

**CITY OF STOCKBRIDGE, GEORGIA**  
**ANNUAL COMPLIANCE AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2013**

**CITY OF STOCKBRIDGE, GEORGIA**  
**ANNUAL COMPLIANCE AUDIT REPORTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**TABLE OF CONTENTS**

**Page**

|   |                |
|---|----------------|
| <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER<br/>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br/>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN<br/>ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....</b> | <b>1 and 2</b> |
| <b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR<br/>FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER<br/>COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF<br/>FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133.....</b>            | <b>3 - 5</b>   |
| <b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....</b>  | <b>6</b>       |
| <b>NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....</b>   | <b>7</b>       |
| <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....</b>   | <b>8 - 10</b>  |
| <b>SCHEDULE OF PRIOR YEAR FINDINGS .....</b>  | <b>11 - 12</b> |



**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**

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**Honorable Mayor and Members  
Of City Council  
City of Stockbridge, Georgia**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Stockbridge, Georgia** (the "City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 9, 2015. Our report includes reference to other auditors who audited the financial statements of the City of Stockbridge Downtown Development Authority, as described in our report on the City's financial statements. This report does not include results of the other auditors' testing of internal control over financing reporting or compliance and other matters that are reported on separately by those auditors.

**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 purposes 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 preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 deficiencies described in the accompanying schedule of findings and questioned costs, as items 2013-001 and 2013-002, to be material weaknesses.

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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 questioned costs as item 2013-003 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*.

### **The City of Stockbridge, Georgia's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
October 9, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

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**Honorable Mayor and Members  
of City Council  
City of Stockbridge  
Stockbridge, Georgia**

**Report on Compliance for Each Major Federal Program**

We have audited the City of Stockbridge, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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### ***Opinion on Each Major Federal Program***

In our opinion, the City of Stockbridge complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated October 9, 2015 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Macon, Georgia  
October 9, 2015

*Mauldin & Jenkins, LLC*

**CITY OF STOCKBRIDGE, GEORGIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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| <u>Grant Program</u>  | <u>CFDA #</u> | <u>Grant I.D.</u> | <u>Expenditures</u> |
|---|---------------|-------------------|---------------------|
| <b>U.S. Department of Transportation</b>                            |               |                   |                     |
| Passed through Georgia Department<br>of Transportation              |               |                   |                     |
| <i>Highway Planning and Construction Cluster</i>                    |               |                   |                     |
| Transportation Enhancement Grant                                    | 20.205        | TEE-0009-00(093)  | \$ 443,501          |
| <b>Total U.S. Department of Transportation</b>                      |               |                   | <u>443,501</u>      |
| <b>U.S. Department of Housing &amp; Urban Development</b>           |               |                   |                     |
| Passed through Henry County, GA                                     |               |                   |                     |
| Community Development Block Grant                                   | 14.218        | B-13-UC-13-0007   | 100,000             |
| <b>Total U.S. Department of Housing &amp;<br/>Urban Development</b> |               |                   | <u>100,000</u>      |
| <b>Total Expenditures of Federal Awards</b>                         |               |                   | <u>\$ 543,501</u>   |

# CITY OF STOCKBRIDGE, GEORGIA

## NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2013

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### **NOTE 1. BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Stockbridge, Georgia and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the presentation of the financial statements.

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I  
SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified?  yes  no

Significant deficiencies identified not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal Control over major programs:

Material weaknesses identified?  yes  no

Significant deficiencies identified not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?  yes  no

Identification of major program:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>                                     |
|--------------------|---|
| 20.205             | Highway Planning and Construction Cluster<br>Transportation Enhancement Grant |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

# CITY OF STOCKBRIDGE, GEORGIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### **2013-001. Reconciliation of the General Fund Operating Bank Account (Repeat of Finding 2012-3)**

**Criteria:** Sound internal controls require accounts be reconciled timely and activity be appropriately recorded in the books and records of the governmental entity.

**Condition:** The City's General Fund operating account was not properly reconciled to the general ledger during the fiscal year ended December 31, 2013.

**Context:** Due to lack of proper internal controls in both prior and current years, as well as problems with implementation of a new financial software package, reconciliation of this account was delayed.

**Effect:** The General Fund operating account was not reconciled until June 2014. Untimely reconciliation allows for the opportunity for errors and fraudulent transactions to occur and not be detected timely.

**Cause:** Internal controls were not in place to ensure the bank account was properly reconciled in a timely manner.

**Recommendation:** We recommend the City implement controls over bank account reconciliations to ensure all accounts are reconciled in a timely manner to assist in the prevention and detection of errors and/or fraud.

**Views of Responsible Officials and Planned Corrective Action:** We concur. The suggested recommendation to this finding as provided by the City's audit organization is acceptable. This finding is currently being addressed during 2014 and should be corrected by year end.

#### **2013-002. Accounts Receivable**

**Criteria:** Generally accepted accounting principles generally require accounts receivable and related revenues be recognized in the accounting period in which they are measurable and available to finance expenditures of the current period.

**Condition:** At December 31, 2013, amounts due to the City in the form of special purpose local option sales tax (SPLOST) and grants receivable were not recorded.

**Context:** The City did not record amounts received subsequent to year end, but related to the previous fiscal year, as accounts receivable as of December 31, 2013.

**Effect:** An adjustment in the amount of \$131,587 was required in the SPLOST III Fund to increase accounts receivable and related revenues. An adjustment in the amount of \$107,670 was required in the State and Federal Grants Fund to increase accounts receivable and related revenues.

**Cause:** Internal controls were not in place to properly record accounts receivable.

**CITY OF STOCKBRIDGE, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2013-002. Accounts Receivable (Continued)**

**Recommendation:** We recommend the City implement controls to properly review and record amounts as accounts receivable and related revenues.

**Views of Responsible Officials and Planned Corrective Action:** We concur. The suggested recommendation to this finding as provided by the City's audit organization is acceptable. The City will implement controls to ensure proper reporting of accounts receivable.

**2013-003. Violation of Georgia Law – SPLOST Funds**

**Criteria:** The OCGA Section 48-8-121(a)(1) states that the proceeds received from the tax authorized by this section shall be used by the county and qualified municipalities within the special district receiving proceeds of the sales and use tax exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax.

**Condition:** The City expended SPLOST funds for items not included in the resolution.

**Context:** During our disbursement test of SPLOST funds, we noted expenditures which were not allowable per the SPLOST resolution.

**Effect:** The City is in violation of OCGA Section 48-2-121(a)(1).

**Cause:** Internal controls should be in place to ensure funds are only expended on allowable costs per the applicable SPLOST resolution.

**Recommendation:** We recommend the City implement procedures to ensure restricted funds are used only for allowable costs.

**Views of Responsible Officials and Planned Corrective Action:** We concur. The City will implement controls to ensure SPLOST monies are only expended on allowable costs per the SPLOST resolution.

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported

**CITY OF STOCKBRIDGE, GEORGIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**2012-001. Maintenance of General Ledger under Accrual Basis of Accounting (Repeat of 2011-1)**

**Criteria:** Generally accepted accounting principles generally require the reporting of amounts as revenues and expenditures in the period to which they relate and when the underlying transaction occurs.

**Condition:** During fiscal year 2012, the City did not properly reverse prior year accruals and record current year accruals for various accounts receivable and accounts payable. Consequently, the respective general ledger of various funds did not reconcile to the audited financial statements of the prior year, and certain balances of accounts within those respective funds were not correct.

**Auditee Response/Status:** Resolved

**2012-002. Management of Due To/From and Transfer (Internal) Accounts**

**Criteria:** Generally accepted accounting principles require consideration of the collectability of receivables of all kinds, whether external or internal to the City.

**Condition:** During fiscal year 2012, the City did not properly account for and use due to/from accounts and transfers in conjunction with the operations of the City as appropriate.

**Auditee Response/Status:** Resolved

**2012-003. Reconciliation of the General Fund Operating Bank Account (Repeat of Finding 2011-3)**

**Criteria:** Sound internal controls require accounts be reconciled timely and activity be appropriately recorded in the books and records of the governmental entity.

**Condition:** The City's General Fund operating account was not properly reconciled to the general ledger during the fiscal year ended December 31, 2012. Additionally, a suspense account was created for posting of unidentified items.

**Auditee Response/Status:** Unresolved. See current year finding 2013-001.

**2012-004. Management of Capital Assets (Repeat of 2011-4)**

**Criteria:** Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost on the balance sheet of proprietary funds, which is written off periodically, or depreciated, in a systematic and rational manner.

**Condition:** For fiscal year 2012, the City did not properly record and depreciate capital assets in the proprietary funds.

**Auditee Response/Status:** Resolved

**CITY OF STOCKBRIDGE, GEORGIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**2012-005. Utility Billing – Solid Waste and Stormwater Funds (Repeat of 2011-5)**

**Criteria:** Generally accepted accounting principles generally require accounts receivable and related revenues be recognized in the accounting period in which they are measurable and available to finance expenditures of the current period.

**Condition:** At December 31, 2012, amounts recorded as outstanding for Solid Waste and Stormwater utility billing receivables were not properly stated.

**Auditee Response/Status:** Resolved

**2012-006. Prepaid Rent and Customer Deposits – Merle Manders Conference Center and Ted Strickland Community Center (Repeat of 2011-6)**

**Criteria:** Generally accepted accounting principles require accounts receivable and related revenues be recognized in the accounting period in which they are measurable and available to finance expenditures of the current period. Additionally, a listing of customer deposits held should be maintained and updated as amounts are received and refunded.

**Condition:** At December 31, 2012, amounts recorded for customer deposits and prepaid rent were not properly stated.

**Auditee Response/Status:** Resolved

**2012-007. Fund Balance and Fund Net Position**

**Criteria:** Generally accepted accounting principles require beginning fund balance and fund net position to reconcile and agree to the prior year audited amounts.

**Condition:** At December 31, 2012, fund balance of the SPLOST III Fund and fund net position of the Stormwater Fund did not agree to the audited financial statements for the fiscal year ended December 31, 2011.

**Auditee Response/Status:** Resolved