CITY OF SOUTH FULTON, GEORGIA

FINANCIAL REPORT

FOR THE FIVE MONTHS ENDED SEPTEMBER 30, 2017

Prepared by:
City of South Fulton Finance Department

INTRODUCTORY SECTION

CITY OF SOUTH FULTON, GEORGIA

FINANCIAL REPORT
FOR THE FIVE MONTHS ENDED SEPTEMBER 30, 2017

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INTRODUCTORY SECTION

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FINANCIAL SECTION

MAULDIN & JENKINS

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 and the major fund of the **City of South Fulton, Georgia** (the "City"), as of and for the five months ended September 30, 2017, 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 and the major fund of the City of South Fulton, Georgia as of September 30, 2017, and the respective changes in financial position for the five months 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 the General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis), 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018 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 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of South Fulton, GA (the City) introduces the basic financial statements for the fiscal period ended September 30, 2017. This activity is for the first fiscal period of the City; therefore, selected comparative information does not exist. Management prepared this discussion that should be read in conjunction with the basic financial statements, footnotes, and supplementary information found in this report. This information taken collectively is designed to provide readers with an understanding of the City's finances.

CITY ACTIVITY HIGHLIGHTS

South Fulton was incorporated in May of 2017, and is about to celebrate its first anniversary. Positioned in metro area, South Fulton is a demographically diverse community and covers 85 square mile area in southwest of Fulton County, Georgia. 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 with more than 110,000 due to 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 also home to the South Fulton Parkway Corridor, which connects Hartsfield Jackson Atlanta International Airport to the City, the Old National Highway Corridor. The City is also 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.

Policymaking 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. No property taxes were levied for the fiscal five months ended September 30, 2017.

Planning under Community Development Services Department transitioned into the City in July 2017 followed by Code Enforcement and Business License in August both under the same department. Fire Rescue Department with an annual budget of $14,389,285 made a triumph entry into the City on February 26, 2018. The Police Department with an annual budget of $15,757,294 transitioned to the City the following month March 26, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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.

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 and liabilities, with the difference between the two 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 period. 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements report only governmental activities of the City which are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and community development.

The government-wide financial statements include financial information presented for the primary government itself. The government-wide financial statements can be found on pages 10 and 11 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 one individual governmental fund, the General Fund. The City adopts an annual appropriated budget for its governmental funds. The basic governmental fund financial statements can be found on pages 12 through 14 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 15 through 24 of this report.

Other 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. These schedules are intended to demonstrate the City's compliance with the legally adopted and amended budgets. Required supplementary information can be found on page 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of South Fulton's Net Position

	Governmental Activities September 30, 2017
ASSETS	
Current assets	$ 12,800,257
Capital assets, net	291,584
Total assets	13,091,841
LIABILITIES	
Other liabilities	18,956,068
Total liabilities	18,956,068
NET POSITION	
Investment in capital assets	291,584
Unrestricted	(6,155,811)
Total net position	(5,864,227)
Total net position and liabilties	$ 13,091,841

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, liabilities exceeded assets by ($5,864,227).

The largest portion of the City's current assets, $10,266,504, reflects its cash holdings at September 30, 2017. The City utilized a tax anticipation note (TAN) to provide much of the operating costs, as well as the cash position at the end of the fiscal period. The City used its capital assets to provide various services to its citizens and the City reported its unrestricted net position (deficit) of ($6,155,811).

City of South Fulton's Statement of Activities

	Governmental Activities September 30, 2017
REVENUES	
Program revenues	
Charges for services	$ 1,390,803
Capital grants and contributions	157,313
General revenues	
Title ad valorem taxes	340,407
Sales taxes	9,708,371
Franchise taxes	328,409
Business taxes	15,647
Alcoholic beverage taxes	113,744
Other taxes	75,668
Total revenues	12,130,362
EXPENSES	
General governments	1,375,830
Judicial	10,278
Public safety	12,113,136
Public works	1,798,802
Culture and recreation	1,813,405
Housing and development	862,905
Interest charges	20,233
Total liabilities	17,994,589
Decrease in net position	$ **(5,864,227)**

Governmental activities

Program revenues of $1,548,116 comprised of service charges (primarily permits and inspections), capital grants and contributions. General revenues include sales taxes of $9,708,371 being the largest of the total revenues. Other revenues are title ad valorem taxes of $340,407, franchise taxes of $328,410, business taxes of $15,642, alcohol beverage taxes of $113,744 and others $75,668.

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. Unassigned fund balance may serve as a useful measure of the City'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. At the end of the current fiscal year the total fund balance was ($6,539,875) representing an unassigned fund balance of ($6,562,595) and non-spendable – prepaid items of $22,720. The City is reporting a deficit of $6,539,875, which shows 36.07% of the current year expenditures were expended without available funding.

General Fund Budgetary Highlights

The City's budget utilized a conservative approach based on the limited 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 five priorities to better serve the Citizen 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 re-align appropriations made during the annual budget process with 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's net investment in capital assets for its governmental activities as of September 30, 2017, amounts to $291,584 with $157,313 invested in vehicles and $134,271 in equipment. These assets primarily reflect office equipment assets such as computers, furniture and the capital investment for City vehicles and other capital related equipment.

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

	September 30, 2017	
Vehicles	$	157,313
Equipment		134,271
	$	291,584

Additional information on the City's capital assets can be found in note 5 on page 23 of this report.

Short-term borrowings. At the end of fiscal period September 30, 2017 the City had total borrowings outstanding of $11,809,920 in form of Tax Anticipation Note payable. All borrowings are backed by the full faith and credit of the City.

Additional information on the City's long-term debt can be found page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

These factors were considered in preparing the City's budget for the 2018 fiscal year.

- Sustainability of existing services – the City will implement a philosophy of budgetary evaluation which reviews the needs of the City to the standard which realizes that services and associated costs should not be appropriated if they are not justified as long-term goals and priority of the City. This philosophy will be discussed during the budget process, with a financial outlook that provides opportunity to evaluate government priorities, realign and diversify revenue sources, and provide clear information for decision making for continued financial success.

- Cost of government – The operating millage rate of 11.579 mills is anticipated to be levied for the upcoming fiscal year. As part of the financial strategic plan, the government is committed to a consistent millage rate for property taxes, to facilitate the provision of city services.

- 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 financial report is designed to provide a general overview of the City of South Fulton's finances for all those with an 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 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, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 10,266,504
Accounts receivable	321
Taxes receivable	406,486
Prepaid items	22,720
Due from other governments	2,104,226
Capital assets, net of accumulated depreciation	291,584
Total assets	13,091,841
LIABILITIES	
Accounts payable	159,946
Accrued liabilities	252,475
Intergovernmental payable	6,531,339
Tax anticipation notes payable	11,809,920
Unearned revenues	202,388
Total liabilities	18,956,068
NET POSITION	
Investment in capital assets	291,584
Unrestricted	(6,155,811)
Total net position	$ (5,864,227)

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

CITY OF SOUTH FULTON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FIVE MONTHS ENDED SEPTEMBER 30, 2017

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: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 1,375,830	$ 250,382	$ -	$ -	$ (1,125,448)
Judicial	10,278	-	-	-	(10,278)
Public safety	12,113,136	503,671	-	-	(11,609,465)
Public works	1,798,802	-	-	-	(1,798,802)
Culture and recreation	1,813,405	140,843	-	-	(1,672,562)
Housing and development	862,905	495,833	-	157,313	(209,759)
Interest on long-term debt	20,233	-	-	-	(20,233)
Total governmental activities	$ 17,994,589	$ 1,390,729	$ -	$ 157,313	(16,446,547)
General revenues:					
Title ad valorem taxes					340,407
Sales taxes					9,708,371
Franchise taxes					328,410
Business taxes					15,647
Alcoholic beverage taxes					113,744
Other taxes					75,668
Interest					73
Total general revenues					10,582,320
Change in net position					(5,864,227)
Net position, beginning of period					-
Net position, end of period					$ (5,864,227)

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

CITY OF SOUTH FULTON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

ASSETS	General Fund
Cash and cash equivalents	$ 10,266,504
Accounts receivable	321
Taxes receivable	406,486
Due from other governments	2,104,226
Prepaid items	22,720
Total assets	$ 12,800,257
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 159,946
Intergovernmental payable	6,531,339
Accrued liabilities	252,475
Tax anticipation note payable	11,809,920
Unearned revenues	202,388
Total liabilities	18,956,068
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - taxes	384,064
Total deferred inflows of resources	384,064
FUND BALANCE	
Fund balance:	
Nonspendable - prepaid items	22,720
Unassigned	(6,562,595)
Total fund balance	(6,539,875)
Total liabilities and fund balance	$ 12,800,257
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance - total governmental fund	$ (6,539,875)
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	291,584
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	384,064
Net position of governmental activities	$ (5,864,227)

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 FIVE MONTHS ENDED SEPTEMBER 30, 2017

	General Fund
Revenues:	
Title ad valorem taxes	$ 340,407
Sales taxes	9,708,371
Business taxes	15,647
Other taxes	75,668
Alcoholic beverage excise taxes	58,090
Licenses and permits	716,326
Fines and forfeitures	33,130
Charges for services	641,273
Interest income	73
Total revenues	11,588,985
Expenditures:	
Current:	
General government	1,510,101
Judicial	10,278
Public safety	12,113,136
Public works	1,798,802
Culture and recreation	1,813,405
Housing and development	862,905
Debt service:	
Interest	20,233
Total expenditures	18,128,860
Net change in fund balances	(6,539,875)
Fund balances, beginning of period	-
Fund balances, end of period	$ (6,539,875)

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 FIVE MONTHS ENDED SEPTEMBER 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(6,539,875)
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 capital outlays exceeded depreciation expense in the current period.		134,271
The net effect of various miscellaneous transactions involving capital assets (i.e. donations) is to increase net position.		157,313
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		384,064
Change in net position - governmental activities	$	(5,864,227)

The accompanying notes are an integral part of these 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. 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 eight 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.

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 by the City's governmental activities. 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

> 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.

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

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. An annual operating budget is adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund. During the fiscal period ended September 30, 2017, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2017, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

H. Capital Assets

Capital assets, which include vehicles and machinery and equipment, 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 three years. 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 a useful life of 5-7 years.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue*, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from franchise taxes as these amounts are deferred and will be recognized as inflow of resources in the period in which the amounts become available.

J. 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.

- **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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Equity (Continued)

- **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.

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.

K. 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.

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 "Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds." The details of this $291,584 difference are as follows:

Capital assets	$	296,214
Depreciation expense		(4,630)
Net adjustment to increase *fund balances - total governmental funds* to arrive at *net position - governmental activities.*	$	291,584

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 $134,271 difference are as follows:

Capital outlay	$	138,901
Depreciation expense		(4,630)
Net adjustment to increase *net change in fund balances - total governmental fund to arrive at change in net position - governmental activities*	$	134,271

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 approval of the governing body in the form of amendments to the budget resolution.

B. Excess Expenditures Over Appropriations

For the five months ended September 30, 2017 expenditures of the City Clerk exceeded their appropriations by $195,726. 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: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2017, all of the City's bank balances were insured and collateralized as defined by GASB standards and state statutes.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the City for the five months ended September 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Vehicles	$ -	$ 157,313	$ -	$ 157,313
Machinery and equipment	-	138,901	-	138,901
Total	-	296,214	-	296,214
Less accumulated depreciation for:				
Vehicles	-	-	-	-
Equipment	-	(4,630)	-	(4,630)
Total	-	(4,630)	-	(4,630)
Total capital assets being depreciated, net	-	291,584	-	291,584
Governmental activities capital assets, net	$ -	$ 291,584	$ -	$ 291,584

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

Governmental activities:	
General government	$ 4,630

NOTE 6. 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. Total short-term borrowings interest accrued for the five months ended September 30, 2017 was $20,233.

The following is a summary of the City's short-term borrowings for the period ended September 30, 2017:

Beginning Balance	Additions	Reductions	Ending Balance
$ -	$ 3,000,000	$ -	$ 3,000,000
-	8,809,920	-	8,809,920
$ -	$ 11,809,920	$ -	$ 11,809,920

NOTE 7. 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 will take over these services from Fulton County. Currently, this intergovernmental agreement totals approximately $16.6 million, subject to annual negotiation and appropriation.

NOTE 8. 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 9. 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 carries commercial insurance for these risks of losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage this first period of operation.

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 FIVE MONTHS ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Title ad valorem taxes	$ 1,811,634	$ 2,116,634	$ 340,407	$ (1,776,227)
Sales taxes	9,500,000	9,500,000	9,708,371	208,371
Franchise taxes	450,000	450,000	-	(450,000)
Business taxes	-	17,000	15,647	(1,353)
Other taxes	3,205,000	2,171,750	75,668	(2,096,082)
Alcoholic beverage excise taxes	800,000	800,000	58,090	(741,910)
Hotel/Motel tax	70,000	70,000	-	(70,000)
Transfer tax	108,000	108,000	-	(108,000)
Licenses and permits	320,000	825,100	716,326	(108,774)
Fines and forfeitures	33,652	68,652	33,130	(35,522)
Charges for services	488,323	659,323	641,273	(18,050)
Interest income	-	150	73	(77)
Total revenues	16,786,609	16,786,609	11,588,985	(5,197,624)
Expenditures:				
Current:				
General government:				
Legislative	91,260	91,260	73,178	18,082
Mayor	59,243	59,243	38,494	20,749
City clerk	210,013	210,013	405,739	(195,726)
City manager	261,081	261,081	213,807	47,274
Financial	486,905	420,905	221,239	199,666
Law	222,631	222,631	217,983	4,648
Human resources	181,204	181,204	88,872	92,332
Licensing	186,700	186,700	100,377	86,323
Communications	35,000	35,000	16,451	18,549
IT and GIS	56,453	121,953	120,749	1,204
Purchasing	16,500	16,500	13,212	3,288
Total general government	1,806,990	1,806,490	1,510,101	296,389
Judicial:	33,651	33,651	10,278	23,373
Public safety:				
Police	9,436,857	9,436,857	6,607,079	2,829,778
Public safety administration	781,250	781,250	6,590	774,660
Animal control	411,858	411,858	280,054	131,804
Fire services	8,377,533	8,377,533	5,219,413	3,158,120
Total public safety	19,007,498	19,007,498	12,113,136	6,894,362
Public works:	2,244,774	2,244,774	1,798,802	445,972
Culture and recreation:	2,400,775	2,400,775	1,813,405	587,370
Housing and development:				
Planning and zoning	1,240,921	1,240,921	832,722	408,199
Code enforcement	32,000	32,000	30,183	1,817
Total housing and development	1,272,921	1,272,921	862,905	410,016
Debt service:				
Interest	20,000	20,500	20,233	267
Total debt service	20,000	20,500	20,233	267
Total expenditures	26,786,609	26,786,609	18,128,860	8,657,749
Excess (deficiency) of revenues over expenditures	(10,000,000)	(10,000,000)	(6,539,875)	3,460,125
Other financing sources:				
Proceeds from issuance of long-term debt	10,000,000	10,000,000	-	(10,000,000)
Total other financing sources	10,000,000	10,000,000	-	(10,000,000)
Net change in fund balance	-	-	(6,539,875)	(6,539,875)
Fund balance, beginning of period	-	-	-	-
Fund balance, end of period	$ -	$ -	$ (6,539,875)	$ (6,539,875)

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

COMPLIANCE SECTION

MAULDIN & JENKINS

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 and the major fund of the City of South Fulton, Georgia (the "City") as of and for the five months ended September 30, 2017, 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 28, 2018.

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.

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. 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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2017-001 and 2017-002, that we consider to be material weaknesses.

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 28, 2018

CITY OF SOUTH FULTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FIVE MONTHS ENDED SEPTEMBER 30, 2017

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? _____ yes __X__ 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 five months ended September 30, 2017 due to the City not receiving any federal awards.

CITY OF SOUTH FULTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FIVE MONTHS ENDED SEPTEMBER 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2017-001 Revenues and Related Receivables

Criteria: Internal controls should be in place to ensure that amounts reported as receivables and revenues are appropriate and properly valued in accordance with generally accepted accounting principles.

Condition: Misstatements were detected in the reporting of the City's revenues and related receivables.

Context/Cause: During our testing of the City's revenues we noted the following activities which required audit adjustments to correct the reporting:

- The City assumed a fire service agreement from the County, whereby the City is to provide annual fire services to a portion of the City of Atlanta's citizens. As a result, the City of Atlanta remits semi-annual payments to the City of South Fulton for those services. The receipt in August 2017 was for the period of July through December 2017. Those revenues are considered an exchange transaction and should be recognized as the services are provided to the City of Atlanta, rather than received. As such, an entry was required to report approximately $203,000 as unearned revenues.
- The City did not record one month's receivable and related revenues for the title ad valorem tax and motor vehicle taxes collected by the County Tax Commissioner on behalf of the City. These revenues were collected subsequent to the end of the fiscal period and were considered available to the City under the revenue recognition policy. An adjustment of approximately $76,000 was required to correctly report revenues and receivables.

Effects: The City's revenues for the five months ended September 30, 2017 were not materially stated, and required adjustments of approximately $278,000 to correct the reporting of the current year's revenues and receivables.

Recommendation: We recommend the City carefully review all revenues to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: Finance department has asked for proper allocation of quarterly Revenue and Expense report form Fulton County. City's Controller will balance and make adjusting entries for the duration of transition period.

CITY OF SOUTH FULTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FIVE MONTHS ENDED SEPTEMBER 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017-002 Segregation of Duties and General Controls

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

Condition: The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult.

Context/Cause: During the course of our testwork, we noted different areas at the City in which the segregation of duties could be improved as described below:

- During our review of the payroll controls we noted several employees (six total) have access to the Paychex system and are all able to make changes to any employees' information, including their own, as well as creating a new employee without any review required.
- During the initial year of operations, we noted there were a limited number of employees and as such there was limited segregation within the accounting department. We noted one employee (Controller) was able to perform all functions from reporting, preparing checks, or reconciling accounts. The employee also had full access to the system to create vendors or make manual journal entries.

Effects: Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City. Additionally, without additional internal controls related to financial reporting, errors could occur and not be detected.

Recommendation: We recommend that the City review its processes and determine where it can effectively segregate duties to alleviate the segregation of duties issues as described above and strengthen internal controls.

Auditee's Response: We will evaluate the current structure of the City's finance department to determine the most cost-effective way to either segregate duties or to implement acceptable compensating controls within the department.