
 - The significant accounting policies used by the City are described in Note I to the basic financial statements.
 - The policies used by the City are in accordance with generally accepted accounting principles and similar government organizations.
 - In considering the qualitative aspects of its policies, the City is not involved in any controversial or emerging issues for which guidance is not available.
 - During the current fiscal year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, which impacted the City's financial statements.
 - See Change in Accounting Principle Note I-E and III-F. This standard impacted the City as whole including Aviation's and Watershed's annual comprehensive financial reports.



Required Communications (Continued)

- **Management Judgment/Accounting Estimates**
 - The City uses various estimates as part of its financial reporting process – including valuation of accounts receivable, actuarial assumptions pertaining to the net pension and total OPEB liability, investment valuation, various claims liabilities, and useful lives for depreciation and amortization calculations for its capital assets, intangible assets, and right to use assets.
 - Management’s estimates used in preparation of financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management’s calculations in evaluating the City’s significant accounting estimates.

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

- **Relationship with Management**
 - We received full cooperation from the City’s management, staff, and others.
 - There were no disagreements with management on accounting issues or financial reporting matters.



Required Communications (Continued)

- **Audit Adjustments**
 - Adjustments were proposed to the records of the City and have been recorded in the City's financial statements. The City's Chief Financial Officer has copies of these audit entries and will have them available upon request. There were several passed audit adjustments as well, which have been summarized and provided to management (and are available upon request).

- **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.

- **Consultation with Other Accountants**
 - To the best of our knowledge, management has not consulted with other independent accountants during the fiscal year.

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



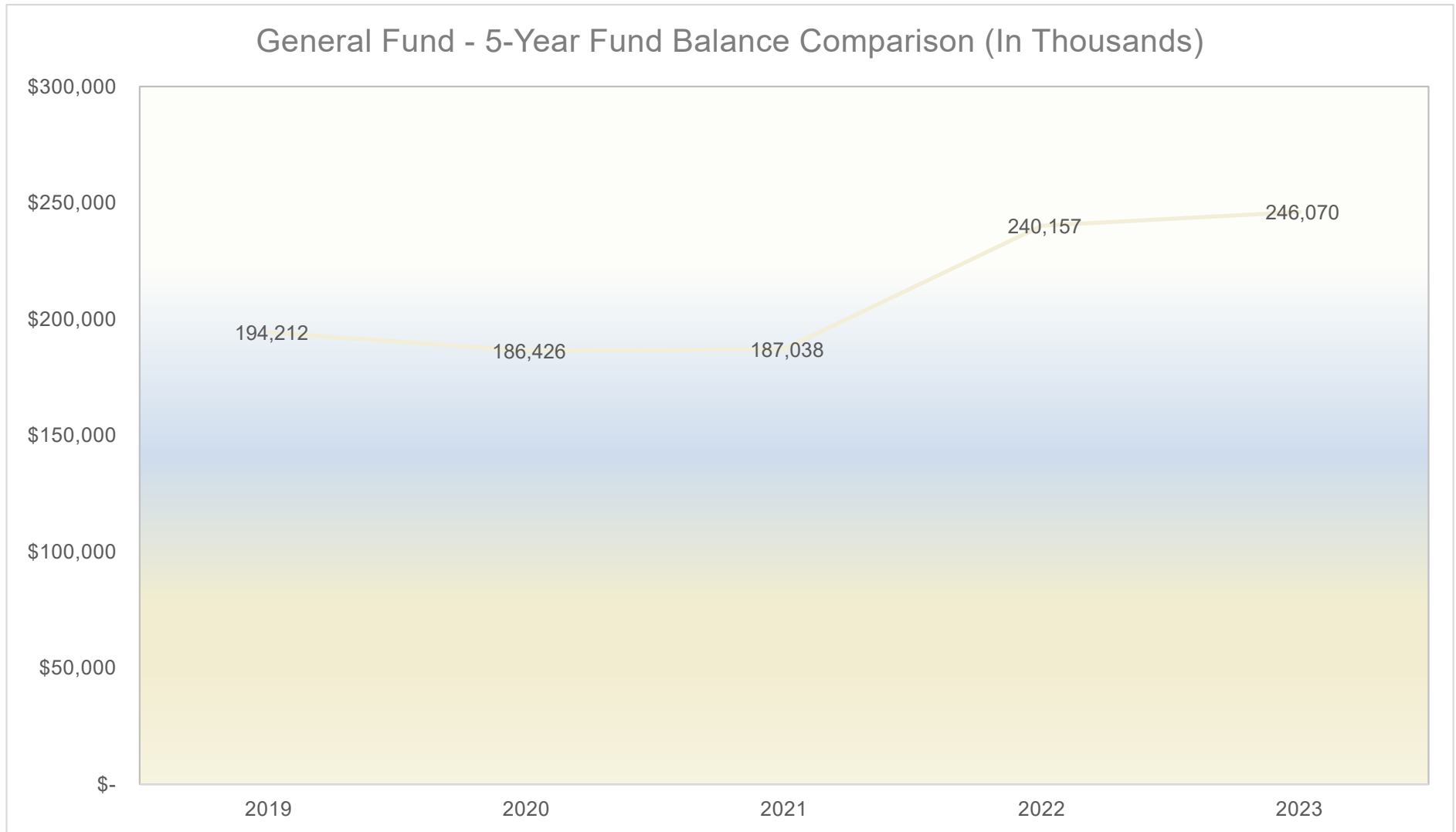
Required Communications (Continued)

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

- Auditor Independence
 - In accordance with AICPA professional standards, M&J is independent with regard to the City and its financial reporting process.
 - There were no fees paid to M&J for management advisory services during fiscal year 2023 that might affect our independence as auditors.



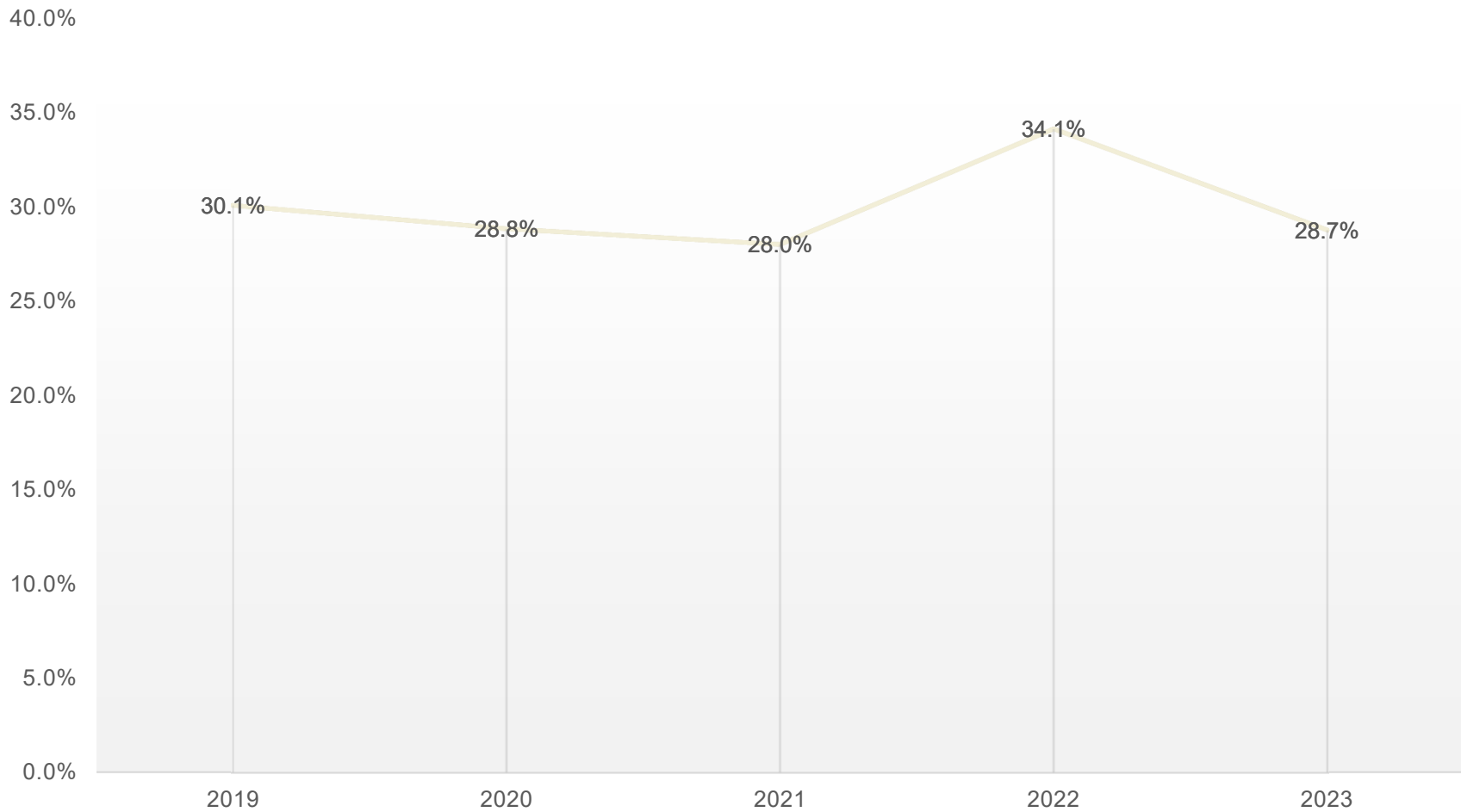
Financial Trends (Continued)





Financial Trends (Continued)

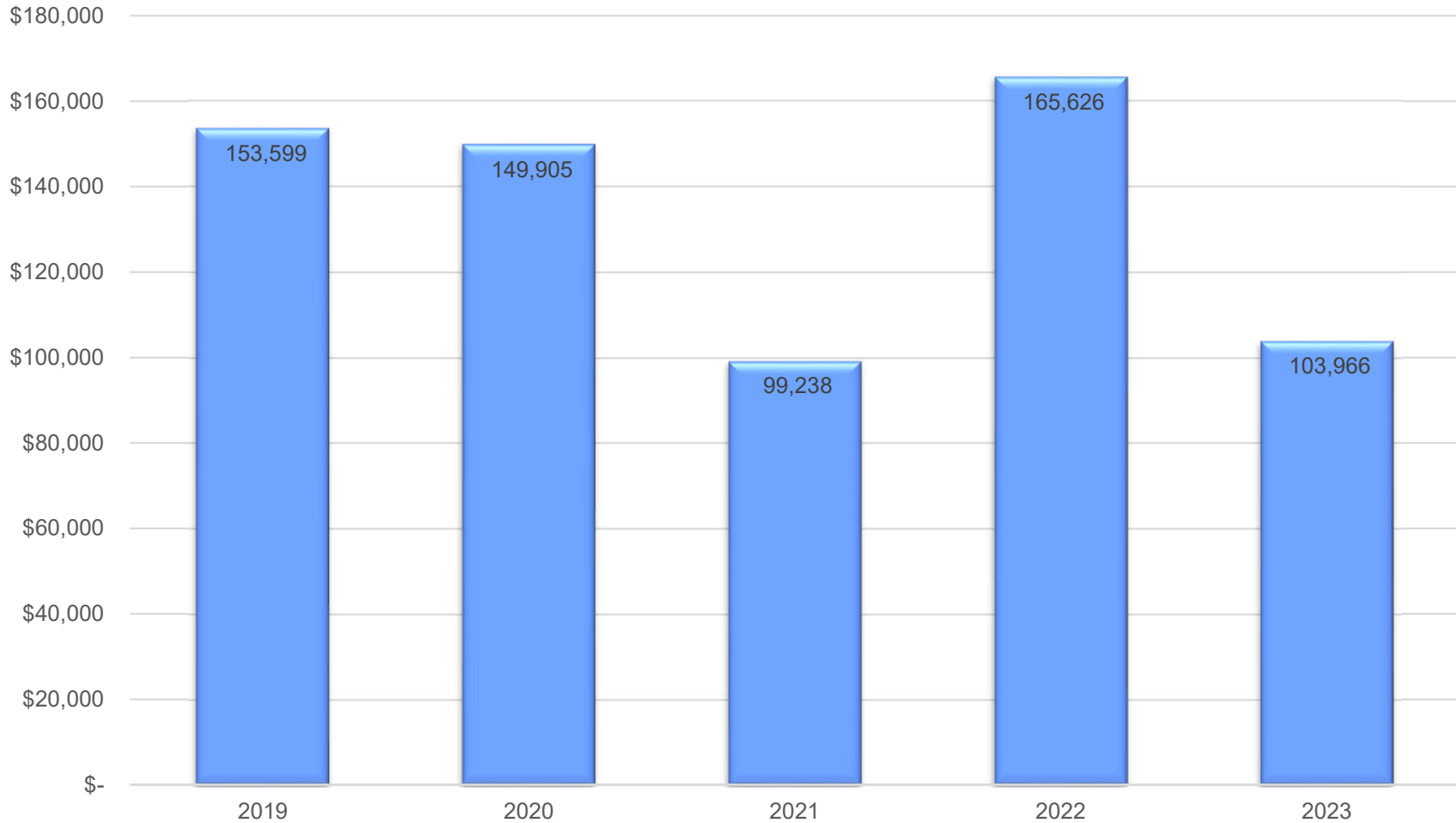
General Fund - Fund Balance as a Percentage of Expenditures and Transfers Out





Financial Trends (Continued)

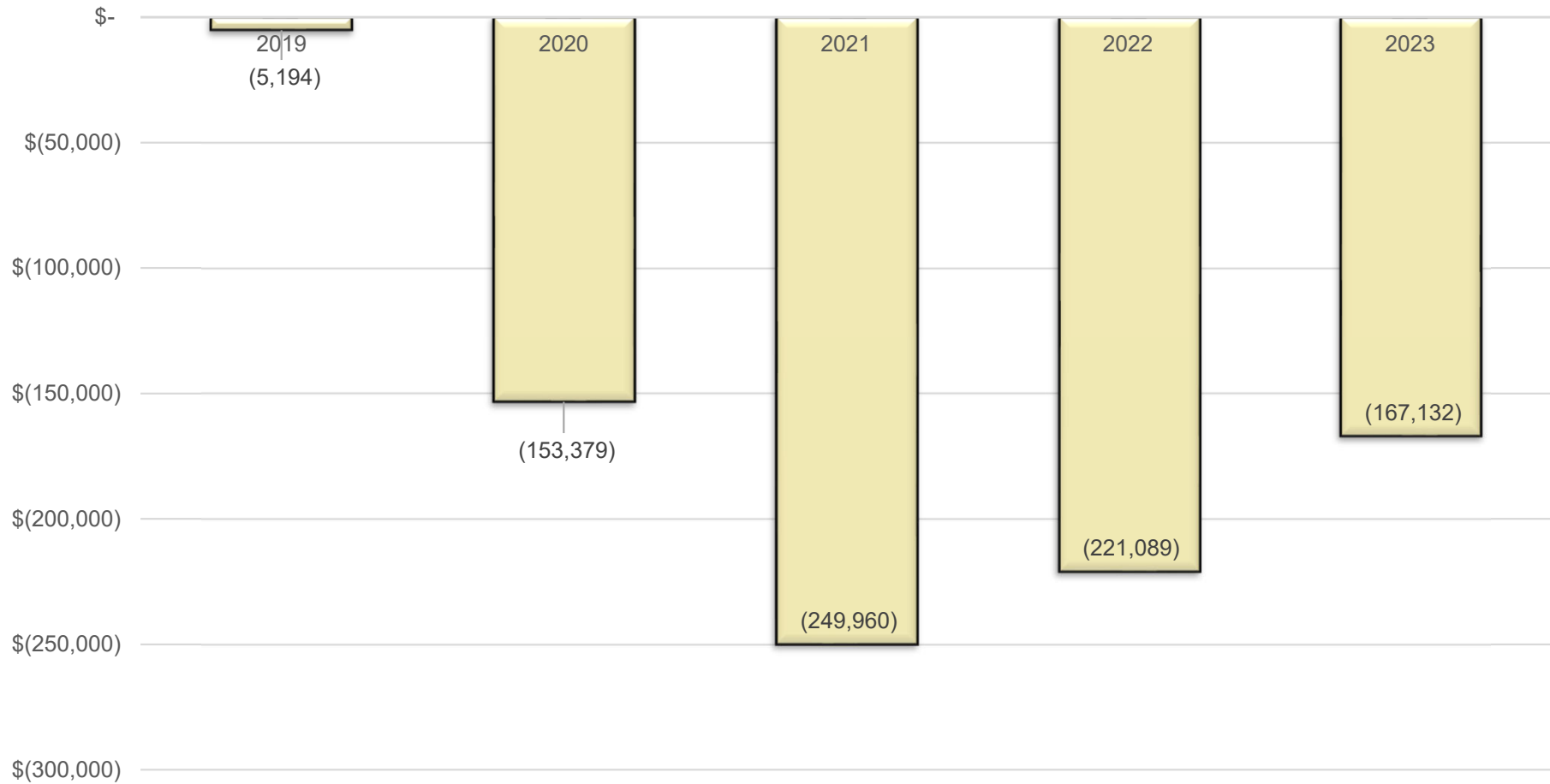
Department of Watershed Management - 5-Year Operating Income Comparison (In Thousands)





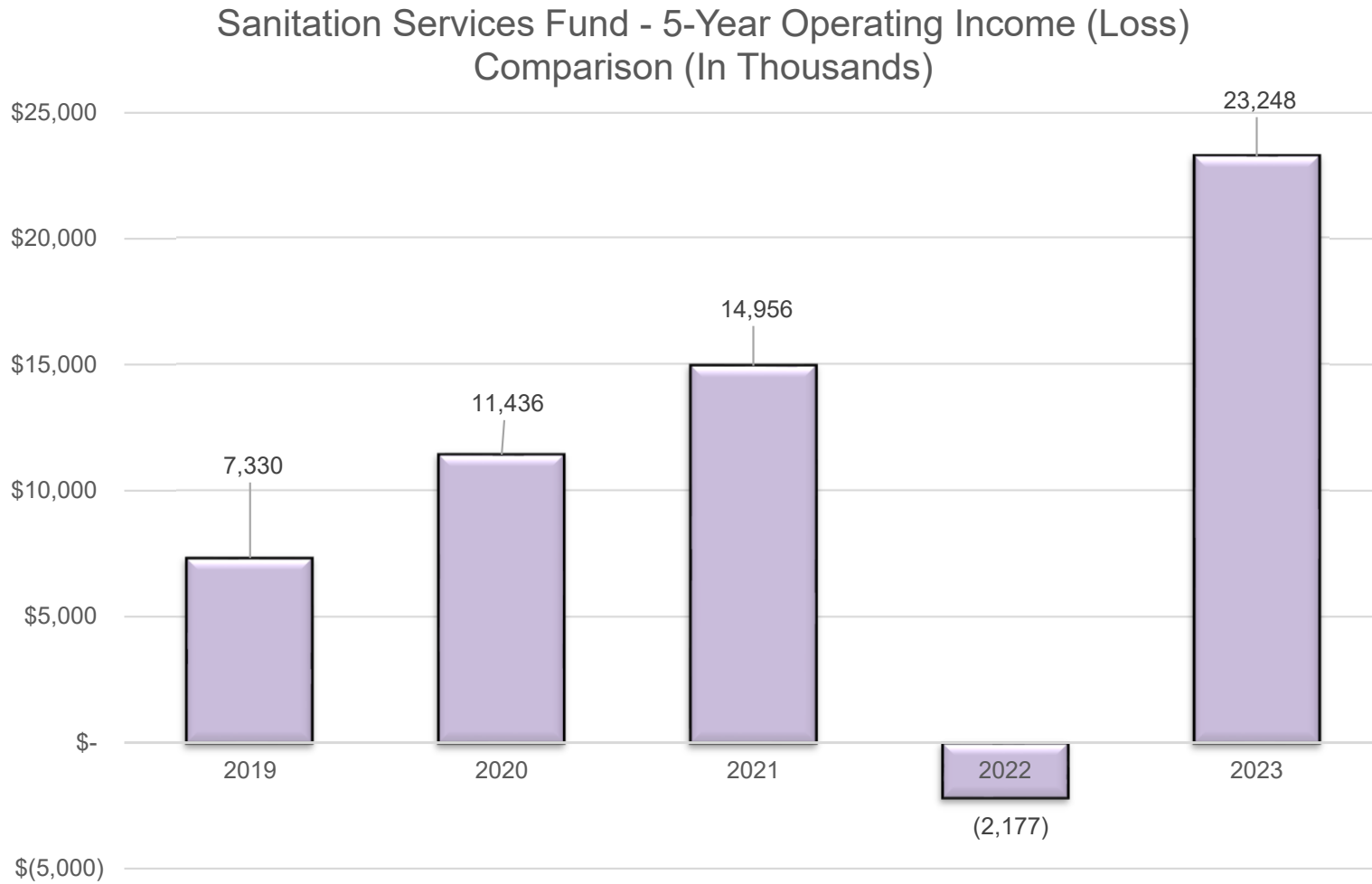
Financial Trends (Continued)

Department of Aviation - 5-Year Operating Loss Comparison (In Thousands)





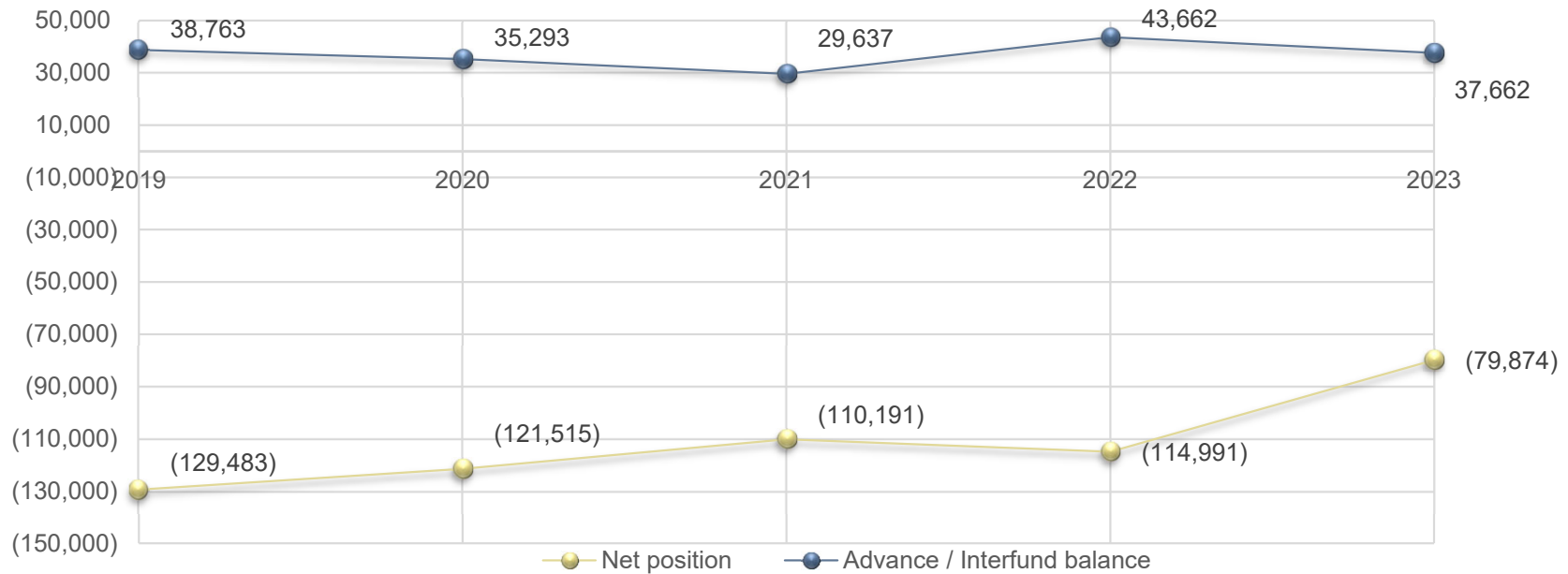
Financial Trends (Continued)





Financial Trends (Continued)

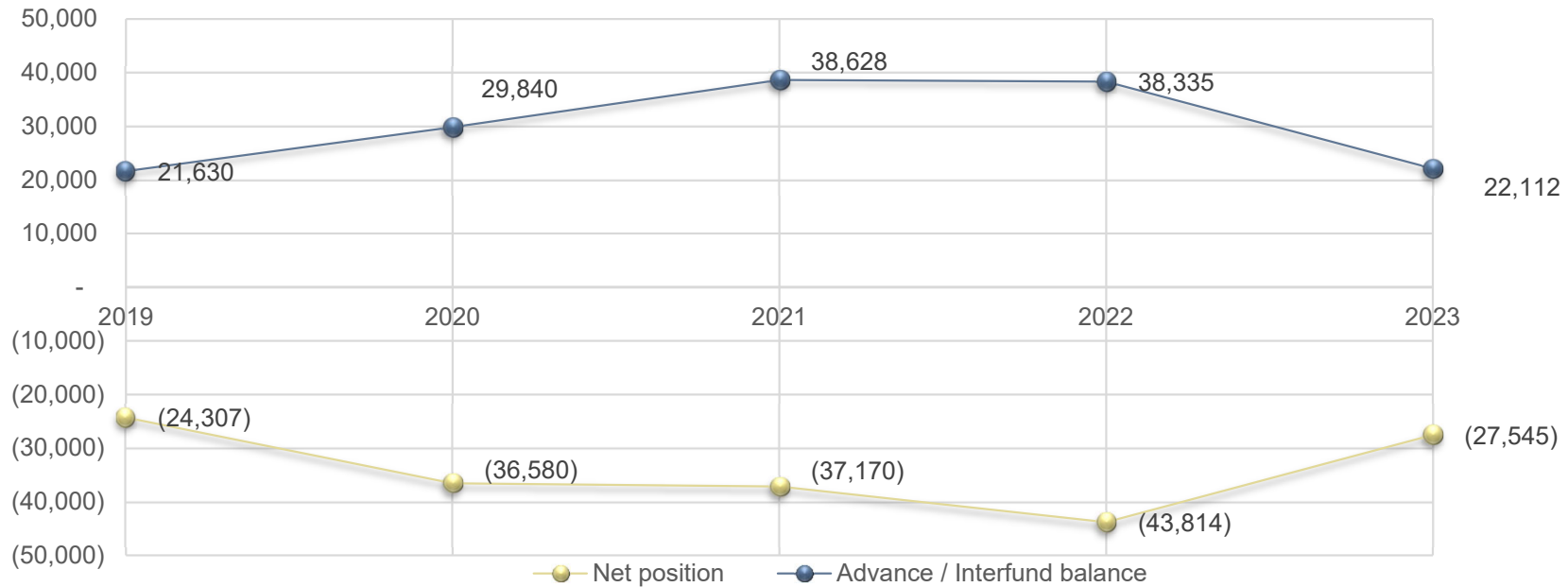
Sanitation Services Fund - Net position vs. Advance/Interfund balance (In Thousands)





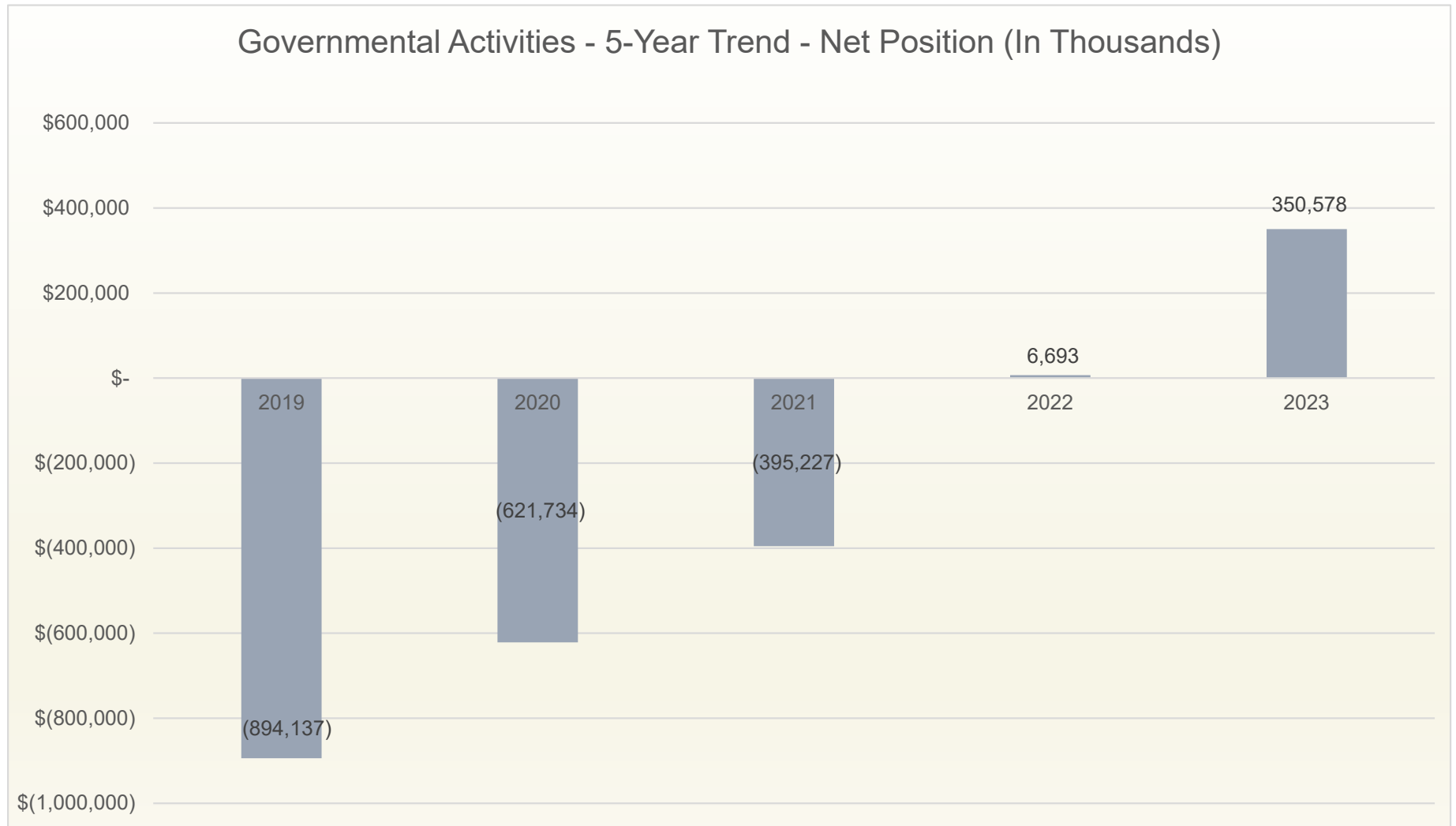
Financial Trends (Continued)

Group Insurance Fund - Net position vs. Advance/Interfund balance (In Thousands)



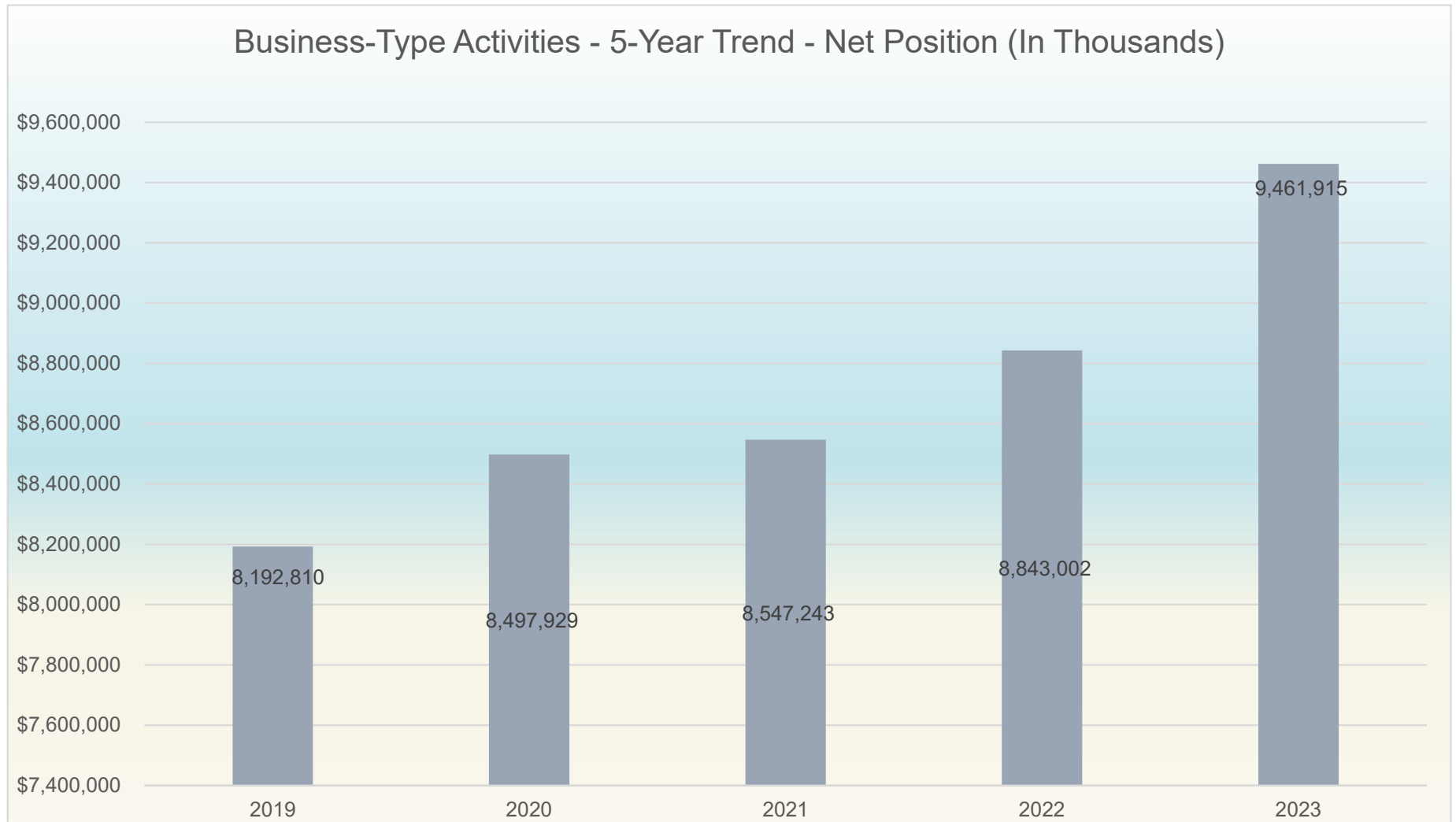


Financial Trends (Continued)





Financial Trends (Continued)





Financial Reporting Changes in Effect

- *GASB 96, Subscription-Based Information Technology Arrangements (SBITAs)*

This new standard was applicable to the City's financial reporting as of June 30, 2023 and was implemented within the Governmental Activities, the Business-type Activities, the Department of Aviation, and the Department of Watershed Management for all applicable subscription-based IT arrangements. No impact or restatement to opening net position of the governmental activities, major enterprise funds or business-type activities was disclosed as the standard is implemented as if it went into effect as of July 1, 2022 (i.e., the beginning of the current fiscal year).

Newly reported summaries of right-to-use SBITA assets and any current year SBITA activity are disclosed in Footnotes D, F, and H for each respective opinion unit.



Comments, Recommendations, & Other Issues

- Material Weakness in Internal Control Over Financial Reporting

- 1. Fiscal Year-End Close and Procedures

- Grants Reporting – Central

- During our testing of grants, we noted that the City had reported current fiscal year losses (expenditures exceeded revenues) within its three (3) primary grant funds due to an influx of expenditures incurred at fiscal year-end for which no offsetting receivable and revenue was recorded. As a result, audit entries across three (3) nonmajor governmental funds were required to properly report the current fiscal year activity in accordance with GAAP. The (approximate) adjustment by Fund to recognize revenue for the initial reported loss (expenditures exceeded revenues) is as follows:

- Community Development Fund: \$1,134,000
 - Intergovernmental Grants Fund: \$5,193,000
 - Home Investment Partnership Fund: \$31,000

- Cash – Central

- During our testing of cash, we noted that the Community Development Fund required an adjustment to record and report a cash balance of approximately \$1,662,000 that had been omitted.



Comments, Recommendations, & Other Issues (Continued)

- Material Weakness in Internal Control Over Financial Reporting (Continued)

- 1. Fiscal Year-End Close and Procedures (Continued)

- Property Tax Revenues, Receivables, and Unavailable Revenues – Central

During our testing of property taxes, we noted that adjusting entries were required within the General Fund, E911 Fund, and several Tax Allocation District (TAD) Funds to properly reconcile and report current fiscal year activity related to property tax collections and fiscal year end balances. In the General and E911 Funds, the tax receivable and revenue were overstated due to an error in recording the amounts remitted to the City by the Fulton County Tax Commissioner. In the TAD Funds, the tax receivables and revenues were overstated due to prior year balances not being adjusted to actual as of the end of the fiscal year. The (approximate) adjustment by Fund is as follows:

- General Fund: \$7,711,000
- E911 Fund: \$10,354,000
- TAD – Hollowell/MLK: \$864,000
- TAD – Campbellton: \$1,837,000
- TAD – Metropolitan: \$529,000
- TAD – Stadium: \$770,000
- TAD – Beltline: \$859,000



Comments, Recommendations, & Other Issues (Continued)

- Material Weakness in Internal Control Over Financial Reporting – Pension Results – General, Firefighters, and Police Officers

1. Pension Plan Census Data

During the 2023 audit of the Plan and consistent with the finding noted in prior years, we noted the City, as the sponsor of the Plan, did not adequately review and validate the census data of active members, retirees, and beneficiaries prior to the submission to the respective third-party administrator (TPA) and the independent actuary. During our audit, we noted the following errors or omissions in the underlying information for the Plan:

Detailed results of the finding are as follows (by Plan):

General Employees:

- For those hired before September 1, 2011, the City was unable to provide beneficiary support to determine percentage withholding for 6 out of 60 City participants and 10 out of 60 School System participants.
- In addition, 3 participants selected from the School System had signed beneficiary forms and were contributing wrong percentages and 2 of the 13 new actives tested were contributing the wrong rate.
- 4 out of 60 census data participants had exceptions and 1 new participant had an exception.

Firefighters:

- For those hired before September 1, 2011, the City was unable to provide beneficiary support to determine percentage withholding for 14 out of 60 participants.



Comments, Recommendations, & Other Issues (Continued)

- Material Weakness in Internal Control Over Financial Reporting – Pension Results – General, Firefighters, and Police Officers (Continued)

1. Pension Plan Census Data (Continued)

Firefighters (Continued):

- Contributions were not held and remitted for 10 out of the 60 participants tested because they had negative earnings in one or more pay periods.

Police Officers:

- For those hired before September 1, 2011, the City was unable to provide beneficiary support to determine percentage withholding for 10 out of 60 participants.
- 2 employees were added to the Plan in error and 1 was missing from pensionable wages and contributions listing.
- Plan codes were inconsistently documented for 19 out of 60 participants.



Comments, Recommendations, & Other Issues (Continued)

- Material Weakness in Internal Control Over Financial Reporting – Pension Results – General, Firefighters, and Police Officers (Continued)

2. Pension Plan Benefit Payments

During the 2023 audit of the Plan and consistent with the finding noted in prior years, we noted the City, as the sponsor of the Plan, did not adequately review and validate the benefit payment distribution to retirees and beneficiaries in order to ensure that the distribution payments made by the TPA were for the appropriate amount and in accordance with the applicable Pension Plan documents. During our audit, we noted the following errors or omissions in the benefit payment amounts to retirees and/or beneficiaries.

Detailed results of the finding are as follows (by Plan):

General Employees:

- Number of inactive participants due a refund increased from 1,116 to 1,322 for City participants and 231 to 306 for School System participants.
- 10 out of the 60 retiree files selected for death/disability testing for School System participants contained exceptions: 5 retiree files date of retirement could not be verified and 5 for which the date of birth in the data file did not agree to supporting documentation.
- 8 out of the 60 participants selected for benefit payment testing contained exceptions: 5 missing supporting documentation and 3 reported incorrect retirement date.



Comments, Recommendations, & Other Issues (Continued)

- Material Weakness in Internal Control Over Financial Reporting – Pension Results – General, Firefighters, and Police Officers (Continued)

- 2. Pension Plan Benefit Payments (Continued)

Firefighters:

- Number of inactive participants due a refund increased from 133 to 171 and the number of deferred vested members increased from 36 to 40. Management did not record a liability for refunds due to nonvested and terminated plan participants as the determined amounts due has not been finalized.
- 2 out of the 60 participants selected for benefit payment testing contained exceptions for missing retirement dates.
- 1 participant received a distribution during the year was not removed from the database.

Police Officers:

- Number of inactive participants due a refund increased from 308 to 350. Management did not record a liability for refunds due to nonvested and terminated plan participants as the determined amounts due has not been finalized.



Comments, Recommendations, & Other Issues (Continued)

- Material Weakness in Internal Control Major Federal Programs – Emergency Rental Assistance Program (ERAP) Reporting

Internal controls should be in place to ensure the City is in compliance with all requirements of the federal award program. Internal controls were not sufficient to detect the following exceptions noted during our testing:

- One (1) quarterly report was not submitted to Treasury.
- Out of the eight (8) total quarterly reports that were submitted to Treasury, three (3) of the reports were submitted after the deadline issued by Treasury.



Comments, Recommendations, & Other Issues (Continued)

- Management Recommendations for Improvement

1. Grant Recording and Financial Reporting

During our audit, we identified that the City's procedures for requesting and recording grant cash advances resulted in incorrect classification of revenue and may increase the City's risk related to cash advances in excess of cash needs, unreported program income, or under-utilization of available federal funds. The City's current grant accounting and reporting practices may expose the City to risk related to Federally required cash management practices or questioned costs from Federal auditors. The City should consider conducting an operational assessment for the grants accounting and reporting function, to help reduce risk and enhance operations and efficiency.

2. OPEB Census Data

During our testing of the other postemployment benefit (OPEB) census data, we noted that there were 51 out of 175 census attributes for which the support provided varied or did not agree with the census data. While the errors would not have a material impact on the City's reporting of its total OPEB liability, we recommend that the City perform an annual quality control review of its census data to ensure accuracy.

3. Cash Reconciliation

During our testing of the City's cash balances, we noted that there was an unreconciled balance of approximately \$229,000 within the Intergovernmental Grants Fund, which required a journal entry to reconcile the balance to the general ledger. While the difference is immaterial to the nonmajor funds and governmental activities, we recommend that the City perform a detailed review of the bank reconciliations and their reported balances in the general ledger to ensure that there are no differences.



Comments, Recommendations, & Other Issues (Continued)

- Management Recommendations for Improvement (Continued)

- 4. Hotel/Motel Tax Fund Activity Tracking

- During our testing of the City's Hotel/Motel Tax Fund balances, there were several adjustments and revisions required to properly reconcile the fund level reported activity for the fiscal year end. While there was no net impact to fund balance, we recommend that the City carefully track the fund's annual activity and year-end reporting due to the state law impositions and requirements for the usage of the funds.

- 5. Defined Contribution Plan

- During our testing of the City's Defined Contribution Plan, we noted two exceptions with respect to the Plan. We recommend that management review all Plan data to ensure proper application of Plan funds and proper participant tracking. The summary is as follows:

- Forfeited funds totaling approximately \$14.5 million aggregated by Empower in "Mr. Forfeiture" accounts do not appear to have been used in accordance with the Plan provision. The Plan Summary calls for forfeited funds to be used to offset required plan contributions. The \$14.5 million is invested in the stable value fund and recorded within investments for financial reporting purposes.
 - Participant testing: (i) the contributions for two participants were doubled on one paycheck (ii) the pensionable earnings provided for two participants was incorrect because it included wages earned as less than full time employee and (iii) one employee duplicated in the Plan's Empower database.



Comments, Recommendations, & Other Issues (Continued)

- Management Recommendations for Improvement (Continued)

- 6. Emergency Rental Assistance Program Eligibility

During our testing of the City's compliance with the eligibility requirements for the Emergency Rental Assistance Program, we noted an instance in which the approved eligible cost was less than the actual paid amount. We expanded our sample and tested an additional 28 items, noting no additional exceptions. While the difference was immaterial, we recommend the City strengthen internal controls to ensure amounts paid agree to approved eligible costs.



Comments, Recommendations, & Other Issues (Continued)

- New GASB Pronouncements

- GASB Statement No. 99, *Omnibus 2022*, contains multiple different effective dates for the guidance based on differing topics including: clarification and reporting of derivative instruments within the scope of Statement No. 53, clarification of provisions in Statement No. 87, clarification of provisions in Statement No. 94 & No. 96, amongst others. Requirements each have effective dates of implementation.
- GASB Statement No. 100, *Accounting Changes and Error Corrections*, was issued in June 2022 and is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
- GASB Statement No. 101, *Compensated Absences* was issued in June 2022 and is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. This statement addresses changes in the requirement for liability recognition for certain types of leave and other factors and provides guidance for liability measurement.



Comments, Recommendations, & Other Issues (Continued)

- Other Matters Being Considered by GASB

- *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 Statement No. 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government’s accountability.
- *Revenue and Expense Recognition* – is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions.
- *Going Concern Uncertainties and Severe Financial Stress* – is a major project where the goal is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. This technical topic is being examined by the GASB due to a wide diversity in practice regarding required presentation on the face of the financial statements, disclosures, etc. An exposure draft on this topic is expected by mid-2025.



Governmental Clients – Free Quarterly Continuing Education

- Since March of 2009 – For 15 Years !!

- Mauldin & Jenkins provides free quarterly continuing education for all our governmental clients. Topics are tailored to be of interest to governmental entities. To accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking and knowledge sharing among our governmental clients. We normally see approximately 180 people per quarter. Examples of subjects addressed in the past few quarters include:

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

- Communication. To better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpa.com (send corresponding copy to dmoses@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.

IT and Cybersecurity Solutions

- ### Cybersecurity Framework Engagements

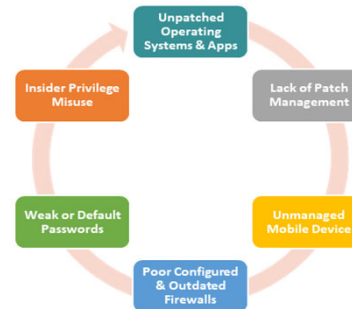
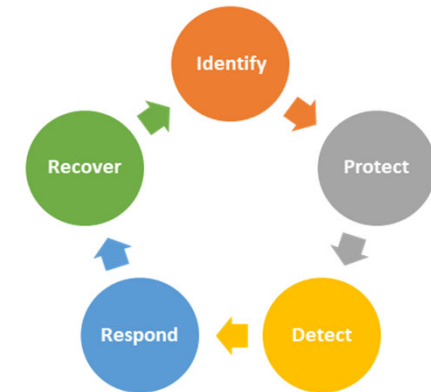
- Performed as either a SOC for Cybersecurity under AICPA attestation standards, or as a consulting engagement under AICPA consulting standards.

- ### System Vulnerability Assessment Engagements

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

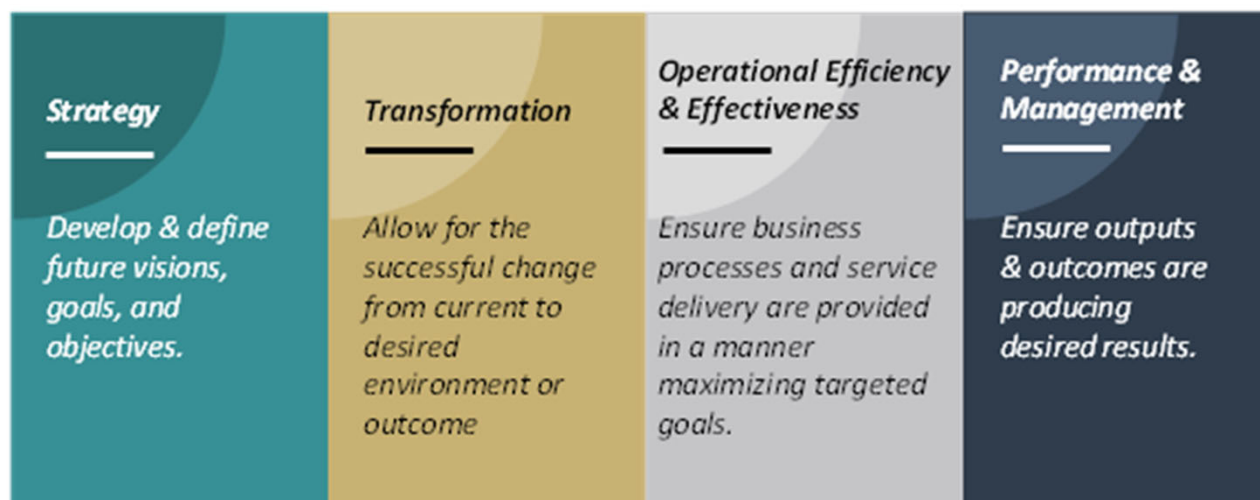
- ### Penetration Testing Engagements

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



Governmental Advisory Services

Beyond traditional audit and accounting services and IT services, we provide advisory services that are wide-ranging in nature. Our experienced government advisory team helps governments, governmental agencies, and special purpose governmental organizations balance fiscal responsibility with the latest business strategies to achieve targeted and overarching objectives. Our advisory services can be summarized:





Questions & Comments

Thank You for the Opportunity to Serve