CITY OF SOUTH FULTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Prepared by:
City of South Fulton Department of Finance and Administrative Services

INTRODUCTORY SECTION

CITY OF SOUTH FULTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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GOVERNMENT OF THE CITY OF SOUTH FULTON

WILLIAM "BILL" EDWARDS
MAYOR

ODIE DONALD II
CITY MANAGER

March 26, 2020

Honorable Bill Edwards, Mayor
Members of the City Council, and
Citizens of South Fulton, Georgia

Ladies and Gentlemen:

The comprehensive annual financial report of the City of South Fulton, Georgia (the "City") for the fiscal year ended September 30, 2019 is hereby submitted. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the City.

The City's financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The independent auditors have issued an unmodified or "clean" opinion on the City of South Fulton's financial statements for the fiscal year ended September 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The basic audited financial statements with combining and individual fund statements and schedules along with required supplementary information follow the MD&A.

The statistical section contains selected historical financial data, debt statistics, and the miscellaneous social and economic data generally presented on a multi-year basis.

History-City of South Fulton

South Fulton is located in southern Fulton County and is bordered by Fairburn and East Point to the south, Lithia Springs and Douglasville to the west, City of Atlanta to the north and east. The City of South Fulton was originally unincorporated communities in South Fulton County. The city was chartered on May 1, 2017 and is comprised of 85.64 Square Miles that includes 17 parks totaling 692 acres, 9 Fire Stations, 4 Police Precincts and is situated only 10 miles west of the world's busiest airport, Hartsfield Jackson Atlanta International Airport.

Form of Government

The City of South Fulton operates under a mayor and council-city manager form of government. South Fulton City Council is comprised of a mayor and seven (7) council members. The City is divided into seven (7) council districts. The council members who are elected for the seven (7) districts must live in the district that they represent.

The Council enacts ordinances, establishes policy, adopts the annual budget, and establishes the ad valorem tax rate for each year. The City Manager is responsible for implementing the policies set forth by the Council, overseeing all City employees, and managing the day to day operations of the City.

Services Provided

The services provided by the City under general governmental functions include police protection, fire services, planning and development, road maintenance, sidewalk and curb maintenance, and parks operation and maintenance. These services are primarily funded by property taxes, franchise fees, and occupational licenses.

In addition, the City provides fire inspection services, criminal history background checks, and solid waste services. These services are provided for a fee that is set forth by the City Council.

Economic Outlook

Located just 10 miles from downtown Atlanta and bordering Fulton Industrial, the City of South Fulton is positioned for significant economic growth as the economy continues to recover. Two major interstate highways that border the City, I-285 to the south and I-20 to the north, provide easy roadway access to and from the City. For commuters, the roadway access is supplemented by a MARTA (Metropolitan Atlanta Rapid Transit Authority) rail station and several MARTA bus stops throughout the City. The City is also conveniently located near the Charlie Brown Airport in Fulton County.

At the time of incorporation and based on the 2017 census projections, the City of South Fulton ranked 8th in the state for consolidated governments and 4th for Non-consolidated governments with 97,668 citizens.

During the 2017 legislative session, the Georgia General Assembly approved legislation that allowed the City to change its Hotel/Motel tax rate from 5% to 8%. While half of this additional revenue must go to a non-profit organization to promote tourism, the other half of the additional revenue is restricted to tourism product development. Some of the items that fall under tourism product development are meeting convention, exhibit and public spaces, visitor information and welcome centers, parks, trails, and other recreational facilities.

The City of South Fulton's median household income in 2018 was $59,395. This income level is higher than the State of Georgia's median household income of $54,785 and slightly above United States median household income of $58,100.

South Fulton has benefited from the migration of the film and TV industry to the metro Atlanta area. Studio production companies constantly visit the South Fulton area as they search for valuable additions to their sets. The valuation of new development projects in 2018 grew to more than $247 million, a 24% increase over last year.

Budget

The budget is the City's annual financial operating plan. The annual budget includes the operating departments of the general fund, special revenue funds, capital project funds, and enterprise funds. The budget encompasses a fiscal year that begins on October 1 and ends on September 30.

The City Manager is responsible for presenting a proposed budget to the Mayor and Council. This budget must be balanced within each fund. The budget must generally be approved prior to the start of the new fiscal year, although local statute does allow the city to operate for a period of no more than 30 days without an approved budget under certain circumstances.

Long-term Financial Planning

The City's policy is to maintain a minimum General Fund balance reserve equal to 25% of operating expenditures. As of September 30, 2019, the General Fund balance is 20.8% of annual operating expenditures. Excess fund balances over reserve requirements (if any) will be used to fund non-recurring expenditures. The City has developed a rolling 5-year capital plan to help dictate how to best use these excess funds.

Awards

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended. This report for the Fiscal Year ended September 30, 2019 will be the City's first award submission. To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report.

The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA for consideration.

Acknowledgments

I would like to thank the Mayor, City Council, and City Manager for their support and guidance in preparation of this report. I would also like to express my appreciation to the City's staff for their assistance and cooperation in the preparation of this report. Special thanks and consideration to the members of the Finance and Administrative team for their efforts in developing an award-winning report.

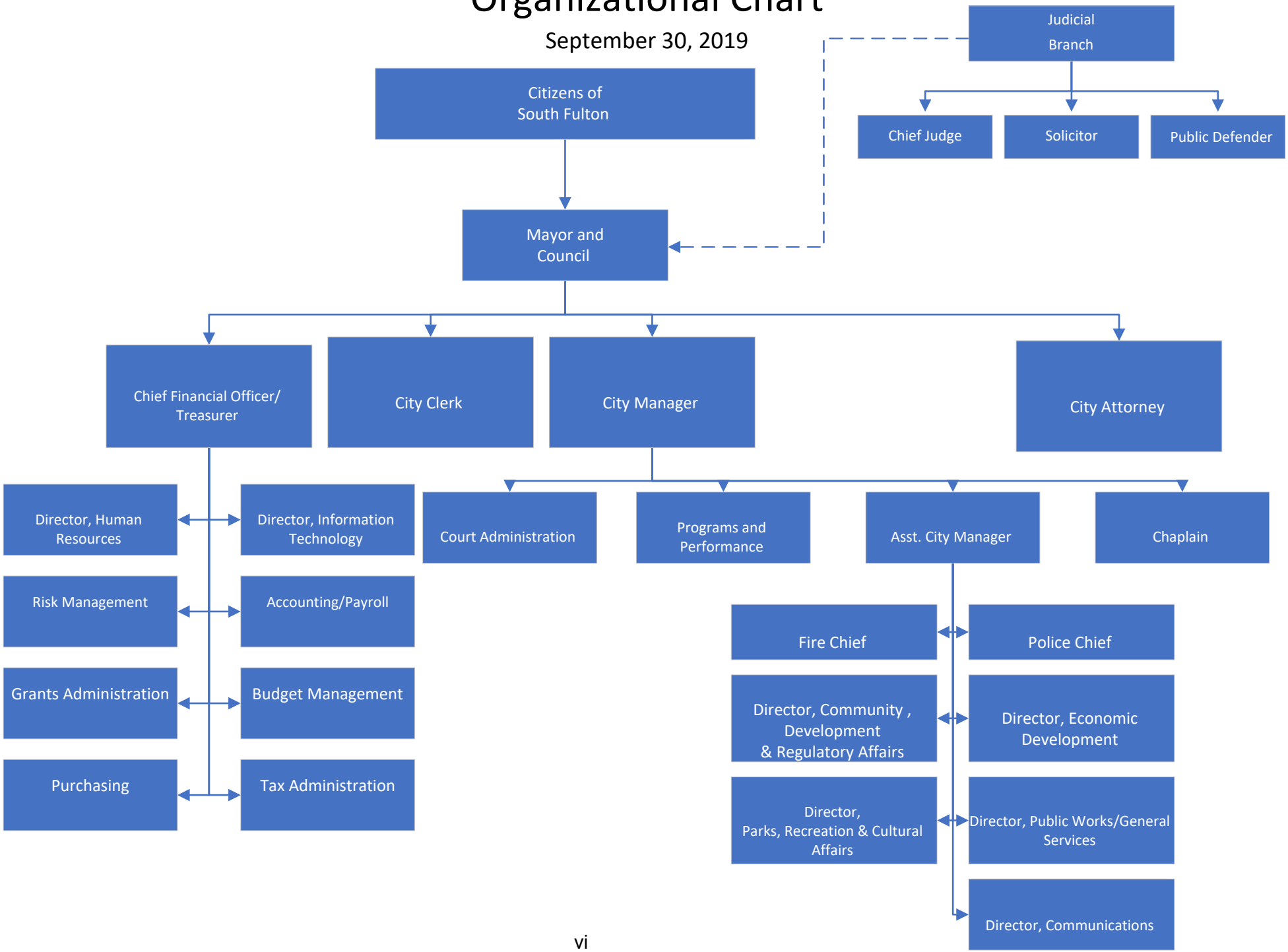
Respectfully submitted,



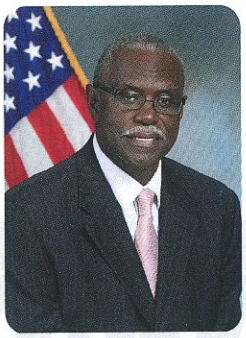
Frank S. Milazi, CPFA, CPFIM
CFO/ Treasurer

City of South Fulton, GA
Organizational Chart

September 30, 2019



City of South Fulton - Elected Officials



Mayor
William "Bill" Edwards



District 1
Councilwoman
Catherine F. Rowell



District 2
Councilwoman
Carmalitha Gumbs



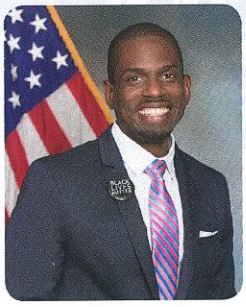
District 3
Councilwoman
Helen Z. Willis



District 4
Councilwoman
Naeema Gilyard



District 5
Councilwoman
Rosie Jackson



District 6
Councilman
khalid kamau



District 7
Mayor Pro Tem
Mark Baker

City of South Fulton - Executive Team



City Manager
Odie Donald II



Assistant City Manager
Melanie D. Winfield



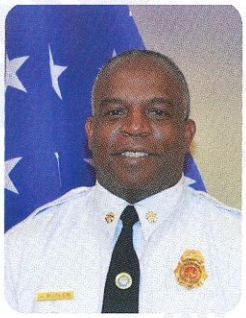
Treasurer
Frank Milazi



City Clerk
S. Diane White



Police Chief
Keith Meadows



(Interim) Fire Chief
Jack Butler



Economic Development Administrator
Christopher G. Pike



Community Development & Regulatory Affairs Director
Shayla Reed



Communications & External Affairs Director
Jolene Butts Freeman



IT Director
Namarr Strickland



Human Resources Director
Anquilla Henderson



Parks & Recreation Director
Tony Phillips



Public Works Director
Antonio Valenzuela



Clerk of Court
Phenix Gaston

FINANCIAL SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council of the
City of South Fulton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of South Fulton, Georgia** (the "City"), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Fulton, Georgia as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Fulton, Georgia's basic financial statements. The combining and individual fund statements and schedules and the schedule of expenditures of transportation special purpose local option sales tax proceeds, as required by the official code of Georgia 48-8-121, as well as the introductory and the statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of expenditures of transportation special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and the schedule of expenditures of transportation special purpose local option sales tax proceeds, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of South Fulton, Georgia, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

CITY ACTIVITY HIGHLIGHTS

South Fulton was incorporated in May of 2017 and celebrated its second anniversary on May 1, 2019. Positioned in a metro area, South Fulton is a demographically diverse community and covers 85 square mile area in southwest of Fulton County, Georgia. City of South Fulton is the third largest City in Fulton County and the fifth largest City in the State of Georgia, serving a population of 95,158 (U.S. Census estimate for 2016). The City's daytime population remains consistent of more than 110,000 as a result of the concentration of major industries and business districts located within the City, including wholesale trade, educational services, retail trade, waste management and remediation, and food services. The City is home to the South Fulton Parkway Corridor, which connects Hartsfield Jackson Atlanta International Airport to the City and the Old National Highway Corridor. The City is adjacent to the Fulton Industrial District, one of the largest industrial and business areas in the metro Atlanta region. The City also houses the Wolf Creek Amphitheater, an outdoor recreation and concert venue.

Policy making, and legislative authority of the government is vested in the Mayor and seven Council Members, who are elected for four-year terms. Council Members are elected by district, and the Mayor is elected at-large by popular vote. Terms of office begin after the certification of the election and swearing into office. The City operates under a council/manager form of government, where the Council is the legislative authority and the Mayor possesses all the executive powers granted to the government under the constitution and laws of the State of Georgia and the City of South Fulton charter. The City Manager maintains all the administrative powers granted to the government under the constitution and laws of the State of Georgia and the City's charter. The City is empowered to levy a property tax on both real and personal property located within its boundaries and is qualified to levy all other taxes granted to municipalities within the State of Georgia.

Financial Highlights

- The government-wide assets of the City exceeded its liabilities at the close of the most recent fiscal year by $303,898,496 (net position) which includes an unrestricted balance of $10,704,062.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $33,765,042, and increase of $41,281,754.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $9,374,794 or 17.7% of total General Fund expenditures. Unassigned General Fund balance increased $18,355,518 when compared to the prior fiscal year which may be used to meet the City's ongoing obligations to its citizens and creditors.

The Current Situation of South Fulton

On November 18, 2018, the City of South Fulton successfully transitioned all City services from Fulton County. The pace and breadth of policy development and organizational establishment since early 2017 has been significant. Rightly so, this has been the focus of the City for the last year and a half. In addition, the City Council, has worked tirelessly to make decisions and advance the burgeoning City so that it is functional and operational. While the process has been fraught with disagreement at times, the intent and heart behind the City's development debates has been positive.

Now the City is turning its focus to more operational matters as there is a significant amount of organizational, process, technology, relational and policy matters yet to firmly establish. Being a new City, it brings with it the positive of a considerable amount of control and better services, but also brings a significant need for the development of new processes, systems, relationships and direction.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business.

The *statement of net position* presents information on all the City's assets, deferred inflows of resources, and liabilities, with the difference between these items reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and housing and development and interest on long-term debt. The business-type activities of the City include development operations. The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Fulton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three (3) categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal period. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the TSPLOST Fund both of which are considered to be major funds. Data from the other

five (5) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 17 through 19 of this report.

The City adopts an annual appropriated budget for its major governmental funds as well as its nonmajor governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with this budget.

Proprietary funds. The City's enterprise fund is considered a proprietary fund and is used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the development operations. The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 40 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule for the General Fund as presented on a generally accepted accounting principal basis in this section. Required supplementary information can be found on pages 41 and 42 of this report.

Combining and individual fund statements and schedules. In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules. This section can be found on pages 43 through 49 of this report.

Statistical section. In addition to the basic financial statements and accompanying notes, this report also presents various supplementary and statistical information such as 10-year presentation of revenues, expenditures and tax rates. The statistical section can be found on pages 50 through 66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The City's combined net position increased from $5,206,502 to $303,898,496 in 2019. Our analysis below focuses on the net position (**Table 1**) as compared to the previous fiscal year.

TABLE 1 **City of South Fulton, Georgia's Statement of Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018
ASSETS						
Current assets	$ 67,901,925	$ 38,318,186	$ 196,528	$ -	$ 68,098,453	$ 38,318,186
Capital assets, net	273,437,808	13,090,650	-	-	273,437,808	13,090,650
Total assets	341,339,733	51,408,836	196,528	-	341,536,261	51,408,836
LIABILITIES						
Other liabilities	5,918,855	16,374,682	-	-	5,918,855	16,374,682
Long-term liabilities	4,426,070	1,200,369	-	-	4,426,070	1,200,369
Total liabilities	10,344,925	17,575,051	-	-	10,344,925	17,575,051
DEFFERED INFLOWS OF RESOURCES						
Deferred revenues	27,292,840	28,627,283	-	-	27,292,840	28,627,283
Total deferred inflows of resources	27,292,840	28,627,283	-	-	27,292,840	28,627,283
NET POSITION						
Net Investment in capital assets	270,736,966	13,090,650	-	-	270,736,966	13,090,650
Restricted	22,457,468	51,473	-	-	22,457,468	51,473
Unrestricted (deficit)	10,507,534	(7,935,621)	196,528	-	10,704,062	(7,935,621)
Total net position	$ 303,701,968	$ 5,206,502	$ 196,528	$ -	$ 303,898,496	$ 5,206,502

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded deferred inflows of resources and liabilities by $303,898,496. A significant portion of the City's net position, $270,736,966, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding and less accumulated depreciation (net capital assets). The amount of net investment in capital assets equals 89% of the total net position compared to 251% of the prior fiscal year. The City used its capital assets to provide various services to its citizens; consequently, these assets are not available for future spending, including the payment of the related debt. The City of South Fulton's total net position also includes $22,289,952 restricted for capital projects, $153,853 restricted for public safety, and $13,663 restricted for hospitality and tourism. The City reported its unrestricted net position surplus of $10,704,062 which may be used to meet the City's ongoing obligations to its citizens and creditors.

Current assets increased by $29,780,267 or 78% from $38,318,186 to $68,098,453 mainly due to an increase of amounts due from other governments ($18,787,559) as the City now receives TSPLOST revenues from Fulton County (approximately $21.3 million received during fiscal year 2019) and the increase is due to an increase of $12,082,545 in cash and cash equivalents from $5,188,989 in fiscal year 2018 to $17,271,531 in fiscal year 2019. These cash and cash equivalents represents 25.4% of current assets for the primary government as of September 30, 2019 as compared to 13.5% in the prior fiscal year.

Table 2 summarizes these changes in net position as described above.

TABLE 2 — **City of South Fulton, Georgia's Statement of Activities**

	Governmental Activities		Business-type Activities		Total Primary Government	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018
REVENUES						
Program revenues						
Charges for services	$ 3,644,819	$ 2,707,332	$ -	$ -	$ 3,644,819	$ 2,707,332
Operating grants and contributions	27,066,418	3,630,149	-	-	27,066,418	3,630,149
Capital grants and contributions	262,902,562	13,029,454	-	-	262,902,562	13,029,454
General revenues						
Property taxes	30,265,167	14,625,008	-	-	30,265,167	14,625,008
Title ad valorem taxes	395,350	854,804	-	-	395,350	854,804
Sales taxes	26,442,415	24,650,013	-	-	26,442,415	24,650,013
Franchise taxes	3,058,729	1,760,981	-	-	3,058,729	1,760,981
Business taxes	2,050,459	1,946,092	-	-	2,050,459	1,946,092
Alcoholic beverage taxes	262,382	301,332	-	-	262,382	301,332
Other taxes	777,747	378,236	-	-	777,747	378,236
Miscellaneous revenues	175,865	583,739	-	-	175,865	583,739
Transfers	(200,000)	-	200,000	-	-	-
Total revenues and transfers	356,841,913	64,467,140	200,000	-	357,041,913	64,467,140
EXPENSES						
General governments	7,562,293	4,508,869	-	-	7,562,293	4,508,869
Judicial	849,522	622,080	-	-	849,522	622,080
Public safety	26,421,034	32,787,168	-	-	26,421,034	32,787,168
Public works	16,615,373	7,339,476	-	-	16,615,373	7,339,476
Culture and recreation	2,642,631	4,987,263	-	-	2,642,631	4,987,263
Housing and development	4,192,784	2,828,989	3,472	-	4,196,256	2,828,989
Interest charges	62,810	322,566	-	-	62,810	322,566
Total liabilities	58,346,447	53,396,411	3,472	-	58,349,919	53,396,411
Change in net position	298,495,466	11,070,729	196,528	-	298,691,994	11,070,729
Beginning Net Position	5,206,502	(5,864,227)	-	-	5,206,502	(5,864,227)
Ending Net Position	$ 303,701,968	$ 5,206,502	$ 196,528	$ -	$ 303,898,496	$ 5,206,502

Governmental activities. The net position for governmental activities increased by $298,495,466 in fiscal year 2019 and increased by $11,070,729 in fiscal year 2018. The majority of the increase in net position in fiscal year 2019 is due to donated capital assets (infrastructure) of $262,902,565 that was received from Fulton County.

The City's governmental activities are heavily reliant on taxes to support operations. Taxes of $63,252,249 provided 67% of governmental revenues of general operations (excluding capital grants and contributions of $262,902,565). Sales taxes were the second biggest contributor at 42% of all taxes collected with a total collection of $26,442,415. Current year property taxes in the amount of $30,265,167 was the biggest contributor which provided 48% of tax receipts compared to the prior year receipts of $14,625,008 which provided 33% of taxes. Tax revenues represents the increasing stability in the property tax base as it migrates from the Fulton County to the City operations. The M&O millage rate was increased to 11.459 mills.

In fiscal year 2018, business taxes in the amount of $1,946,092 and franchise taxes for $1,760,981 accounted for 8% of all taxes. In fiscal year 2019, business tax revenue increased to $2,050,459 and franchise taxes were recognized in the amount of $3,058,729, a 5% and 74% increase, respectively. These two components of tax revenue accounted for 8% of all tax revenues in fiscal year 2019. All other taxes accounted for less than 3% of tax revenue and total revenues.

The City received a transfer from Fulton County of infrastructure assets in the amount of $262,902,562 as part of an intergovernmental agreement with Fulton County and the City of Atlanta for Fire Rescue Services. Capital grants and contributions accounted for 74% of total revenues for fiscal year 2019 as compared to 20% in fiscal year 2018.

Overall, governmental expenses increased by $4,950,036 or 9% in fiscal year 2019 from $53,396,411 in 2018 to $58,346,447 in 2019. This increase is the result of the completion of the transition of public works operations from Fulton County to the City. As the City began to fill the operational positions, personnel costs, contracted costs, and supplies have increased during fiscal year 2019 which resulted in the following increases by functions: General government expenses increased by $3,053,424 or 68%; Judicial expenses increased by $227,442 or 37%; Public works expenses increased by $9,275,897 or 126%; and housing and development expenses increased by $1,363,795 or 48%. However, public safety and culture/recreation expenses decreased in fiscal year 2019 by $6,366,134 or 19% and $2,344,632 or 47%, respectively, as the result of the expiration of the agreement between the City and the Fulton County through an IGA for the provision of services during the period of transition of the various departments**.**

Personnel expenses this year include all departments including for Transportation, a division of the Public Works department, which transitioned from Fulton County in November 2018 as the last department to transition to the City to finish the transition agreement that was to be done in the twenty- four (24) month period according to the IGA between Fulton County and the City. Total personnel cost amounted to $29,685,662 remains consistent with the prior fiscal year expenses of $29,629,260 which included related benefits such as employee health insurance.

Business-type activities. During fiscal year 2019, the City created a Development Authority Fund which is reported as a blended component unit/proprietary fund. The City's General Fund transferred $200,000 to the Development Authority Fund during fiscal year 2019 and this Fund only reported expenses of $3,472 and which resulted in a remaining cash balance and net position balance of $196,528.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund. The General Fund is the chief operating fund of the City. As of September 30, 2019, the General Fund's unassigned fund balance of $9,374,794 as a percentage of total expenditures of $52,879,077 represented 18% of annualized expenditures or 2.13 months reserve. The City ended its fiscal year 2018 operations with a negative fund balance of ($8,690,818). The City applies cost control measures and adherence to the adopted budget that guided the City's spending for the fiscal year ending September 30, 2019 as noted below:

Fund Balance as of September 30, 2017 (5 months)	(6,539,875)
Fund Balance September 30, 2018 (12 months)	(8,690,818)
Percentage Increase	33%
Fund Balance September 30, 2019 (12 months)	10,606,829
Percentage Increase	222%

TSPLOST Fund. During fiscal year 2019, the City created a TSPLOST Fund which received $21,257,861 of intergovernmental revenue and had no expenditures; therefore, resulting in ending fund balance of $21,257,861. Revenue figures from the Georgia Department of Revenue now show three years of historic data which indicates that the Transportation Special Purpose Local Option Tax program is running at a 90% collection rate as measured against Georgia's original projections at the time that the referendum was adopted. At this rate in a normal environment, it means all Tier 1 projects should be fully funded. Effective in Fiscal Year 2020 the City will begin oversight and management of all TSPLOST revenues and projects. The City receives 16.6% distribution that is first distributed to the County and then to the City. Prior to this date, the County maintained oversight of the completion of TPLOST projects. The City expects to receive revenues of approximately $30 million through 2021 to assist in the completion of the projects which includes improvements to bridges, street resurfacing and sidewalk improvements in various parts of the city.

TABLE 3

City of South Fulton, Georgia's Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances

	9/30/2019	9/30/2018	$ Increase (Decrease)	% Increase (Decrease)
Revenues:				
Taxes	$63,072,251	$ 44,575,456	$ 18,496,795	41%
Licenses & permits	2,209,578	1,822,564	387,014	21%
Intergovernmental	27,153,510	3,122,290	24,031,220	770%
Fines & forfeitures	668,616	278,348	390,268	140%
Charges for services	766,625	606,420	160,205	26%
Interest income	1,121	232	889	383%
Other revenues	174,744	584,170	(409,426)	-70%
Total revenues	94,046,445	50,989,480	43,056,965	84%
Expenditures:				
General government	7,447,034	4,339,235	3,107,799	72%
Judicial	838,857	612,473	226,384	37%
Public safety	27,128,928	31,764,104	(4,635,176)	-15%
Public works	11,355,545	7,339,476	4,016,069	55%
Culture and recreation	2,443,333	4,862,923	(2,419,590)	-50%
Housing and development	4,139,461	2,735,477	1,403,984	51%
Capital outlay	1,849,565	-	1,849,565	100%
Debt service	68,553	322,566	(254,013)	-79%
Total expenditures	55,271,276	51,976,254	3,295,022	6%
Excess (deficiency) of revenues over (under) expenditures	38,775,169	(986,774)	39,761,943	-4029%
Other Financing Sources (Uses):				
Proceeds from sales of capital assets	-	9,937	(9,937)	-100%
Proceeds from financed purchases	2,706,585	-	2,706,585	100%
Transfers in	1,142,288	1,083,805	58,483	5%
Transfers out	(1,342,288)	(1,083,805)	(258,483)	24%
Total other financing sources (uses)	2,506,585	9,937	2,496,648	25125%
Net change in fund balances	41,281,754	(976,837)	42,258,591	-4326%
Fund balances (deficits), beginning of fiscal year	(7,516,712)	(6,539,875)	(976,837)	15%
Fund balances (deficits), end of fiscal year	$33,765,042	$ (7,516,712)	$ 41,281,754	-549%

General Fund Budgetary Highlights

The City's budget utilized a conservative approach based on the information available. Emphasis was given to ensuring financial stability and long-term stability while providing revenue enhancement, financial priorities and discipline. The City will pursue it in five (5) priorities to better serve the Citizens of the City of South Fulton and the following are the priorities: Improve Parks and Recreation, Improve Public Safety (Police and Fire Rescue), Increase Economic Development, Create and Implement Branding and Messages and Increase Focus on Planning and Land Use.

1. Improve Parks & Recreation

- Explore feasibility of parks and recreation authority
- Lighting and safety improvements (consider solar)
- Short term – Develop facilities (capital improvements), programs and staffing plan
- Long term – Parks and Recreation Vision and Master Plan
- Ensure parks and recreation serve all ages

2. Improve Public Safety – (Police & Fire Services)

- Develop staffing plan – hire more officers
- Focus on national search to hire chief
- Improve case closure rate
- Develop services and programs.
- Capital and facilities
  - ✓ Improve stations and equipment
  - ✓ Need a ladder truck

3. Economic Development

- Develop an economic development strategy – what are we best suited for?
  - ✓ Include existing business retention and expansion as well as recruitment of new
  - ✓ Explore incentives and their roles in attracting new businesses
  - ✓ Explore the role of a development authority and perhaps a downtown development authority particularly as a project funding mechanism
  - ✓ Encourage small businesses and entrepreneurs – incubator

- Identify key parcels that the City or development authority could acquire and use for economic development purposes
  - ✓ Identify an area for a "downtown"
  - ✓ Identify redevelopment areas
  - ✓ Revitalize key corridors including Old National Highway
  - ✓ Review and adopt ordinances and policies to encourage economic development
  - ✓ Work on CDBG entitlement designation

4. Planning Update Comprehensive Plan

- Identify Consultant
- Hear from the community – what do they want?
- Consider additional or updates to current design overlays
- Review current land use plan and zoning within city limits
  - ✓ Is it what is best for the New City?

5. Create and Implement Branding and messaging

- Develop strategy or plan – needs to feed into economic development strategy
  - ✓ Name, logo and motto
  - ✓ Incorporate into gateway signage, vehicles, uniforms
- Communicate the message
  - ✓ Data driven
- Community engagement and communication

The City will employ an annual mid-year budget process to review and re-align appropriations and priorities made during the annual budget process with any significant unexpected trends. This will ensure adjustments facilitating appropriations to be in alignment with expected resources. Differences between the original budget and final amended budget will then be resolved via official City Council action.

As of fiscal year 2019, revenues over expenditures for the General Fund were $3,278,000 higher than the budgeted amount. Components of this variance are described below:

Total revenues were $1,319,477 higher than budgeted. Actual property tax collections were $516,513 lower than budgeted as property values stabilize and additionally properties that were considered part of the City tax base were removed from the updated tax base and returned to the Fulton Industrial District. Sales taxes were $1,442,415 higher than budget as a result of general economic growth and stability and new business development within the City. Insurance taxes were $991,600 lower than budget because the City did not receive its anticipated allocation share of the insurance because of the insurance premium distribution formula established by the State for filing date in order to be eligible for receipt. Business taxes were $250,459 more than budget as a component of general growth within the city limits. Transfer taxes were $338,534 higher than budget as a component of growth and economic development.

Total expenditures were $1,958,523 lower than budgeted as a factor of realigning expenditures within the General Fund to meet the operational needs of some departments. The Financial department expenditures were $4,499,682 lower than budgeted as the unallocated contingency balance was retained to build fund balance. Police department expenditures were $2,097,066 higher than budget as a result of the need in this department to replace outdated fleets of vehicles transitioned from Fulton County to the City and to improve response time; hence, the creation of police beats. Public works expenditures were $805,153 higher than budget in response to unexpected transition costs that may have been pending in preparation of transitioning to the City.

The Schedule of General Fund Revenues, Expenditures, and Changes in Fund Balance, Budget to Actual can be found on pages 41 and 42 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's capital assets for its governmental activities as of September 30, 2019, amounted to $273,437,808. The rise in capital assets represents the donated infrastructure assets in the amount of $262,902,562 which was transferred from Fulton County and represents the City's largest area of investments in capital assets. The second and third largest capital asset groups are in buildings of $8,272,634 and vehicles of $4,680,264, respectively. Non-depreciable property includes land for $1,511,115 and construction in process of $359,932.

City of South Fulton, Georgia's Capital Assets (net of depreciation)

TABLE 4

	September 30, 2019	September 30, 2018
Land	$ 1,511,115	$ 1,511,115
Construction in Progress	359,932	-
Buildings	8,272,634	8,272,915
Vehicles	4,680,264	2,845,545
Furniture and fixtures	611,241	50,474
Machinery and equipment	358,111	410,601
Infrastructure	257,644,511	-
	$ 273,437,808	$ 13,090,650

Additional information on the City's capital assets can be found in Note 6 of this report.

Short-term borrowings. At the end of fiscal year September 30, 2018, the City had outstanding debt of $12,000,000 in form of Tax Anticipation Note payable. The TAN was paid in full on December 31, 2018.

Long-term debt and obligations. At the end of fiscal year September 30, 2019, the City had outstanding debt and obligations of $4,426,070 which is an increase of $3,225,701 over the prior year as noted in Table 5 below. The City currently has all of its borrowings backed by the full faith and credit of the City. As a strategy in replacing the aging public safety fleet, the City has entered into a lease with enterprise to finance vehicles.

TABLE 5

City of South Fulton, Georgia's Long-term Debt

	September 30, 2019	September 30, 2018
Financed purchases	$ 2,700,842	$ -
Compensated absences	1,725,228	941,381
Pollution remediation	-	258,988
	$ 4,426,070	$ 1,200,369

Additional information on the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

These factors were considered in preparing the City's budget for the 2020 fiscal year.

A Safer, Stronger South Fulton

The City is committed to ensuring that all residents feel and are safe, providing an environment where businesses can succeed and thrive. To that end, the fiscal year 2020 budget includes the following investments:

- New vehicles to expand the police and fire apparatus fleet;
- Investments in public safety personnel, allowing the City to recruit and retain SFPD officers;
- Investments in essential software related to crime suppression and investigations; and
- Investment in 311 activities to reduce the burden on 911 related to non-emergency calls.

Destination South Fulton

Maintaining a strong, diverse, and resilient South Fulton requires that business and industry can operate in an environment that supports commerce. We accomplish this by nurturing small business assets, and intentionally connecting local businesses to government service delivery. Some ways the fiscal year 2020 budget supports South Fulton as a key destination for businesses include:

- A $100,000 investment in business incubator;
- The alignment of business services under economic development;
- A $25,000 investment in retention focused incentives and grants for small businesses operating within the City limits; and
- Investing in outreach and education events targeting business and industry, allowing for business open houses and connection events.

High Performing Government

As our City continues to grow, we must approve these critical investments to ensure that citizens in all seven (7) Districts benefit from our inclusive prosperity. It is imperative that we make all the critical investments in our fiscal year 2020 Budget and Financial Plan to ensure that residents in all seven (7) districts receive world class services and municipal support. Key among these activities is the development of the City's strategic plan. This plan will codify the Mayor-Council's vision for the City and provide strategic direction allowing for the development and implementation of departmental goals and performance measures. Building a government that works for the citizens of the City of South Fulton streamlines processes and improves efficiency

The City will restrict the use of one-time revenues to capital projects when the City starts to accumulate fund balance.

REQUESTS FOR INFORMATION

This comprehensive annual financial report is designed to provide a general overview of the City of South Fulton, Georgia's finances for all those with interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Department of Finance, City of South Fulton, 5440 Fulton Industrial Blvd, South Fulton, GA 30336.

City of South Fulton
5440 Fulton Industrial Blvd
Atlanta, GA 30336

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	$ 17,075,003	$ 196,528	$ 17,271,531
Accounts receivable	663,134	-	663,134
Taxes receivable	26,904,930	-	26,904,930
Due from other governments	21,964,692	-	21,964,692
Prepaid items	1,264,812	-	1,264,812
Inventories	29,354	-	29,354
Capital assets:			
Nondepreciable	1,871,047	-	1,871,047
Depreciable, net of accumulated depreciation	271,566,761	-	271,566,761
Total assets	341,339,733	196,528	341,536,261
LIABILITIES			
Accounts payable	3,933,139	-	3,933,139
Accrued liabilities	1,959,310	-	1,959,310
Intergovernmental payable	26,406	-	26,406
Financed purchases from direct borrowings, due within one fiscal year	239,104	-	239,104
Financed purchases from direct borrowings, due in more than one fiscal year	2,461,738	-	2,461,738
Compensated absences, due within one fiscal year	862,614	-	862,614
Compensated absences, due in more than one fiscal year	862,614	-	862,614
Total liabilities	10,344,925	-	10,344,925
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	27,292,840	-	27,292,840
Total deferred inflows of resources	27,292,840	-	27,292,840
NET POSITION			
Net investment in capital assets	270,736,966	-	270,736,966
Restricted for capital projects	22,289,952	-	22,289,952
Restricted for public safety	153,853	-	153,853
Restricted for hospitality and tourism	13,663	-	13,663
Unrestricted	10,507,534	196,528	10,704,062
Total net position	$ 303,701,968	$ 196,528	$ 303,898,496

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Business-type Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 7,562,293	$ 518	$ -	$ -	$ (7,561,775)	$ -	$ (7,561,775)
Judicial	849,522	452,019	-	-	(397,503)	-	(397,503)
Public safety	26,421,034	353,659	5,808,557	-	(20,258,818)	-	(20,258,818)
Public works	16,615,373	-	21,257,861	262,902,562	267,545,050	-	267,545,050
Culture and recreation	2,642,631	559,745	-	-	(2,082,886)	-	(2,082,886)
Housing and development	4,192,784	2,278,878	-	-	(1,913,906)	-	(1,913,906)
Interest on long-term debt	62,810	-	-	-	(62,810)	-	(62,810)
Total governmental activities	$ 58,346,447	$ 3,644,819	$ 27,066,418	$ 262,902,562	235,267,352	-	235,267,352
Business-type activities:							
Development	$ 3,472	$ -	$ -	$ -	-	(3,472)	(3,472)
General revenues:							
Property taxes					30,265,167	-	30,265,167
Title ad valorem taxes					395,350	-	395,350
Sales taxes					26,442,415	-	26,442,415
Franchise taxes					3,058,729	-	3,058,729
Business taxes					2,050,459	-	2,050,459
Alcoholic beverage taxes					262,382	-	262,382
Hotel motel taxes					123,192	-	123,192
Transfer taxes					638,534	-	638,534
Insurance premium taxes					8,400	-	8,400
Other taxes					7,621	-	7,621
Interest					1,121	-	1,121
Miscellaneous revenues					174,744	-	174,744
Transfers					(200,000)	200,000	-
Total general revenues and transfers					63,228,114	200,000	63,428,114
Change in net position					298,495,466	196,528	298,691,994
Net position, beginning of fiscal year					5,206,502	-	5,206,502
Net position, end of fiscal year					$ 303,701,968	$ 196,528	$ 303,898,496

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH FULTON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

ASSETS	General Fund	TSPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 12,783,822	$ 1,999,960	$ 2,291,221	$ 17,075,003
Accounts receivable	118,779	-	544,355	663,134
Taxes receivable	26,904,930	-	-	26,904,930
Due from other governments	2,342,422	19,257,861	364,409	21,964,692
Due from other funds	468,940	40	3,376	472,356
Inventory	29,354	-	-	29,354
Prepaid items	1,202,681	-	62,131	1,264,812
Total assets	$ 43,850,928	$ 21,257,861	$ 3,265,492	$ 68,374,281
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts payable	$ 3,457,706	$ -	$ 475,433	$ 3,933,139
Intergovernmental payable	26,406	-	-	26,406
Accrued liabilities	1,958,659	-	-	1,958,659
Due to other funds	3,416	-	468,940	472,356
Total liabilities	5,446,187	-	944,373	6,390,560
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	27,292,840	-	-	27,292,840
Unavailable revenues - taxes	505,072	-	-	505,072
Unavailable revenues - intergovernmental	-	-	420,767	420,767
Total deferred inflows of resources	27,797,912	-	420,767	28,218,679
FUND BALANCE				
Fund balance:				
Nonspendable:				
Prepaid items	1,202,681	-	62,131	1,264,812
Inventory	29,354	-	-	29,354
Restricted for:				
Hospitality and tourism	-	-	13,663	13,663
Capital projects	-	21,257,861	1,032,091	22,289,952
Public safety	-	-	142,654	142,654
Assigned for:				
Capital projects	-	-	1,059,381	1,059,381
Unassigned (deficit)	9,374,794	-	(409,568)	8,965,226
Total fund balance	10,606,829	21,257,861	1,900,352	33,765,042
Total liabilities, deferred inflows of resources, and fund balance	$ 43,850,928	$ 21,257,861	$ 3,265,492	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.				273,437,808
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.				925,839
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.				(4,426,721)
Net position of governmental activities				$ 303,701,968

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	General Fund	TSPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	$ 30,085,169	$ -	$ -	$ 30,085,169
Title ad valorem taxes	395,350	-	-	395,350
Sales taxes	26,442,415	-	-	26,442,415
Business taxes	2,050,459	-	-	2,050,459
Franchise taxes	3,058,729	-	-	3,058,729
Insurance premium taxes	8,400	-	-	8,400
Transfer taxes	638,534	-	-	638,534
Alcoholic beverage excise taxes	262,382	-	-	262,382
Other taxes	7,621	-	123,192	130,813
Licenses and permits	2,209,578	-	-	2,209,578
Fines and forfeitures	452,019	-	216,597	668,616
Charges for services	766,625	-	-	766,625
Intergovernmental	4,440,768	21,257,861	1,454,881	27,153,510
Interest income	1,121	-	-	1,121
Contributions and donations	1,600	-	-	1,600
Miscellaneous revenues	173,144	-	-	173,144
Total revenues	70,993,914	21,257,861	1,794,670	94,046,445
Expenditures:				
Current:				
General government	7,447,034	-	-	7,447,034
Judicial	838,857	-	-	838,857
Public safety	26,687,875	-	441,053	27,128,928
Public works	11,355,545	-	-	11,355,545
Culture and recreation	2,347,976	-	95,357	2,443,333
Housing and development	4,139,461	-	-	4,139,461
Capital outlay	-	-	1,849,565	1,849,565
Debt service:				
Principal	-	-	5,743	5,743
Interest	62,329	-	481	62,810
Total expenditures	52,879,077	-	2,392,199	55,271,276
Excess (deficiency) of revenues over (under) expenditures	18,114,837	21,257,861	(597,529)	38,775,169
Other financing sources (uses):				
Proceeds from financed purchases from direct borrowings	2,393,808	-	312,777	2,706,585
Transfers in	65,645	-	1,076,643	1,142,288
Transfers out	(1,276,643)	-	(65,645)	(1,342,288)
Total other financing sources (uses)	1,182,810	-	1,323,775	2,506,585
Net change in fund balances	19,297,647	21,257,861	726,246	41,281,754
Fund balances (deficit), beginning of fiscal year	(8,690,818)	-	1,174,106	(7,516,712)
Fund balances, end of fiscal year	$ 10,606,829	$ 21,257,861	$ 1,900,352	$ 33,765,042

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH FULTON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	41,281,754
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		(2,555,404)
The net effect of capital asset donations made to the City is to increase net position.		262,902,562
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		92,906
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(3,226,352)
Change in net position - governmental activities	$	298,495,466

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2019

	Development Authority Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 196,528
Total current assets	196,528
Total assets	196,528
NET POSITION	
Unrestricted	196,528
Total net position	$ 196,528

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Development Authority Fund
OPERATING EXPENSES	
Supplies and maintenance	$ 3,472
Total operating expenses	3,472
Operating loss before transfers	(3,472)
Transfers in	200,000
Change in net position	196,528
NET POSITION, beginning of fiscal year	-
NET POSITION, end of fiscal year	$ 196,528

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Development Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers and service providers	$ (3,472)
Net cash used in operating activities	(3,472)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer in from other funds	200,000
Net cash provided by noncapital financing activities	200,000
Net increase in cash and cash equivalents	196,528
Cash and cash equivalents:	
Beginning of fiscal year	-
End of fiscal year	$ 196,528
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (3,472)
Net cash used in operating activities	$ (3,472)

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
SEPTEMBER 30, 2019

	Municipal Court Fund
ASSETS	
Cash	$ 68,298
Total assets	$ 68,298
LIABILITIES	
Due to others	$ 68,298
Total liabilities	$ 68,298

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of South Fulton, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City, which was incorporated by a voter approved referendum on November 8, 2016, commenced operations on May 1, 2017 pursuant to the election of a mayor and council on April 18, 2017. Policy-making and legislative authority are vested in the Mayor and City Council which consists of (7) seven council members and the Mayor. The government provides such services as general government administration, judicial services through its municipal court, code enforcement, building and zoning, housing and development, culture and recreation, and public works.

Blended Component Unit:

The South Fulton Development Authority (the "Development Authority") was established for the purposes of attracting development, industry, and employment opportunities to the City. The Board of the Development Authority is made up of nine (9) board members from the local community who are appointed by the Mayor and City Council. The Development Authority is reported in the City's financial statements as a blended component unit (proprietary fund) as there is a financial benefit or burden relationship as the City has provided support to the Development Authority. Separate financial statements for the Development Authority are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees, and charges for support. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. As such, property tax revenues will be recognized in the current fiscal year for the previous tax year's levy. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, business taxes, excise taxes, and licenses and permits associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if availability criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **TSPLOST Fund** accounts for proceeds of a sales tax levied in Fulton County, which will be used by the City for the exclusive purpose of transportation improvement projects within the city of South Fulton.

The City reports the following major proprietary fund:

The **Development Authority Fund** accounts for revenues generated from the charges for financing services provided to businesses within the City. All activities necessary to provide such services are accounted for in this fund.

The City also reports the following fund types:

The **Special Revenue** funds are used to account for revenue sources which are legally restricted to expenditures for specific purposes, such as, grants and hotel/motel taxes.

The **Capital Project** funds are used to account for expenditures related to construction, acquisition, or installation of the City's capital assets.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

In accounting and reporting for its proprietary operations, the City applies all GASB pronouncements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets

Formal budgetary accounting is employed as a management control device for the funds of the City. The governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, with the exception that the City budgets another financing source for the issuance of the tax anticipation note (TAN). An annual operating budget is adopted for the General Fund and each special revenue fund each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund. During the fiscal year ended September 30, 2019, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedule. All appropriations lapse at fiscal year-end. The City does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2019, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

I. Inventories

Inventories are valued at cost, which approximates market, using the weighted average cost method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

J. Capital Assets

Capital assets, which include buildings, parks, furniture and fixtures, vehicles and machinery and equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Building	50 years
Vehicles	5 years
Furniture and fixtures	10 years
Machinery and equipment	5-10 years
Infrastructure	50 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualifies for reporting in this category. The first item, *unavailable revenue*, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and intergovernmental revenue as these amounts are deferred and will be recognized as inflow of resources in the period in which the amounts become available. Additionally, the City reports deferred revenues for the 2019 digest which is levied for operation of the 2020 fiscal year and thus reported as deferred revenues in the fund and at the Statement of Net Position.

L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment, also through a resolution.

- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign fund balances remains with the City Council.

- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds. The City, by resolution, has created a minimum fund balance policy to be no less than two-and-one-half months of its prior fiscal year's actual operating expenditures of the General Fund, in order to cover unforeseen emergencies and/or revenue shortfalls. The City's resolution states the minimum fund balance policy is effective beginning the City's third fiscal year which will be fiscal year ending September 30, 2020.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Compensated Absences

The compensated absences policy of the City provides for accumulation of up to 120 hours of comp time. For the City's government-wide statements, an expense and a liability for compensated absences and the salary-related payments are recorded as leave is earned.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliations between *fund balance – total governmental fund* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $4,426,721 difference are as follows:

Direct financing	$	(2,700,842)
Compensated absences		(1,725,228)
Accrued interest		(651)
Net adjustment to decrease *fund balances - total governmental funds* to arrive at *net position - governmental activities.*	$	(4,426,721)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net change in fund balance and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $2,555,404 difference are as follows:

Capital outlay	$	3,743,037
Depreciation expense		(6,298,441)
Net adjustment to decrease *net change in fund balances - total governmental fund to arrive at change in net position - governmental activities*	$	(2,555,404)

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the City will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

Transfers of appropriations within a department budget or within a non-departmental expenditure category require the approval of the City Council. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approWordval of the governing body in the form of amendments to the budget resolution.

For the fiscal year ended September 30, 2019, expenditures exceeded final budget in the following funds and General Fund departments as follows:

General Fund:		
General government:		
Law	$	23,064
Communications		5,690
IT and GIS		53,202
Police		2,097,066
E-911 Services		216,635
Public works		805,153
Planning and zoning		144,523

The excess of expenditures over budget were primarily funded by excess budget amounts available within other departments of the City.

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of September 30, 2019, the financial institution holding all of the City's deposits is a participant of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. As of September 30, 2019, all of the City's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1, which is also the lien date. The City contracts with Fulton County to bill and collect City of South Fulton property taxes. The taxers were levied on September 1 based on the assessed value of property as listed on the previous January 1 and were due on October 31. Property taxes levied on September 1, 2019 are for the year ended September 30, 2020 and property taxes are recorded as receivables and unavailable revenue when levied. Revenues are recognized in governmental funds when available.

Receivables at September 30, 2019, including any applicable allowances for uncollectible accounts, are as follows:

	General Fund	TSPLOST Fund	Nonmajor Governmental
Receivables:			
Accounts receivable	$ 118,779	$ -	$ 544,355
Taxes	27,370,930	-	-
Other governments	2,342,422	19,257,861	364,409
Total receivables	29,832,131	19,257,861	908,764
Less allowance for uncollectible	466,000	-	-
Net total receivable	$ 29,366,131	$ 19,257,861	$ 908,764

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the fiscal year ended September 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 1,511,115	$ -	$ -	$ 1,511,115
Construction in progress	-	359,932	-	359,932
Total	1,511,115	359,932	-	1,871,047
Depreciable capital assets:				
Buildings	8,384,272	317,937	-	8,702,209
Vehicles	3,147,830	2,474,220	-	5,622,050
Furniture and fixtures	50,976	566,072	-	617,048
Machinery and equipment	437,358	24,876	-	462,234
Infrastructure	-	262,902,562	-	262,902,562
Total	12,020,436	266,285,667	-	278,306,103
Less accumulated depreciation for:				
Buildings	(111,357)	(318,218)	-	(429,575)
Vehicles	(302,285)	(639,501)	-	(941,786)
Furniture and fixtures	(502)	(5,305)	-	(5,807)
Machinery and equipment	(26,757)	(77,366)	-	(104,123)
Infrastructure	-	(5,258,051)	-	(5,258,051)
Total	(440,901)	(6,298,441)	-	(6,739,342)
Total capital assets being depreciated, net	11,579,535	259,987,226	-	271,566,761
Governmental activities capital assets, net	$ 13,090,650	$ 260,347,158	$ -	$ 273,437,808

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	$ 75,892
Public safety	635,145
Public works	5,258,051
Culture and recreation	329,353
Total Depreciation Expense	$ 6,298,441

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity of the City for the year ended September 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Financed purchases from direct borrowings	$ -	$ 2,706,585	$ (5,743)	$ 2,700,842	$ 239,104
Compensated absences	941,381	1,380,500	(596,653)	1,725,228	862,614
Pollution remediation	258,988	-	(258,988)	-	-
Total governmental activities long-term liabilities	$ 1,200,369	$ 4,087,085	$ (861,384)	$ 4,426,070	$ 1,101,718

The City's compensated absences will be liquidated by the General Fund and purchases from direct financing will be liquidated by the Capital Projects Fund.

Financed Purchases from Direct Borrowings

In May 2019, the City entered into an agreement with Enterprise Fleet Management to finance the purchase of ten (10) vehicles for the City's Police Department. The vehicles are included in capital assets at a cost of $317,937. Interest has been imputed at a rate of 3.88% and the City will make monthly payments through September 2023. The debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	$ 76,564	$ 2,084	$ 78,648
2021	77,757	1,488	79,245
2022	78,995	869	79,864
2023	73,718	239	73,957
	$ 307,034	$ 4,680	$ 311,714

As of September 30, 2019, the City had $317,937 of assets, with associated accumulated depreciation of $9,935, financed. The related depreciation expense for these assets is included in the capital asset depreciation expense.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Financed Purchases from Direct Borrowings (Continued)

In September 2019, the City entered into an agreement with Jones Bridge Road Associates, LLC, to finance the purchase of a building located at 7490 Old National Hwy, Atlanta, GA, 30296, to be used as a Public Safety facility. The building is included in capital assets at a cost of $2,393,808. Interest has been imputed at a rate of 3.25% and the City will make monthly payments through December 2029. The debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	$ 162,540	$ 5,460	$ 168,000
2021	220,203	7,397	227,600
2022	224,951	7,557	232,508
2023	229,842	7,721	237,563
2024	234,880	7,890	242,770
2025-2029	1,255,416	42,170	1,297,586
2030	65,976	2,217	68,193
	$ 2,393,808	$ 80,412	$ 2,474,220

As of September 30, 2019, the City had $2,393,808 of assets, with no accumulated depreciation, financed.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 468,940
Nonmajor Governmental Funds	General Fund	3,376
	Total	$ 472,316

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Governmental Funds	$ 65,645
Nonmajor Governmental Funds	General Fund	1,076,643
Development Authority	General Fund	200,000
	Total	$ 1,342,288

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

NOTE 9. HOTEL/MOTEL LODGING TAX

The City has levied an occupancy tax of 8% for the rent of a guest room at a hotel or motel in the City as authorized by the Official Code of Georgia Annotated (O.C.G.A.) §48-13-51(a)(3). For the year ended September 30, 2019, the City collected $123,192 in hotel/motel tax revenues. Of this amount, $65,645 or $53.3% was transferred to the General Fund and the remaining portion was expended for hospitality and tourism as stipulated by O.C.G.A. §48-13-51(a)(3).

NOTE 10. SHORT-TERM BORROWINGS

The City utilized two short-term notes payable in the form of tax anticipation notes during the five months ended September 30, 2017. Pursuant to the agreement between the City and a local financial institution, the lender agreed to advance the City up to $12,000,000, in the form of a $9,000,000 and a $3,000,000 note secured by future tax revenues. Interest accrued on the $9 million note equal to 2.02 percent and interest accrued on the $3 million note equal to 2.09 percent. At the due date, December 29, 2017, the City was unable to pay off the note and issued a $12,000,000 tax anticipation note with a due date of December 29, 2018. Interest accrued on the $12 million note equal to 2.80 percent. The total $12 million note was paid in full on the due date, December 29, 2018.

The following is a summary of the City's short-term borrowings for the period ended September 30, 2019:

Beginning Balance	Additions	Reductions	Ending Balance
$ 12,000,000	$ -	$ (12,000,000)	$ -

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Contractual Commitments:

The City has entered into an intergovernmental agreement with Fulton County, Georgia for the provision of certain services to be provided to the City for a fee by Fulton County. The term of the agreement is for a period not to exceed twenty-four months (24), commencing May 1, 2017 and concluding, at the latest, at midnight on November 30, 2018. The City will be provided the following services; E911, Animal Control, Police, Fire, Planning and Zoning, Parks and Recreation, Business Occupation Tax, Road and Highway Maintenance, Stormwater, Utilities, Elections. Over time the City has taken over these services from Fulton County. Currently, this intergovernmental agreement has ended and as of September 30, 2019, the City has assumed responsibility for all services except E911 and Animal Control which are provided under a new intergovernmental agreement and totaling approximately $3 million annually.

NOTE 12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which Fulton County has paid on behalf of the City of South Fulton. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street NE, Atlanta, Georgia 30303.

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City participates in the Georgia Interlocal Risk Management Agency Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of the risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City carries commercial insurance for these risks of losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the past two years.

NOTE 14. Pollution Remediation

During fiscal year ended September 30, 2018, the City purchased a building at 5165 Welcome All Road, College Park, GA to be used as a fire station. Upon inspection, it was discovered the building contained significant amounts of mold and asbestos. In September 2018, the City entered into a contract with Parker Young Construction for mold remediation services. The total contract price for the remediation services is $258,988. At September 30, 2018, this was recorded as a liability on the statement of net position. The remediation was paid in full during fiscal year 2019 and therefore, there is no pollution remediation liability as of September 30, 2019.

NOTE 15. Tax Abatements

Fulton County has entered into property tax abatement agreements with local businesses through the Development Authority of Fulton County, for the purpose of attracting or retaining businesses within the County. For the fiscal year ended September 30, 2019, the City of South Fulton's ad valorem tax revenues were reduced by $105,973 under agreements entered into by Fulton County.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOUTH FULTON, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	$ 33,907,936	$ 30,601,682	$ 30,085,169	$ (516,513)
Title ad valorem taxes	700,000	500,000	395,350	(104,650)
Sales taxes	24,000,000	25,000,000	26,442,415	1,442,415
Franchise taxes	1,000,000	2,550,000	3,058,729	508,729
Business taxes	1,800,000	1,800,000	2,050,459	250,459
Insurance taxes	3,000,000	1,000,000	8,400	(991,600)
Other taxes	50,000	-	7,621	7,621
Alcoholic beverage excise taxes	270,000	430,000	262,382	(167,618)
Transfer tax	200,000	300,000	638,534	338,534
Licenses and permits	1,614,000	2,033,200	2,209,578	176,378
Fines and forfeitures	200,000	380,000	452,019	72,019
Charges for services	736,500	629,055	766,625	137,570
Intergovernmental	3,696,000	4,392,000	4,440,768	48,768
Interest income	-	1,000	1,121	121
Contributions and donations	-	-	1,600	1,600
Miscellaneous revenues	-	57,500	173,144	115,644
Total revenues	71,174,436	69,674,437	70,993,914	1,319,477
Expenditures:				
Current:				
General government:				
Legislative	991,288	1,095,774	1,088,544	7,230
Mayor	209,161	198,282	193,645	4,637
City clerk	677,029	371,237	351,544	19,693
City manager	1,327,325	1,169,931	1,141,450	28,481
Financial	1,628,644	5,426,574	926,892	4,499,682
Law	600,000	649,375	672,439	(23,064)
Human resources	751,032	711,160	698,501	12,659
Communications	461,622	385,882	391,572	(5,690)
IT and GIS	1,791,581	1,141,141	1,194,343	(53,202)
Purchasing	467,773	216,010	210,765	5,245
General services administration	735,855	729,306	556,144	173,162
Risk management	88,841	88,841	21,195	67,646
Total general government	9,730,151	12,183,513	7,447,034	4,736,479
Judicial:	1,228,589	850,278	838,857	11,421
Public safety:				
Police	12,943,116	11,610,743	13,707,809	(2,097,066)
Fire services	12,732,497	11,437,367	11,063,431	373,936
E-911 services	-	1,700,000	1,916,635	(216,635)
Total public safety	25,675,613	24,748,110	26,687,875	(1,939,765)
Public works:	7,752,531	10,550,392	11,355,545	(805,153)
Culture and recreation:	3,345,231	2,438,966	2,347,976	90,990

(continued)

CITY OF SOUTH FULTON, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Housing and development:				
Planning and zoning	3,408,524	2,524,495	2,669,018	(144,523)
Economic development	1,584,798	1,479,517	1,470,443	9,074
Total housing and development	4,993,322	4,004,012	4,139,461	(135,449)
Debt service:				
Interest	-	62,329	62,329	-
Total debt service	-	62,329	62,329	-
Total expenditures	52,725,437	54,837,600	52,879,077	1,958,523
Excess (deficiency) of revenues over (under) expenditures	18,448,999	14,836,837	18,114,837	3,278,000
Other financing sources (uses)				
Proceeds from direct financing	-	-	2,393,808	2,393,808
Proceeds from issuance of TAN	12,336,000	12,000,000	-	(12,000,000)
Transfers in	30,000	40,488	65,645	25,157
Transfers out	-	(2,012,849)	(1,276,643)	736,206
Total other financing sources (uses)	12,366,000	10,027,639	1,182,810	(8,844,829)
Net change in fund balance	30,814,999	24,864,476	19,297,647	(5,566,829)
Fund balance (deficit), beginning of fiscal year	(8,690,818)	(8,690,818)	(8,690,818)	-
Fund balance, end of fiscal year	$ 22,124,181	$ 16,173,658	$ 10,606,829	$ (5,566,829)

Note: See footnotes 1 and 3 of the basic financial statements for budgetary policies.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for particular purposes.

Confiscated Assets Fund – This fund accounts for the use of confiscated assets by the Police Department; these funds are restricted by the applicable State of Georgia confiscation and seizure laws.

Multiple Grant Fund – This fund accounts for the restricted revenue streams resulting from various capital and operating grants awarded to the City.

Hotel/Motel Fund – This fund accounts for the collection of the restricted portion of hotel/motel taxes as required by the Official Code of Georgia Annotated (OCGA) §48-13-51.

Capital Projects Funds

Capital projects funds are used to account for financial resources for the acquisition, construction, and improvements of the City's capital assets.

Capital Grant Fund – This fund is used to account for expenditures related to the construction, acquisition, and/or installation of the City's capital assets paid with capital grants.

Capital Projects Fund – This fund is used to account for expenditures related to the construction, acquisition, and/or installation of the City's capital assets.

CITY OF SOUTH FULTON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

ASSETS	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Confiscated Assets Fund	Multiple Grant Fund	Hotel/Motel Tax Fund	Capital Grant Fund	Capital Project Fund	
Cash	$ 139,278	$ -	$ 103,454	$ 1,032,091	$ 1,016,398	$ 2,291,221
Accounts receivable	-	-	13,784	-	530,571	544,355
Due from other governments	-	364,409	-	-	-	364,409
Due from other funds	3,376	-	-	-	-	3,376
Prepaid items	-	-	-	-	62,131	62,131
Total assets	$ 142,654	$ 364,409	$ 117,238	$ 1,032,091	$ 1,609,100	$ 3,265,492
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Due to other funds	$ -	$ 353,210	$ 103,575	$ -	$ 12,155	$ 468,940
Accounts payable	-	-	-	-	475,433	475,433
Total liabilities	-	353,210	103,575	-	487,588	944,373
DEFERRED INFLOWS OF RESOURCES						
Unavailable - intergovernmental	-	420,767	-	-	-	420,767
Total deferred inflows of resources	-	420,767	-	-	-	420,767
FUND BALANCES (DEFICIT)						
Nonspendable:						
Prepaid items	-	-	-	-	62,131	62,131
Restricted for:						
Hospitality and tourism	-	-	13,663	-	-	13,663
Infrastructure improvements	-	-	-	1,032,091	-	1,032,091
Public safety	142,654	-	-	-	-	142,654
Assigned for:						
Capital projects	-	-	-	-	1,059,381	1,059,381
Unassigned	-	(409,568)	-	-	-	(409,568)
Total fund balances (deficit)	142,654	(409,568)	13,663	1,032,091	1,121,512	1,900,352
Total liabilities, deferred inflows or resources, and fund balances	$ 142,654	$ 364,409	$ 117,238	$ 1,032,091	$ 1,609,100	$ 3,265,492

CITY OF SOUTH FULTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds			Capital Project Funds		
	Confiscated Assets Fund	Multiple Grant Fund	Hotel/Motel Tax Fund	Capital Grant Fund	Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES						
Hotel/motel taxes	$ -	$ -	$ 123,192	$ -	$ -	$ 123,192
Intergovernmental	-	367,110	-	1,087,771	-	1,454,881
Fines and forfeitures	216,597	-	-	-	-	216,597
Total revenues	216,597	367,110	123,192	1,087,771	-	1,794,670
EXPENDITURES						
Current:						
Public safety	73,943	367,110	-	-	-	441,053
Culture and recreation	-	-	95,357	-	-	95,357
Capital outlay	-	-	-	433,824	1,415,741	1,849,565
Debt service:						
Principal	-	-	-	-	5,743	5,743
Interest	-	-	-	-	481	481
Total expenditures	73,943	367,110	95,357	433,824	1,421,965	2,392,199
Excess (deficiency) of revenues over (under) expenditures	142,654	-	27,835	653,947	(1,421,965)	(597,529)
OTHER FINANCING SOURCES (USES):						
Proceeds from financed purchases from direct borrowings	-	-	-	-	312,777	312,777
Transfers in	-	-	-	31,110	1,045,533	1,076,643
Transfers out	-	-	(65,645)	-	-	(65,645)
Total other financing sources (uses)	-	-	(65,645)	31,110	1,358,310	1,323,775
Net change in fund balances	142,654	-	(37,810)	685,057	(63,655)	726,246
FUND BALANCES (DEFICIT), beginning of fiscal year	-	(409,568)	51,473	347,034	1,185,167	1,174,106
FUND BALANCES (DEFICIT), end of fiscal year	$ 142,654	$ (409,568)	$ 13,663	$ 1,032,091	$ 1,121,512	$ 1,900,352

CITY OF SOUTH FULTON, GEORGIA

CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Fines and forfeitures	**$** -	$ 95,000	$ 216,597	$ 121,597
Total revenues	-	95,000	216,597	121,597
Expenditures:				
Public safety	-	95,000	73,943	21,057
Total expenditures	-	95,000	73,943	21,057
Net change in fund balances	-	-	142,654	100,540
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ -	$ 142,654	$ 100,540

CITY OF SOUTH FULTON, GEORGIA

MULTIPLE GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ -	$ 367,110	$ 367,110	$ -
Total revenues	-	367,110	367,110	-
Expenditures:				
Public safety	-	367,110	367,110	-
Total expenditures	-	367,110	367,110	-
Net change in fund balances	-	-	-	-
Fund balances (deficit), beginning of fiscal year	-	-	(409,568)	(409,568)
Fund balances (deficit), end of fiscal year	$ -	$ -	$ (409,568)	$ (409,568)

CITY OF SOUTH FULTON, GEORGIA

HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Hotel/motel taxes	$ -	$ 180,000	$ 123,192	$ (56,808)
Total revenues	-	180,000	123,192	(56,808)
Expenditures:				
Tourism	-	95,357	95,357	-
Total expenditures	-	95,357	95,357	-
Excess of revenues over expenditures	-	84,643	27,835	(56,808)
Other financing uses:				
Transfers out	-	(65,645)	(65,645)	-
Total other financing uses	-	(65,645)	(65,645)	-
Net change in fund balances	-	18,998	(37,810)	(56,808)
Fund balances, beginning of fiscal year	51,473	51,473	51,473	-
Fund balances, end of fiscal year	$ 51,473	$ 70,471	$ 13,663	$ (56,808)

CITY OF SOUTH FULTON, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED WITH PROCEEDS FROM TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX (TSPLOST) FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

PROJECT	ESTIMATED COST		EXPENDITURES			PROJECT COMPLETION
	ORIGINAL	CURRENT	PRIOR	CURRENT	TOTAL	
Corridor Resurfacing	$ 4,358,198	$ 4,358,198	$ -	$ -	$ -	0%
Subdivisions Resurfacing	9,441,915	9,441,915	-	-	-	0%
Bridges	19,567,840	19,567,840	-	-	-	0%
ATMS - Flat Shoals Road	1,000,000	1,000,000	-	-	-	0%
Quick Response Projects (2%)	969,439	969,439	-	-	-	0%
PM/CM (5.5%)	3,077,183	3,077,183	-	-	-	0%
TOTAL TSPLOST	$ 38,414,575	$ 38,414,575	$ -	$ -	$ -	

Note: TSPLOST projects in the City of South Fulton city limits will be completed with the TSPLOST revenue collected by Fulton County and distributed monthly to the City.

AGENCY FUND

Agency funds are used to account for assets held by the City as an agent for individuals.

Municipal Court Fund – To account for the collection of cash appearance bonds by the Municipal Court.

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Balance September 30, 2018	Additions	Deductions	Balance September 30, 2019
MUNICIPAL COURT FUND				
Assets:				
Cash	$ 18,513	$ 207,288	$ 157,503	$ 68,298
Liabilities:				
Due to others	$ 18,513	$ 207,288	$ 157,503	$ 68,298

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of South Fulton, Georgia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Page

Financial Trends **50**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **55**

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity **59**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information **62**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **65**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report.

CITY OF SOUTH FULTON, GEORGIA

NET POSITION BY COMPONENT
LAST THREE FISCAL YEARS
(accrual basis of accounting)

	2019		2018	2017
Governmental activities:				
Net investment in capital assets	$ 270,736,966	1	$ 13,090,650	$ 291,584
Restricted	22,457,468	2	-	-
Unrestricted	10,507,534		(7,935,621)	(6,155,811)
Total governmental activities net position	303,701,968		5,155,029	(5,864,227)
Business-type activities:				
Unrestricted	196,528	3	-	-
Total business-type activities net position	196,528		-	-
Primary government:				
Net investment in capital assets	270,736,966		13,090,650	291,584
Restricted	22,457,468		-	-
Unrestricted	10,704,062		(7,935,621)	(6,155,811)
Total primary government net position	$ 303,898,496		$ 5,155,029	$ (5,864,227)

Source: City's financial statements for the period and fiscal year 2017 and 2018, respectively, and CAFR for fiscal year 2019.

Note: Fiscal period 2017 was the City's first period of operation and consisted of five (5) months of activity.

1 Increase in net investment in capital assets in fiscal year 2019 is the result of the City receiving donated infrastructure capital assets from Fulton County in the amount of $262,902,561.

2 Increase in restricted net position in fiscal year 2019 is due to the City receiving $21,257,861 of intergovernmental revenue from Fulton County relating to TSPLOST.

3 During fiscal year 2019, the City created a Development Fund which is reported as a blended component unit - Proprietary Fund.

CITY OF SOUTH FULTON, GEORGIA

CHANGES IN NET POSITION
LAST THREE FISCAL YEARS
(accrual basis of accounting)

	2019		2018	2017
Expenses				
Governmental activities:				
General government	$ 7,562,293		$ 4,508,869	$ 1,375,830
Judicial	849,522		622,080	10,278
Public safety	26,421,034		32,787,168	12,113,136
Public works	16,615,373		7,339,476	1,798,802
Culture and recreation	2,642,631		4,987,263	1,813,405
Housing and development	4,192,784		2,828,989	862,905
Interest on long-term debt	62,810		322,566	20,233
Total governmental activities expenses	58,346,447		53,396,411	17,994,589
Business-type activities:				
Development	3,472	*3*	-	-
Total business-type activities expenses	3,472		-	-
Program revenues				
Governmental activities:				
Charges for services:				
General government	$ 518		$ 650	$ 250,382
Judicial	452,019		274,348	-
Public safety	353,659		166,004	503,671
Culture and recreation	559,745		338,751	140,843
Housing and development	2,278,878		1,927,579	495,833
Operating grants and contributions	27,066,418	*2*	3,630,149	-
Capital grants and contributions	262,902,562	*1*	13,029,454	157,313
Total governmental activities program revenues	293,613,799		19,366,935	1,548,042
Net (expense)/revenue:				
Governmental activities	235,267,352		(34,029,476)	(16,446,547)
Business-type activities	(3,472)		-	-
Total primary government net (expense) revenue	$ 235,263,880		$ (34,029,476)	$ (16,446,547)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	$ 30,265,167		$ 14,625,008	$ -
Title ad valorem taxes	395,350		854,804	340,407
Sales taxes	26,442,415		24,650,013	9,708,371
Franchise taxes	3,058,729		1,760,981	328,410
Business taxes	2,050,459		1,946,092	15,647
Alcoholic beverage excise taxes	262,382		301,332	113,744
Hotel motel taxes	123,192		93,044	-
Transfer taxes	638,534		277,621	-
Insurance premium taxes	8,400		4,809	-
Other taxes	7,621		2,762	75,668
Interest	1,121		232	73
Miscellaneous revenues	174,744		573,570	-
Gain on sale of capital assets	-		9,937	-
Transfers	(200,000)		-	-
Total governmental activities	63,228,114		45,100,205	10,582,320
Business-type activities:				
Transfers	200,000		-	-
Total business-type activities	200,000		-	-
Total primary government	$ 63,428,114		$ 45,100,205	$ 10,582,320
Change in Net Position				
Governmental activities	$ 298,691,994		$ 11,070,729	$ (5,864,227)

Source: City's financial statements for the period and fiscal year 2017 and 2018, respectively, and CAFR for fiscal year 2019.

Note: Fiscal period 2017 was the City's first period of operation, and consisted of five months of activity.

1 Increase in capital grants and contributions in fiscal year 2019 is the result of the City receiving donated infrastructure capital assets from Fulton County in the amount of $262,902,561.

2 Increase in operating grants and contributions in fiscal year 2019 is due to the City receiving $21,257,861 of intergovernmental revenue from Fulton County relating to TSPLOST.

3 During fiscal year 2019, the City created a Development Fund which is reported as a blended component unit - Proprietary Fund.

CITY OF SOUTH FULTON, GEORGIA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST THREE FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Property Taxes	TAVT Taxes	Sales Taxes	Franchise Taxes	Business Taxes	Hotel Motel Taxes	Other Taxes (1)	Total
2017	$ -	$ 340,407	$ 9,708,371	$ 328,410	$ 15,647	$ -	$ 189,412	$ 10,582,247
2018	14,625,008	854,804	24,650,013	1,760,981	1,946,092	93,044	586,524	44,516,466
2019	30,265,167	395,350	26,442,415	3,058,729	2,050,459	123,192	916,937	63,252,249

Source: City's financial statements for the period and fiscal year 2017 and 2018, respectively, and CAFR for fiscal year 2019.

Notes:

(1) Includes Alcoholic Beverage taxes, Transfer taxes, Insurance Premium taxes, and Other taxes.

CITY OF SOUTH FULTON, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS
(modified accrual basis of accounting)

	2019	2018	2017
General Fund			
Nonspendable - Prepaid items	$ 1,202,681	$ 266,617	$ 22,720
Nonspendable - Inventory	29,354	23,289	-
Unassigned	9,374,794	(8,980,724)	(6,562,595)
Total General fund	$ 10,606,829	$ (8,690,818)	$ (6,539,875)
All Other Governmental Funds			
Nonspendable - Prepaids	$ 62,131	$ 1,042,234	$ -
Restricted - hospitality and tourism	13,663	51,473	-
Restricted - capital projects	22,289,952	-	-
Restricted - public safety	142,654	-	-
Assigned - capital projects	1,059,381	489,967	-
Unassigned	(409,568)	(409,568)	-
Total all other governmental funds	$ 23,158,213	$ 1,174,106	$ -

Source: City's financial statements for the period and fiscal year 2017 and 2018, respectively, and CAFR for fiscal year 2019.
Note: Fiscal period 2017 was the City's first period of operation, and consisted of five months of activity.

CITY OF SOUTH FULTON, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS
(modified accrual basis of accounting)

	2019	2018	2017
Revenues			
Taxes	$ 63,072,251	$ 44,575,456	$ 10,198,183
Licenses and permits	2,209,578	1,822,564	716,326
Fines and forfeitures	668,616	278,348	33,130
Charges for services	766,625	606,420	641,273
Intergovernmental	27,153,510	3,122,290	-
Interest income	1,121	232	73
Contributions and donations	1,600	10,600	-
Miscellaneous revenues	173,144	573,570	-
Total revenues	94,046,445	50,989,480	11,588,985
Expenditures			
Current:			
General government	7,447,034	4,339,235	1,510,101
Judicial	838,857	612,473	10,278
Public safety	27,128,928	31,764,104	12,113,136
Public works	11,355,545	7,339,476	1,798,802
Culture and recreation	2,443,333	4,862,923	1,813,405
Housing and development	4,139,461	2,735,477	862,905
Capital outlay	1,849,565	-	-
Debt service:			
Principal	5,743	-	-
Interest	62,810	322,566	20,233
Total expenditures	55,271,276	51,976,254	18,128,860
Excess (deficiency) of revenues over (under) expenditures	38,775,169	(986,774)	(6,539,875)
Other financing sources (uses)			
Proceeds from financed purchases from direct borrowings	2,706,585	-	-
Proceeds from sale of capital assets	-	9,937	-
Transfers in	1,142,288	1,083,805	-
Transfers out	(1,342,288)	(1,083,805)	-
Total other financing sources (uses)	2,506,585	9,937	-
Net change in fund balances	$ 41,281,754	$ (976,837)	$ (6,539,875)
Debt service as a percentage of noncapital expenditures	0.1%	0.6%	0.1%

Source: City's financial statements for the period and fiscal year 2017 and 2018, respectively, and CAFR for fiscal year 2019.
Note: Fiscal period 2017 was the City's first period of operation, and consisted of five months of activity.

CITY OF SOUTH FULTON, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY
LAST THREE CALENDAR YEARS

Tax Year	Real	Personal	Motor Vehicle	Public Utility	Total Property: Total Taxable Assessed Value	Total Property: Estimated Actual Taxable Value	Total Direct Tax Rate	Assessed Value as a % of Actual Value
2017	$ 1,905,777,870	$ 960,655,460	$ 59,199,320	$ 144,357,012	$ 3,069,989,662	$ 7,674,974,155	7.149	40%
2018	2,408,502,730	765,227,830	-	143,445,632	3,317,176,192	8,292,940,480	11.579	40%
2019	2,718,707,870	497,655,930	4,376,100	149,500,033	3,370,239,933	8,425,599,833	11.579	40%

Source: GA Dept of Revenue - Tax Digest Consolidated Summary

CITY OF SOUTH FULTON, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
DIRECT AND OVERLAPPING GOVERNMENTS
LAST THREE CALENDAR YEARS

(rate per $1,000 of assessed value)

	South Fulton			Fulton County			School District				
Tax Digest Year	Operating Millage	Debt Service	Total	Operating Millage	Debt Service Millage	Total Fulton County Millage	Operating Millage	Debt Service Millage	Total School District Millage	State	Total Direct & Overlapping Rates
2017	7.149	0.000	7.149	10.380	0.250	10.630	18.546	0.000	18.546	0.000	36.325
2018	11.579	0.000	11.579	10.200	0.230	10.430	17.796	0.000	17.796	0.000	39.805
2019	11.579	0.000	11.579	9.899	0.220	10.119	17.796	0.000	17.796	0.000	39.494

Source: GA Dept of Revenue - Property Tax Millage Rates

CITY OF SOUTH FULTON, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND LAST YEAR

	2019			2018		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
COX ENTERPRISES INC	$ 63,011,810	1	1.87%			
COCA COLA COMPANY THE	39,511,370	2	1.17%			
HOMER LEASE COMPANY INC	37,715,760	3	1.12%			
INTERFACE INC	31,222,860	4	0.93%			
UNITED NATURAL FOODS INC	29,332,400	5	0.87%			
NATIONAL DISTRIBUTING CO INC	25,508,890	6	0.76%			
INTERCONTINENTAL EXCHANGE HOLDINGS INC	19,726,050	7	0.59%			
927 HOLDINGS LLC	14,674,080	8	0.44%			
CEAI SANDTOWN VISTA LLC &	13,965,000	9	0.41%			
CSX INTERMODAL TERMINALS INC	13,518,890	10	0.40%			
K P R US LLC				$ 52,799,830	1	1.59%
COCA COLA COMPANY THE				46,358,028	2	1.40%
GEORGIA POWER COMPANY				37,879,856	3	1.14%
COX ENTERPRISES INC				31,258,740	4	0.94%
UNITED NATURAL FOODS INC				29,481,500	5	0.89%
HOMER LEASE COMPANY INC				32,300,330	6	0.97%
NATIONAL DISTRIBUTING CO INC				25,965,190	7	0.78%
ATLANTA GAS LIGHT COMPANY				24,698,210	8	0.74%
INTERCONTINENTAL EXCHANGE HOLDINGS INC				19,642,280	9	0.59%
927 HOLDINGS LLC				19,121,920	10	0.58%
	$ 288,187,110		8.55%	$ 319,505,884		9.63%

CITY OF SOUTH FULTON, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST THREE FISCAL YEARS

Fiscal Year Ended Sept 30	Total Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to Date		Total Taxes Outstanding
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2017*	$ 14,415,354	$ -	0.0%	$ 14,080,578	$ 14,080,578	97.68%	$ 334,776
2018	28,734,768	2,534,295	8.8%	25,808,231	28,342,526	98.63%	392,242
2019	27,536,893	4,168,449	15.1%	-	4,168,449	15.14%	23,368,444

Source: City of South Fulton Finance Department

* 2017 Taxes delayed, due date 1/15/2018

CITY OF SOUTH FULTON, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST THREE FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities		Percentage of Personal Income (1)	Per Capita (1)
	Financed Purchases	Total		
2017	$ -	$ -	- %	$ -
2018	-	-	-	-
2019	2,700,842	2,700,842	-	93.68

Source: City's financial statements for the period and fiscal year 2017 and 2018, respectively, and CAFR for fiscal year 2019.

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SOUTH FULTON, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
as of September 30, 2019

Governmental Unit	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Overlapping Debt			
Fulton County, Georgia			
Certificates of Participation	$ 55,275,000	2.29 %	$ 1,265,798
Economic Recovery Zone Bonds	21,291,000	2.29	487,564
Total overlapping debt	76,566,000		1,753,361
Fulton County School District	55,870,000	2.29 %	1,279,423
City of South Fulton, Georgia direct debt	2,700,842	100 %	2,700,842
Total direct and overlapping debt	$ 135,136,842		$ 5,733,626

Source: Fulton County Comprehensive Annual Financial Report 2018

Assessed value data used to estimate applicable percentages provided by the State Department of Revenue.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and, therefore, responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

CITY OF SOUTH FULTON, GEORGIA

LEGAL DEBT MARGIN INFORMATION
LAST THREE FISCAL YEARS

	2017	2018	2019
Debt limit	$ 767,497,416	$ 331,717,619	$ 337,023,993
Total net debt applicable to limit	-	-	-
Legal debt margin	$ 767,497,416	$ 331,717,619	$ 337,023,993
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%

Legal Debt Margin

Assessed value	$ 3,370,239,933
Add back: exempt real property	-
Total assessed value	3,370,239,933
Debt limit (10% of total assessed value)	337,023,993
Debt applicable to limit	
General obligation bonds	-
Legal debt margin	$ 337,023,993

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying the general obligation bonds.

CITY OF SOUTH FULTON, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS INFORMATION
LAST THREE FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2017	95,158	$ 2,429,003,108	$ 25,526	34.7	19,077	3.81 %
2018	97,277	2,683,483,322	27,586	36.3	18,828	3.70
2019	99,357	2,864,462,310	28,830	35.3	18,760	7.30

(1) Source: U. S. Bureau of Labor Statistics
(2) Source: Fulton County Board of Education
(3) Bureau of Labor Statistics July, 2017

Note: 2017 population, per capita, and personal income are estimates based on past regional trends.
Note: School enrollment is based on beginning of school year.

CITY OF SOUTH FULTON, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND ONE YEAR AGO

	2019				2018			
Employer	Employees (1)	Rank	Percentage of Total City Employment		Employer	Employees	Rank	Percentage of Total City Employment (1)
KROGER	233	1	5.83%	%				
MCDONALDS	184	2	4.61%					
HOME DEPOT	174	3	4.36%					
THE JON SMITH GROUP LLC	115	4	2.88%					
ARBOR TERRACE AT CASCADE	88	5	2.20%					
FRANKS DETAIL INC	61	6	1.53%					
STEELCASE INC	54	7	1.35%					
COMPREHENSIVE THERAPY CONSULTANTS INC	51	8	1.28%					
C H ROBINSON COMPANY INC	45	9	1.13%					
KEDPLASMA LLC	38	10	0.95%		THE JON SMITH GROUP LLC	115	1	2.88 %
					C H ROBINSON COMPANY INC	46	2	1.15
					PRIME COMMUNICATIONS L P	16	3	0.40
					CHESTNUT HILL ACADEMY	12	4	0.30
					MOBILE HOME IMPOUND	12	5	0.30
					MCRAES TAX & BUSINESS SERVICE	8	6	0.20
					PLB CONSTRUCTION SERVICES LLC	6	7	0.15
					AMERICAN DELI	4	8	0.10
					HENRY HOMES CONSTRUCTION & DEVELOPMENT	4	9	0.10
Totals	1,043		26.11 %		Totals	223		5.58 %

(1) Source: South Fulton Business Permit Renewals

CITY OF SOUTH FULTON, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST THREE FISCAL YEARS

Function/Program	2017	2018	2019
General Government			
Administration	3	6	8
City Clerk	3	3	4
Finance	2	9	15
Purchasing	1	1	3
Licensing	3	3	3
Human Resources	2	3	5
Communication	1	2	5
Information Technology	2	2	9
Development Services	7	23	23
Economic Development	-	1	4
Code Enforcement	15	17	15
Judicial			
Municipal Court	-	5	7
Health & Welfare			
Leisure Services	-	-	-
Housing & Development			
Planning Department	-	-	-
Public Safety			
Police	161	161	178
Fire	173	173	178
Jail	-	-	-
E-911 Communications	-	-	-
Public Works			
Building & Grounds	-	-	15
Code Enforcement	-	-	-
Roads & Bridges	-	-	-
Water & Sewer	-	-	-
Parks and Recreation	80	64	77
Total	453	473	549

Source: City of South Fulton Human Resources Department

Notes: All full-time employees, except sworn fire and police employees, are scheduled to work 2,080 hours per year (including vacation and sick).

Fire Department employees are scheduled to work 2,750 hours per year (including sick and vacation).

Police Department employees are scheduled to work 2184 hours per year (including sick and vacation)
Headcount number is inclusive of vacant, funded positions

CITY OF SOUTH FULTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST THREE FISCAL YEARS

Function	2017	2018	2019
General Government			
Ordinances approved			
Special events held	41	52	36
Court cases settled	-	-	-
Bond rating	-	-	-
Software applications supported	N/A	N/A	N/A
Grants managed	-	-	-
	-	2	3
Police			
Calls for Service			
Part 1 Crimes Reported	-	49,718	77,536
Traffic citation issued	-	4,789	4,032
Physical Arrest	-	426.00	5,156.00
	-	1,011	2,031
Fire			
Incident responses*			
Average response time	4,541	13,048	15,946
Fire Safety education classes	6.54	7:02	7:03
Smoke Alarm Installed	90	539	127
inspection conducted	94	207	273
	667	539	867
Public works			
Average days to repair pothole			
Traffic signaled timed	N/A	8	4
	N/A	N/A	N/A
Community Development			
New building permits issued			
Parcels annexed	N/A	2,194	2,643
	-	-	1
Culture and Recreation			
Annual program	N/A	N/A	N/A

Source: Various City and County departments.

Police, Fire, Public Works, Community Development Services, and
Culture and Recreation were not part of City of South Fulton for FY2017.

*Total Emergency Call Volume 6487. South Fulton 4541 and FID 1946 (estimated)

CITY OF SOUTH FULTON, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST THREE FISCAL YEARS

Function/Program	2017	2018	2019
Police			
Police Stations	-	3	4
Patrol units and support vehicles	-	113	139
Police motorcycles	-	8	8
Segway	-	2	2
Fire(Services transferred om 2018)			
Fire Stations	-	9	9
Ladder units - front line	2	2	2
Ladder units - reserved	1	-	1
Engines - front line	10	9	9
Engines - reserved	2	1	2
Public Works			
Streets paved - (miles)	Not available	Not available	Not available
Streets Unpaved - (miles)	Not available	Not available	Not available
General Government			
Land (acres)			
Buildings			
Owned	-	27	27
Leased	-	5	5
Machinery & Equipment			
Owned	-	-	-
Leased	-	-	-
Vehicles			
Owned	-	249	249
Leased	-	10	26
Parks - active and passive			
Park acreage (exluding Tom Lowe)	693	693	720
Greenway and walking trails (miles)*	2	2	2
Adaptive athletic fields	7	7	7
Athletic fields	29	29	29
Equestrian facilities	-	-	-
Hockey rinks	-	-	-
Swimming pools**	2	2	2
Tennis courts	47	47	47
Recreation buildings	9	9	10
Playgrounds/ADA	14/1	14/1	14/1
Picnic shelters/restrooms	20	20	20
Concession Stands/Offices	5	5	5
Restrooms (outdoor)	22	22	22
Basketball Courts (outdoor)	5	5	5
Gymnasiums	3	3	3

Notes:

*Outdoor walking trails are at Sandtown, Trammell Crow, Wilkerson Mill, Cedar Grove, and Creel Parks. There is one indoor walking track at Welcome All Park. Estimated total miles are 2 for all trials/tracks.

**Total swimming pools to include one (1) lap pool (25 yards with 7 lanes, shallow end 4 ft., middle 5 ft., deep end 12 ft.) and one (1) splash pool (30 ft. x 30 ft. and 3 ft in depth)

***43 hard surface courts and 4 clay courts

Source: Various City Departments

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Members
of the City Council of the
City of South Fulton, Georgia

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of South Fulton, Georgia (the "City") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 26, 2020

CITY OF SOUTH FULTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? __X__ yes _____no

Significant deficiency(ies) identified? __X__ yes _____none reported

Noncompliance material to financial statements noted? _____ yes __X__no

Federal Awards

There was not an audit of major federal awards programs for the fiscal year ended September 30, 2019 due to the City not expending $750,000 or more in federal awards.

CITY OF SOUTH FULTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 Capital Asset Reporting

Criteria: Internal Controls should be in place to ensure that all capital asset amounts reported within the financial statements are accurate, in accordance with generally accepted accounting principles, and represent assets that are owned by the City.

Condition: Internal controls did not prevent or detect material misstatement in the reporting of the City's capital assets.

Context/Cause: During our testing of capital asset balances, we noted the City did not have any infrastructure additions on its capital asset listing. In the prior fiscal year, we noted per the City's intergovernmental agreement with Fulton County that the County would maintain all infrastructure assets within the City until November 2018. Upon our initial examination of the City's capital asset listing, no infrastructure assets had been included as of September 30, 2019.

Effects/Possible Effects: The City's capital asset activity required a material adjustment of $262,902,562 to record the infrastructure assets taken over from the County along with $5,258,051 of current fiscal year depreciation expense for those assets in order to properly report the capital assets of the City as of September 30, 2019.

Recommendation: We recommend the City carefully review intergovernmental agreements and other arrangements along with its capital asset detail and related items (including depreciation expense) to ensure that all capital assets and components thereof, are properly recorded and depreciated during the fiscal year and at fiscal year-end in accordance with generally accepted accounting principles.

Auditee's Response: Management concurs with the finding. The Finance Department will continue to strengthen controls and ensure that all capital assets and components thereof, are properly recorded and depreciated during the fiscal year and at fiscal year-end in accordance with generally accepted accounting principles.

CITY OF SOUTH FULTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-002 Intergovernmental Balances

Criteria: Internal Controls should be in place to ensure that all balance sheet accounts reported within the financial statements are accurate, in accordance with generally accepted accounting principles.

Condition: Internal controls did not prevent or detect misstatement in the reporting of the City's intergovernmental receivable.

Context/Cause: During our review of the City's balance sheet accounts, we noted an intergovernmental receivable in the amount of $335,949 being reported by the City. Upon further discussion with management, there were no intergovernmental receivable or payable balances remaining between Fulton County and the City at September 30, 2019. The balance in this account consisted of public works expenditures within the General Fund.

Effects/Possible Effects: An adjustment of $335,949 was needed within the General Fund to move the balance reported as receivables to public works expenditures at September 30, 2019.

Recommendation: We recommend the City carefully review all balance sheet accounts to ensure that all accounts are properly reported at fiscal year-end in accordance with generally accepted accounting principles.

Auditee's Response: Management concurs with the finding. As this is related to Fulton County and City of South Fulton IGA that stipulated that the County would maintain control of City of South Fulton revenue, and reduce that revenue by associated City of South Fulton IGA expenditures, and because the reconciliation of this activity was completed by the County, the City's Finance department was unable to verify amounts received on its behalf until they were communicated by the County during the following quarter reconciliation with County during transition period. The Finance Department will continue to strengthen controls and ensure that all balance sheet accounts are properly recorded at fiscal year-end in accordance with generally accepted accounting principles.