DEPARTMENT OF AUDITS AND ACCOUNTS
NONPROFIT AND LOCAL GOVERNMENT AUDITS

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GREG S. GRIFFIN
STATE AUDITOR

April 24, 2014

Dear Chief Elected Official:

We have reviewed the following information submitted to our office for City of Brunswick for the fiscal year ended June 30, 2013. This letter summarizes the results of our review of:

- ☐ Original Audit Report
- ☒ Revised Audit Report
- ☒ Original Corrective Action Plan
  See Page 7
- ☐ Revised Corrective Action Plan

If either of the audit report boxes above are marked, enclosed please find the page(s) identified as "Summary of Audit Report Review". This summary will identify any items which require correction before we can accept the report, items requiring correction in future years' reports, and items recommended for correction. This summary also provides additional information on making necessary corrections.

If either of the corrective action plan boxes above are marked, enclosed please find the page(s) identified as "Summary of Corrective Action Plan Review". This summary will identify whether we have received a corrective action plan and, if so, whether it meets the requirements specified in the Official Code of Georgia Annotated pertaining to written comments on the findings and recommendations in the audit report. This summary also provides additional information on minimum content requirements for a corrective action plan.

If you have any questions regarding the review process, please contact Jackie Neubert by telephone at 404-651-8938 or by email at neubertj@audits.ga.gov.

Sincerely,

Greg S. Griffin

Greg S. Griffin
State Auditor

cc: City Manager
Finance Director
Fowler, Holley, Rambo & Stalvey, CPAs

Summary of Audit Report Review

Based upon our review, we have identified items for correction as shown on the attached page(s).

The first section contains items which are considered material and need to be corrected and resubmitted. It will be necessary for you to correct these items before we can accept the audit report. These corrections must be submitted to our office within 10 days of the date of this letter. If the material deficiencies cited include noncompliance with special sales tax or nonpublic funds reporting requirements, we have example forms for your convenience.

The second section contains items which were cited during our review of the prior year audit report. When we originally communicated the results of our prior year audit report review, we granted a one-year waiver for correcting these items in accordance with the Official Code of Georgia Annotated, Section 36-81-7, 50-8-35, or 50-8-39. Since state law allows only a one-year waiver for correcting these items, the corrections must be made before we can accept the audit report. These corrections must be submitted to our office within 10 days of the date of this letter.

The third section includes items requiring correction on future reports. These items differ from form or note disclosure required by generally accepted accounting principles. We have granted a one-year waiver for correcting these items in accordance with the Official Code of Georgia Annotated, Section 36-81-7, 50-8-35, or 50-8-39. However, in accordance with state laws, these items must be corrected in the audit report for the following fiscal year or we cannot accept the report until the corrections are made.

The fourth section includes items noted during our report review that are not in compliance with state law. Although the reporting of these items may be in conformity with generally accepted accounting principles, these items are noted to advise you of issues that directly affect the finance related activities of your government. In accordance with O.C.G.A. 36-81-7(d)(1), "the local unit of government shall forward to the state auditor, within 30 days after the audit report due date, written comments on the findings and recommendations in the report, including a plan for corrective action taken or planned."

If the enclosed pages contain items considered material or cited during our review of the prior year audit report which need to be corrected and resubmitted, we have suspended the review process for 10 days from the date of this letter. This will allow time for you to correct these deficiencies and resubmit them to our office. Please ensure that any corrections made to the audit report are communicated to all appropriate grantor agencies and other interested parties. Please note that if you do not contact us or if we do not receive the required corrections within the 10 day time period, we are required by law to publish a notice in your local newspaper informing citizens that the required corrections were not made. In addition, we are required to notify your senators and representatives in the General Assembly who represent your area and other elected officials, as required by law. If applicable, we are also required to notify state agencies to suspend transmittal of state grant funds, if any, until the corrections are accepted by our office.

City of Brunswick
FYE June 30, 2013

Summary of Audit Report Review

ITEMS CONSIDERED MATERIAL WHICH NEED TO BE CORRECTED AND RESUBMITTED

None noted.

ITEMS CITED IN PRIOR YEAR WHICH NEED TO BE CORRECTED AND RESUBMITTED

None noted.

ITEMS REQUIRING CORRECTION ON FUTURE REPORTS

1. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components on the government-wide statement of net position (GASB 2200.117, .173; GAAFR, pages 234 and 300):
   a. **net investment in capital assets.**
   b. restricted (distinguishing between major categories of restrictions).
   c. unrestricted.

   (Note: GASB Statement 63 is effective for financial statements for periods beginning after December 15, 2011. All references to "net assets" should be replaced by "net position". Also, one of the components should be labeled net investment in capital assets rather than net assets invested in capital assets, net of related debt. If no capital related debt, the label would be investment in capital assets. See pages 13 and 21.)

2. GASB Statement 63 is effective for financial statements for periods beginning after December 15, 2011. All references to "net assets" should be replaced by "net position". Also, one of the components of net position should be net investment in capital assets rather than net assets invested in capital assets, net of related debt. (GASB Statement 63)

   (Note: See pages 7, 34 and 82.)

3. Expenses should be presented in a column before revenues on the government-wide statement of activities. (GASB 2200.126 and .142; GAAFR, page 305)

   (Note: The payment from component unit to primary government on property sale should be reported as expenses of the Downtown Development Authority on pages 14 and 15 rather than as a negative revenue amount.)

4. The nonspendable fund balance classification should be used for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact (GASB 1800.166; GAAFR, page 189)

   (Note: Prepaids should be classified as nonspendable fund balance on page 16.)

5. The Notes to the Financial Statements should disclose the *susceptible to accrual* criterion for major revenue sources. This disclosure should address the specific types of major revenue sources that meet this criterion. (GASB 1600.108)

   (Note: Specific types of major revenue sources that meet the susceptible to accrual criterion should be disclosed on pages 29 and 30.)

6. The long-term debt disclosure in the Notes to the Financial Statements should provide information separately for each major class of long-term liabilities. Also, a clear distinction should be made between long-term liabilities associated with business-type activities and governmental-type activities. (GASB 2300.117; GAAFR, page 375)

   (Note: Debt service requirements should be disclosed separately for each major class of long-term liabilities on page 47.)

7. The following information with respect to capital leases should be disclosed in the notes to the lessee's financial statements (GASB L20.127 and .128; GAAFR, page 374):
   Assets recorded under capital leases and the accumulated amortization thereon. Unless the expense resulting from amortization of assets recorded under capital leases is included with depreciation expense and the fact that it is so included is disclosed, the amortization expense should be disclosed in the notes to the financial statements.

   (Note: Amortization expense for assets recorded under capital leases should be disclosed on page 46.)

8. The following information should be included in the Schedule of Expenditures of Federal Awards (AAG-SLA 7.20):
   the total federal awards expended for each individual federal program.

   (Note: Subtotals should be provided for CFDA #16.710 and #16.738 programs on page 113. Also, CFDA #16.083 program should not be shown as part of the Justice Assistance Cluster.)

ITEMS REGARDING COMPLIANCE WITH STATE LAW

1. Each local government is required to adopt and use the Uniform Chart of Accounts for Local Governments in Georgia. The Uniform Chart of Accounts specifies that, if a government finances a capital project from multiple funding sources and SPLOST is one of the funding sources, the SPLOST fund must be used for the total financing of the project. If the government is expending these tax proceeds in an enterprise fund, the government must

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During our review of the audit report, we may have noted items that differ from recommendations made by the Governmental Accounting Standards Board (GASB) as nonauthoritative sections of the Codification of Governmental Accounting and Financial Reporting Standards or by the Government Finance Officers Association's Governmental Accounting, Auditing and Financial Reporting, a nonauthoritative publication. In addition, we may have noted certain items regarding disclosures that are identified by GASB as required supplementary information. We also may have noted other minor discrepancies, wording issues, or opportunities for report enhancement. There is no requirement that these items be incorporated into future audit reports. The exclusion of these items from the audit report does not mean that the report fails to meet state legal requirements. We are providing you with this information solely as a recommendation for improving the quality of future years' audit reports.

1. If the government has no debt or deferred inflows of resources, the term "Investment in Capital Assets" should be used rather than "Net Investment in Capital Assets". (GAAFR, page 303; Comprehensive Implementation Guide, Question 7.23.7)

   (Note: See page 21.)

2. Governments do not have the option of presenting budgetary comparisons for other funds (**capital projects**, debt service, nonmajor special revenue funds, etc.) in conjunction with the basic financial statements or RSI. (Comprehensive Implementation Guide, Questions 7.91.5 and 7.91.6; GAAFR, page 578)

   (Note: See pages 56 and 57.)

3. In 2011, the General Assembly passed two bills that revised the E-911 reporting requirements. House Bill 280 modified the allowable uses of E-911 funds received. Under Senate Bill 156, there is no requirement to submit local government auditor certification that funds were expended in compliance with the expenditure requirements of O.C.G.A. §46-5-134. In addition, there is no requirement to report the amount of E-911 funds collected. The new Certification of 911 Expenditures template is available on the Local Government Audit and Accounting Resource Library page of the Department's website.

   (Note: See pages 77 through 80.)

4. Other recommendations noted during review:
   A more detailed explanation should be provided on page 17 for the reduction amount of $5,316.

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Summary of Corrective Action Plan Review

☐ As of the date of this letter we have not received your corrective action plan for the findings and recommendations included in the report, as listed on the following page(s). According to the Official Code of Georgia Annotated, Sections 36-81-7, 50-8-35, and 50-8-39, the audit report is due within 180 days after the close of your fiscal year and the corrective action plan is due 30 days after the audit report due date. Please submit your corrective action plan as soon as possible to ensure your compliance with state law.

☐ As a result of our review, we have identified items which are considered to lack compliance with minimum content requirements. We have identified the findings and recommendations for which additional information is required. These findings are included on the attached page(s). In addition, we have outlined the additional information necessary for us to accept the corrective action plan. Our review process has been suspended for 10 days from the date of this letter to allow time to make the necessary plan revisions.

☒ As a result of our review, we have determined that the corrective action plan meets the requirements specified in the Official Code of Georgia Annotated. As a reminder, *Government Auditing Standards* issued by the Comptroller General of the United States require auditors to follow up on known material findings and recommendations from previous audits and determine whether timely and appropriate corrective action has been taken. In addition, the status of uncorrected material findings and recommendations from prior audits that affect the financial statement audit should be reported. Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. Auditee management is responsible for resolving audit findings and recommendations, and having a process to track their status can help it fulfill this responsibility.