

**CITY OF AUSTELL, GEORGIA**

**REQUIRED REPORTS**  
**IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**JAMES L. WHITAKER, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

SNELLVILLE, GEORGIA 30078



**CITY OF AUSTELL, GEORGIA**  
**REQUIRED REPORTS IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING STANDARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters	1-2
Schedule of Findings and Responses	3-8
Report on Schedules of Special One Percent Sales and Use Tax	9
Schedule of Projects Financed with Cobb County Special Purpose Local Option Sales Tax 2005	10
Schedule of Projects Financed with Cobb County Special Purpose Local Option Sales Tax 2011	11
Schedule of Projects Financed with Cobb County Special Purpose Local Option Sales Tax 2016	12
Schedule of Projects Financed with Douglas County Special Purpose Local Option Sales Tax	13

# **JAMES L. WHITAKER, P.C.**

Certified Public Accountant  
2295 Henry Clower Blvd., Suite 205  
Snellville, Georgia 30078  
Telephone: 678-205-4438  
Fax: 678-205-4449

Member of  
The American Institute of  
Certified Public Accountants

Member of  
Georgia Society of  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT** **ON INTERNAL CONTROL OVER FINANCIAL REPORTING** **AND ON COMPLIANCE AND OTHER MATTERS** **PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of City Council  
City of Austell, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Austell, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Austell's basic financial statements and have issued our report thereon dated June 22, 2017.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Austell, Georgia'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 of Austell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Austell, Georgia'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 discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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 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 deficiencies described as items 2015.001, through 2016.002 and 2017.002 through 2017.005 in the accompanying schedule of findings and responses to be material weaknesses.

### **Compliance and Other Matters**

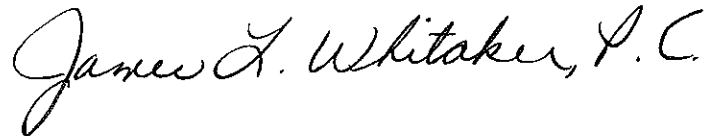
As part of obtaining reasonable assurance about whether City of Austell, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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 two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described as item 2016.002 and 2017.001 in the accompanying schedule of findings and responses.

### **City of Austell, Georgia's Response to Findings**

City of Austell's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Austell's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

A handwritten signature in black ink that reads "James L. Whitaker, P.C." The signature is written in a cursive style with a large, prominent initial 'J'.

Snellville, Georgia  
December 20, 2017

**CITY OF AUSTELL, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**QUESTIONED  
COST**

**2015.001 RECONCILIATION PROCEDURES - REPEAT FINDING**

Condition: The City is currently not timely reconciling the general ledger balances for significant balance sheet items such as receivables for property taxes and stormwater fees.

Criteria: Reconciliation procedures are vital to the safeguarding of the City's assets from errors or fraud. The reconciliation procedures should be performed in a timely manner at the end of each month.

Effect: Errors or fraud could occur and not be detected in a timely manner by employees in the normal performance of their duties.

Cause: Reconciliation procedures over these items have not been implemented into the City's internal control system.

Recommendation: Management should require the reconciliation of all significant balance sheet accounts with a supporting detail listing or other supporting documentation. The reconciliation should be performed in a timely manner at the end of each month.

N/A

View of responsible officials and planned corrective action:

Management agrees with the finding and has implemented reconciliation procedures to reconcile all significant balance sheet accounts in a timely manner at the end of each month.

**2015.003 RECORDING OF EXPENDITURES - REPEAT FINDING**

Condition: Expenditures out of the SPLOST Fund that are mainly for public works and parks purposes, which are coded by corresponding departmental personnel, are being coded to one expenditure account in the SPLOST Fund.

Criteria: Expenditures incurred in the SPLOST Fund should be coded to an expenditure account that corresponds to projects identified on the SPLOST referendum. This allows management to maintain proper expenditure amounts per category which enables management to properly monitor the SPLOST budget.

Effect: During f/y 2016 an adjustment was required to be made by the City's accounting personnel to properly allocate the SPLOST Fund expenditures. The adjustment amounted to approximately \$750,000 in 2016.

Cause: Personnel responsible for coding the SPLOST Fund expenditures have not been properly trained and/or supervised in coding of the invoices.

Recommendation: Personnel responsible for coding the SPLOST Fund expenditure invoices should be properly trained and supervised.

N/A

View of responsible officials and planned corrective action:

Management agrees with the finding. Management will instruct the City's accounting personnel to emphasize the importance of proper coding and to train public works and parks personnel in the proper method of coding SPLOST expenditures.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)**

**Questioned  
Cost**

**2015.005 SANITATION SERVICE GROSS PROFIT - REPEAT FINDING**

**Condition:** The City's sanitation fund had a negative gross profit of approximately \$17,000, \$53,000 and \$63,000 for f/ys 2015 - 2017, respectively. This is the result of the City being charged by the sanitation contractor for more customers than the City is actually billing.

**Criteria:** Proprietary funds, which the sanitation fund is, provide services to the City's citizens and charge the citizens for such services in order for the City to pay for the related operating activities. The goal for proprietary funds is for the fees charged to the citizens pay for the operations of the fund.

**Effect:** The General Fund must subsidize the operations of the Sanitation Fund in the amount of approximately \$90,000 a year.

**Cause:** Sanitation rates may not be sufficient to pay for the total cost to run the operations of the sanitation program. In addition, the number of customer charged by the sanitation contractor exceeds the number of customers billed by the City.

**Recommendation:** Management should review the cost associated with the sanitation operations and adjust the rates charged to its customers to insure a sufficient amount of revenues are generated to pay for the cost of the sanitation program. Additionally, a count of customers served by the contractor should be compared with the City's billing information to determine where differences may exist.

N/A

**View of responsible officials and planned corrective action:**

Management agrees with the finding. Management will perform a review of charges by the contractor and compare it with the customers billed by the City to determine where differences exist. A study of the fee structure charged to customers will also be performed to insure a sufficient amount of revenues are charged to pay for the sanitation program.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)**

**Questioned  
Cost**

**2016.001 OVERSIGHT OF DISBURSEMENTS AND CASH BALANCES - REPEAT FINDING**

**Condition:** There is a lack of proper supervision and training over newly hired accounting personnel responsible for cash disbursements and bank balances.

**Criteria:** City accounting personnel should only pay for properly approved invoices and should not pay the total balance on a vendor's monthly statement. Additionally, accounting personnel should be aware of the City's bank balance at all times so that disbursements will not be made until sufficient funds are available.

**Effect:** As of June 30, 2016 the City had overpaid its water supplier by approximately \$180,000 and the City's operating bank balance was a negative \$117,000 which lead to bank charges for returned checks.

**Cause:** A lack of proper training and supervision over newly hired accounting personnel responsible for cash disbursements and bank balances.

**Recommendation:** Newly hired accounting personnel should be properly trained and supervised.

N/A

**View of responsible officials and planned corrective action:**

Management agrees with the finding. Management will implement stronger controls over its hiring, training and supervision of newly hired accounting personnel which will include a much stronger review of work being performed by newly hired personnel.

**2016.002 AMOUNTS DUE TO SPLOST FUNDS - REPEAT FINDING**

**Condition:** As of June 30, 2016 and 2017 the City is reporting significant balances due to each of the City's three Cobb Co. SPLOST Funds. Some of these balances were created when the City set up three separate bank accounts for each of the funds. Some of the balances consist of refunds due from other funds for items paid by the SPLOST Funds but should have been paid by other funds.

**Criteria:** SPLOST Funds should only pay for items approved by the voters under the appropriate SPLOST referendum.

**Effect:** SPLOST Funds are due refunds for items not properly paid from such funds.

**Cause:** A lack of proper supervision over the use of SPLOST funds.

**Recommendation:** SPLOST transactions should be monitored by experienced accounting personnel on a monthly basis to ensure expenditures from SPLOST funds are proper under the related SPLOST referendum.

N/A

**View of responsible officials and planned corrective action:**

Management agrees with the finding. Management will implement a monthly review process which will include a review of all SPLOST expenditures to ensure such expenditures are proper under the appropriate SPLOST referendum.



**B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)**

**Questioned  
Cost**

**2017.001 BUDGET VARIANCE**

Condition:	The City 's Multiple Grant Fund incurred expenditures that materially exceeded its respective appropriations.	N/A
Criteria:	State of Georgia - Department of Audits has determined that any excess of a department's expenditures over its appropriations is a violation of State law.	
Effect:	The City has violated a State law.	
Cause:	Management did not accurately anticipate the amount of expenditures for the Multiple Grants Fund	
Recommendation:	Management should monitor the City's budget on a monthly basis to determine if a need exists to amend the budget.	

**View of responsible officials and planned corrective action:**

Management agrees with the finding. Management will prepare annual balanced budgets for all governmental fund, including special revenue funds and will monitor all budgets on a monthly basis to insure amendments are made should any be needed.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)**

**Questioned  
Cost**

**2017.002 FAILURE TO BILL SIGNIFICANT CUSTOMER FOR A MONTH**

Condition: The City failed to bill a significant sewer customer for the month of September 2016. N/A

Criteria: All customers should be properly billed on a monthly basis.

Effect: The City failed to bill approximately \$104,000 of sewer fees for the month of September 2016.

Cause: A lack of proper supervision and training of the utility billing personnel.

Recommendation: The City should have a detail schedule of procedures over its utility billing activity that should be completed and signed on a monthly basis by the department's supervisor acknowledging that the billing for the month has been properly performed.

**View of responsible officials and planned corrective action:**

Management agrees with the finding. Management will implement a system of tasks to be performed over the monthly utility billing system which will be included on a schedule of procedures to be performed that must be signed by the utility department's supervisor on a monthly basis.

**2017.003 RECORDING OF ACCOUNTS PAYABLE**

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the City's accounts payable balances as of June 30, 2017. N/A

Criteria: Internal controls should be in place to ensure the financial statements properly present the financial position of the City in accordance with generally accepted accounting principles.

Effect: The misstatement related to the reporting of accounts payable in the water & sewer system where payables for water & sewer purchases amounted to approximately \$135,000.

Cause: Due to the method in which bills are being received from the contractors and being paid by the City, the bills were not properly included in the accounts payable balance.

Recommendation: Management, including accounting supervisors, should review the make-up of accounts payable on a monthly basis to ensure all appropriate invoices, especially significant contractors & suppliers, are properly included.

**View of responsible officials and planned corrective action:**

Management agrees with the finding. Management will implement controls over accounts payable to ensure all items are properly included in the accounts payable balance on a monthly basis.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)**

**Questioned  
Cost**

**2017.004 IMPROVEMENTS NEEDED IN CODING AND BUDGETING EXPENDITURES**

Condition: During our audit we noted several incidents where expenditures were not coded to the proper general ledger account. N/A

Criteria: Expenditures should be recorded in the general ledger account that is entitled and budgeted for such expenditures.

Effect: Expenditure accounts do not properly reflect the items that make-up the balance in the entitled general ledger account. This situation inhibits management's ability to properly budget in future years.

Cause: Departmental personnel responsible for coding of expenditures have not been properly trained and/or supervised over the performance of their duties.

Recommendation: Departmental personnel responsible for coding of expenditures should be properly trained and supervised over the performance of their duties. They should also be informed of the importance of properly coding of expenditures for budget purposes.

View of responsible officials and planned corrective action:  
Management agrees with the finding. Management will provide training to all personnel responsible for budgeting and coding of expenditures. Those responsible for coding will also be supervised by their departmental supervisor who is responsible for the corresponding department's budget.

**2017.005 NEED FOR IMPROVEMENT TO INTERNAL CONTROLS OVER  
FINANCIAL REPORTING / INTERNAL AUDITOR**

Condition: Internal controls over financial reporting are not properly designed and/or implemented into the City's accounting system. N/A

Criteria: Internal controls over financial reporting should be properly designed and implemented into an entity's accounting system that will provide reasonable, but not absolute, assurance that the entity's financial statements are free of material misstatements.

Effect: Errors and fraud occurred without being identified in a timely manner.

Cause: Internal controls over financial reporting are not properly designed, implemented, and/or being performed.

Recommendation: Management should immediately review all of the City's internal controls over its financial reporting system. Improvements to the City's internal controls should be significant and immediate to ensure all of the City's assets are properly safeguarded from loss by accounting errors or from fraud. Internal audit procedures should be implemented into the City's accounting system to ensure controls are being adhered to.

View of responsible officials and planned corrective action:  
Management agrees with the finding. Management will take action to review all of the City's internal controls over its financial reporting and will make the necessary improvements it deems necessary in order to safeguard the City's assets from loss by accounting errors or fraud.

**JAMES L. WHITAKER, P.C.**

Certified Public Accountant  
2295 Henry Clower Blvd., Suite 205  
Snellville, Georgia 30078  
Telephone: 678-205-4438  
Fax: 678-205-4449

Member of  
The American Institute of  
Certified Public Accountants

Member of  
Georgia Society of  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON SPECIAL  
1 PERCENT SALES AND USE TAX**

Honorable Mayor and Members of City Council  
City of Austell, Georgia

We have audited the accompanying Schedules of Special Purpose Local Option Sales Tax as listed in the table of contents for the City of Austell, Georgia for the year ended June 30, 2017. These schedules are the responsibility of the City of Austell's management. Our responsibility is to express an opinion on the Schedules of Special Purpose Local Option Sales Tax 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 Schedules of Special Purpose Local Option Sales Tax are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedules of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedules of Special Purpose Local Option Sales Tax were prepared for the purpose of complying with the Official Code of Georgia Annotated, §48-8-121 on the modified accrual basis of accounting and are not intended to be a complete presentation of City of Austell's revenues and expenditures.

In our opinion, the Schedules of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, and the current and prior year expenditures for each project in City of Austell's resolution or ordinance calling for the tax for the year ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

*James L. Whitaker, P.C.*

Snellville, Georgia  
December 20, 2017

**CITY OF AUSTELL, GEORGIA  
SCHEDULE OF PROJECTS FINANCED  
WITH COBB COUNTY SPECIAL PURPOSE SALES TAX 2005  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>PROJECT</b>	<b>ORIGINAL ESTIMATED COST</b>	<b>EXPENDITURES</b>			<b>ESTIMATED PERCENT COMPLETE</b>
		<b>BEGINNING OF YEAR</b>	<b>CURRENT YEAR</b>	<b>TO DATE</b>	
<b>STREETS:</b>					
Roads, streets, curbs gutters and sidewalks	\$ 2,042,132	\$ 1,448,468	\$ 282,576	\$ 1,731,044	85%
<b>PUBLIC SAFETY:</b>					
Radio system	<u>160,334</u>	<u>156,742</u>	<u>-</u>	<u>156,742</u>	98%
	<u>\$ 2,202,466</u>	<u>\$ 1,605,210</u>	<u>\$ 282,576</u>	<u>\$ 1,887,786</u>	

**CITY OF AUSTELL, GEORGIA  
SCHEDULE OF PROJECTS FINANCED  
WITH COBB COUNTY SPECIAL PURPOSE SALES TAX 2011  
FOR THE YEAR ENDED JUNE 30, 2017**

	ORIGINAL ESTIMATED COST	EXPENDITURES			ESTIMATED PERCENT COMPLETE
		BEGINNING OF YEAR	CURRENT YEAR	TO DATE	
TIER 1 PROJECTS					
TRANSPORTATION -					
Improvements	\$ 2,137,355	\$ 1,497,166	\$ -	\$ 1,497,166	70.05%
Equipment	665,957	888,285	-	888,285	133.38%
PARKS -					
Improvements	968,046	837,674	-	837,674	86.53%
Equipment	200,000	375,078	-	375,078	187.54%
PUBLIC SAFETY -					
Improvements	5,828	-	-	-	0.00%
Equipment	695,000	938,276	164,145	1,102,421	158.62%
 TOTAL TIER 1 PROJECTS	 <u>4,672,186</u>	 <u>4,536,479</u>	 <u>164,145</u>	 <u>4,700,624</u>	
TIER 2 PROJECTS					
TRANSPORTATION -					
Improvements	1,740,000	-	-	-	0.00%
PARKS -					
Other projects	725,000	-	-	-	0.00%
PUBLIC SAFETY -					
Other projects	435,000	-	-	-	0.00%
Fire equipment	60,000	-	-	-	0.00%
 TOTAL TIER 2 PROJECTS	 <u>2,960,000</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	
 TOTAL PROJECTS	 <u>\$ 7,632,186</u>	 <u>\$ 4,536,479</u>	 <u>\$ 164,145</u>	 <u>\$ 4,700,624</u>	

**CITY OF AUSTELL, GEORGIA**  
**SCHEDULE OF PROJECTS FINANCED**  
**WITH COBB COUNTY SPECIAL PURPOSE SALES TAX 2016**  
**FOR THE YEAR ENDED JUNE 30, 2017**

PROJECT	ORIGINAL ESTIMATED COST	EXPENDITURES			ESTIMATED PERCENT COMPLETE
		BEGINNING OF YEAR	CURRENT YEAR	TO DATE	
<b>STREETS:</b>					
Resurfacing	\$ 1,113,486	\$ -	\$ -	\$ -	0%
Roadway striping	211,032	-	-	-	0%
Curb and gutters	42,693	-	-	-	0%
Sidewalks	844,128	-	129,856	129,856	15%
Roadway drainage systems	193,309	-	-	-	0%
Sign replacement and upgrades	126,619	-	-	-	0%
Maintenance equipment	801,922	90,574	91,628	182,202	23%
Public works facility improvements	84,413	-	-	-	0%
Information technology upgrades	168,826	105,125	-	105,125	62%
<b>PARKS PROJECTS:</b>					
Threadmill Complex -					
Roof replacement	450,000	-	383,074	383,074	85%
Other improvements	300,000	-	29,880	29,880	10%
Parks maintenance facility improvements	200,000	47,792	-	47,792	24%
Upgrades to all city parks	431,345	-	4,172	4,172	1%
Park equipment	300,000	-	71,385	71,385	24%
<b>PUBLIC SAFETY:</b>					
2 positrons	125,000	-	41,057	41,057	33%
3 equipped patrol vehicles	222,175	-	-	-	0%
Fire engine	420,000	-	-	-	0%
Public safety radios	250,000	17,797	317,703	335,500	134%
Public safety training facility upgrade	56,912	-	18,397	18,397	32%
	<u>\$ 6,341,860</u>	<u>\$ 261,288</u>	<u>\$ 1,087,152</u>	<u>\$ 1,348,440</u>	

Note -

Expenditures paid with debt issues are not recognized in this schedule until repayment of the debt is made.

**CITY OF AUSTELL, GEORGIA**  
**SCHEDULE OF PROJECTS FINANCED**  
**WITH DOUGLAS COUNTY SPECIAL PURPOSE SALES TAX**  
**FOR THE YEAR ENDED JUNE 30, 2017**

PROJECT	ORIGINAL ESTIMATED COST	EXPENDITURES			ESTIMATED PERCENT COMPLETE
		BEGINNING OF YEAR	CURRENT YEAR	TO DATE	
<b>PARK PROJECTS:</b>					
Park improvements	\$ 522,094	\$ 524,517	\$ 34	\$ 524,551	100%