

City of Savannah, Georgia

Auditor's Discussion & Analysis

Financial & Compliance Audit Summary

December 31, 2018



Presented by:

Miller Edwards, CPA
(800) 277-0050

**MAULDIN
& JENKINS**

Over 450 Governments Served Annually

Lawrenceville Long Boat Key Forest Park Albany
 Stockbridge Thunderbolt Garner Roswell Flovilla Port Wentworth
 Alpharetta Pensacola Fayetteville Plant City
 Vernonburg Kennesaw
 Clover Goose Creek Hinesville
 Bristol Hapeville Doraville Jefferson Peachtree City
 St. Marys Chattahoochee Hills Augusta
 Clayton County Marco Island Villa Rica Naples Monroe
 Grantville
 Loris Milton Tucker College Park Griffin Hollywood
 Cooper City Cedartown Brunswick Wildwood
 Cartersville Suwanee Baldwin
 Sharpsburg Orangeburg Lilburn Powder Springs
 Bloomingdale
 Union Jamestown Charleston Lyons
 City Macon Riverdale Pooler
 Quitman Lake Placid Ft. Meyers Beach
 Fairburn Rome Johns Creek New Bern
 Cochran Ludowici Chapin Blakely Tybee Island
 Beaufort Peachtree Corners Rockmart Bradenton
 Jeffersonville Toccoa Decatur Valdosta Morrow Stonecrest
 Austell Arcadia Clarkston Hallandale Beach
 Conyers Dunwoody Athens Perry Garden City
 Leesburg Summerville Tuscaloosa Haines City
 Chamblee Social Circle Selma South Fulton
 Columbus Pinecrest Crossville Americus
 Crystal River Hardeeville Richmond Hill Brookhaven Savannah
 Ballground Tifton Kingsland
 Milledgeville Braselton Douglasville Covington Islamorada
 Aiken Callaway Cordele Sandy Springs Gum Branch



City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

PURPOSE OF ANNUAL AUDITOR'S DISCUSSION & ANALYSIS

- ◆ Engagement Team and Firm Information:
 - The Governmental Practice
 - Additional Information Regarding Other Industries & Services

- ◆ Overview of:
 - Independent Auditor's Report
 - Review of the Comprehensive Annual Financial Report
 - Overview of the Financial Statements, Footnotes, and Supplementary Information
 - Compliance Reports (Internal Controls and Laws & Regulations)

- ◆ Required Communications under Government Auditing Standards.

- ◆ Accounting Recommendations and Related Matters:
 - Recommendations for Improvement
 - Significant Deficiencies
 - Management Points
 - Other Matters for Communication

- ◆ Free Continuing Education and Newsletters

- ◆ Closing Thoughts

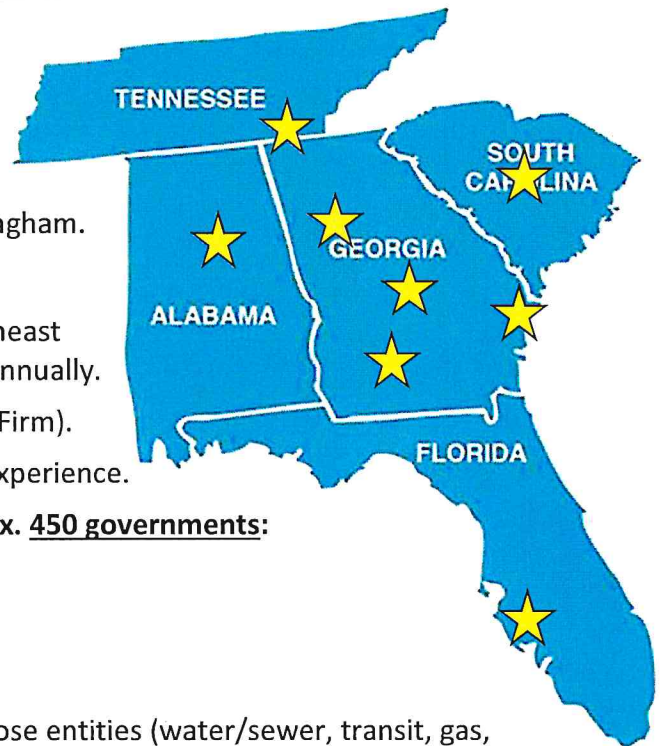
- ◆ Answering Your Questions

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

General Information:

- Founded in ~1918. Approx. 300 personnel. Large regional Southeastern firm.
- Offices in Macon, Atlanta, Albany, Savannah, Bradenton, Chattanooga, Columbia and Birmingham.



Governmental Sector:

- Serve more governmental entities in the Southeast than any other firm with over 100,000 hours annually.
- Largest industry niche served by Firm (28% of Firm).
- Over 100 people with current governmental experience.
- **In past three (3) years, we have served approx. 450 governments:**
 - ✓ 115 cities;
 - ✓ 55 counties;
 - ✓ 55 school systems and 40 charter schools;
 - ✓ 40 state entities;
 - ✓ 45 stand-alone business-type special purpose entities (water/sewer, transit, gas, electric, and airports, etc.);
 - ✓ 105 stand-alone governmental special purpose entities (housing, development, industrial, other educational, health & welfare, retirement, libraries, etc.) and;
 - ✓ 115 governments awarded the GFOA's and/or ASBO's Financial Reporting Certificates.
- Experience performing forensic audit services and information technology consultations.
- Experience performing municipal bond debt issuance attestation services serving approx. 50 clients with over \$11 billion in aggregate publicly issued debt instruments.
- Considered to be in the Top 20 total number of Single Audits conducted in U.S.A.
- Experience auditing a part of the State of Georgia including as much as approx. 30% of the State's General Fund, and a substantial number of the State's component units.

Engagement Team Leaders Include:

- Miller Edwards - Engagement Lead Partner – 33 years experience
- David Irwin - Quality Assurance Partner – 15 years experience
- Trey Scott – Senior Manager – 11 years experience



City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

MAULDIN & JENKINS – ADDITIONAL INFORMATION

Other Industries & Services by Mauldin & Jenkins:

Each of Mauldin & Jenkins' offices provides a wide variety of services to a broad range of clientele. We have partners and managers who are responsible for specialized practice areas of auditing and accounting, taxes and management advisory services. Their purpose, as leaders in the particular practice area, is to establish policies with respect to technical matters in these specific areas and ensure that the quality of the Firm's practice is maintained.

Industries Served: Over the years, our partners have developed expertise in certain industries representative of a cross section of the Georgia economy, including:

- Governmental Entities (state entities, cities, counties, school systems, business type operations, libraries, and other special purpose entities)
- SEC Registrants
- Wholesale Distribution
- Agri-Businesses
- Manufacturing
- Professional Services
- Employee Benefit Plans
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Non-Profit Organizations
- Retail Businesses
- Long-term Healthcare
- Construction & Development
- Individuals, Estates and Trusts
- Real Estate Management

Services Provided: This diversity of practice enables our personnel to experience a wide variety of business, accounting and tax situations. We provide the traditional and not-so-traditional services such as:

- Financial Audit / Review / Compilation
- Compliance Audits & Single Audits
- Agreed-Upon Procedures
- Forensic Audits
- Bond Issuance Services
- Performance Audits
- State Sales Tax Matters
- International Tax Matters
- Business & Strategic Planning
- Profitability Consulting
- Budgeting
- Buy-Sell Agreements & Business Valuation Issues
- Income Tax Planning & Preparation
- Multi-State Income Tax Issues
- Information Systems Consulting
- Cost Accounting Analysis
- Healthcare Cost Reimbursement
- Outsourced Billing Services
- Fixed Asset Inventories
- Succession & Exit Strategy Consulting
- Estate Planning
- Management Information Systems
- Employee Benefit Plan Administration
- Merger / Acquisition & Expansion Financing

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report has specific significance to readers of the financial report.

Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

Auditor's Responsibility

Our responsibility, as external auditors, 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. We planned and performed our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Opinions

We have issued an unmodified audit report (i.e., "clean opinions"). The respective financial statements are considered to present fairly the financial position and results of operations as of and for the year ended.

Emphasis of Matter

The financial statements reflect the implementation of GASB Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*, and our opinions are not modified with respect to this matter.

Other Matters

Certain required supplementary information and other information is included in the financial report, and as directed by relevant auditing standards, we have not expressed an opinion or provided any assurance on the respective information.

Other Reporting

Government Auditing Standards require auditors to issue a report on our consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. We have issued such a report and reference to this report is included in the independent auditor's report.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

General Information About the CAFR

A Comprehensive Annual Financial Report (CAFR) goes beyond the normal financial reporting required by accounting principles generally accepted in the United States. A CAFR includes at a minimum the following elements/sections:

- **Introductory Section:** general information on the City's structure and the services it provides.
 - Letter of Transmittal
 - Organizational Chart
 - Directory of Officials
 - Certificate of Achievement for Excellence in Financial Reporting
- **Financial Section:** basic financial statements, footnotes and required supplementary information along with the auditor's report.
 - Independent Auditor's Report
 - Management Discussion & Analysis (MD&A)
 - Financial Statements and Footnotes
- **Statistical Section:** broad range of financial, demographic information useful in assessing the City's economic condition, and this information covers multiple years.
 - Financial Trends Information
 - Revenue Capacity Information
 - Debt Capacity Information
 - Operating Information

A CAFR goes far beyond the basic requirements of annual financial reporting, and the City should be commended for going beyond the minimum and providing such a report.

Recognition and Award

Once completed, the fiscal year 2017 CAFR was submitted to the Government Finance Officers Association (GFOA) for determination if the report would merit the GFOA's Certificate of Achievement for Excellence in Financial Reporting. We are happy to inform everyone that the GFOA did indeed review the CAFR and awarded the City with the sought after Certificate.

The GFOA Certificate has been made a part of the City's 2018 fiscal year CAFR, and is included in the Introductory Section.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements include three components:

- 1) Government-wide financial statements;
- 2) Fund financial statements; and
- 3) Notes to the financial statements.

The **government-wide financial statements** provide a broad overview of all of the City's funds. The *Statement of Net Position* presents information on all assets (and deferred outflows) and liabilities (and deferred inflows) of the City, with the resulting difference reported as net position. The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. Revenues are categorized as program revenues or general revenues. Expenses are categorized by function.

The **fund financial statements** more closely resemble the financial statements as presented prior to the adoption of GASB Statement No. 34. All of the funds of the City can be divided into three (3) categories: governmental funds (includes the General Fund), business-type funds, and fiduciary funds.

The City also includes, as part of the CAFR, the following information:

- 1) Special Purpose Local Option Sales Tax (SPLOST) Schedules,
- 2) Schedule of Hotel/Motel Tax, and
- 3) Schedule of Revenues, Expenditures/Expenses – Rental Motor Vehicle Tax.

Government-Wide (Full-Accrual) Financial Statements

As noted above, the financial report of the City includes two (2) entity-wide financial statements: a *Statement of Net Position*; and a *Statement of Activities*. Highlights of the government-wide statements notes total assets (and deferred outflows of resources) of approximately \$1.8 billion offset by liabilities (and deferred inflows of resources) of approximately \$416.5 million. This results in the Government reported net position (or equity) of approximately \$1.4 billion. Also, a substantial element of the net position is composed of the net investment in capital assets in the approximate amount of \$1 billion. Restricted net position amounts to approximately \$237 million leaving unrestricted net position at \$165 million. The *Statement of Activities* attempts to report expenses in the first column with direct offsetting program revenues to the adjacent columns to arrive a net cost of the functional areas of operation. General revenues (primarily property taxes and sales taxes) come to the rescue of the net cost functional areas resulting in the Government reporting a change in net position of approximately \$148 million for the year ended December 31, 2018.

City of Savannah, Georgia

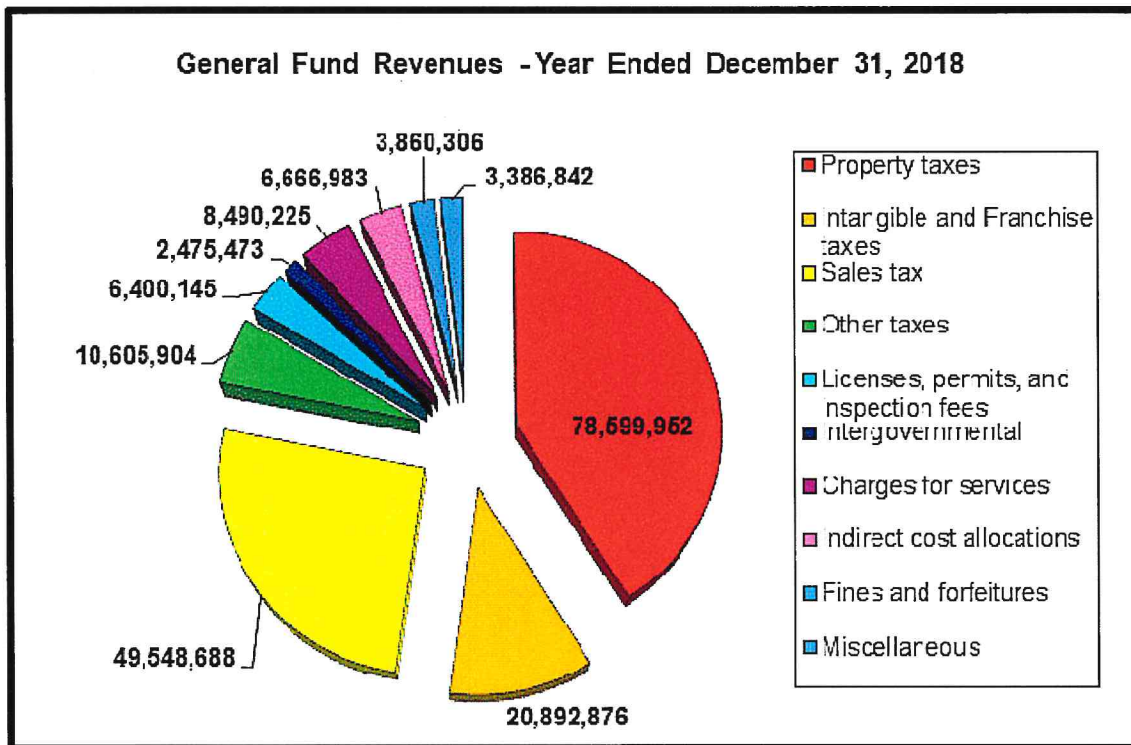
Auditor's Discussion & Analysis (AD&A)

December 31, 2018

General Fund

Of primary interest to the City is the **General Fund**, which accounts for the majority of revenues received and funds expended in the operations of the City, including general government activities, tax assessment and collection, courts and law enforcement, public safety, transportation and development, planning and zoning, libraries, parks and recreation, and health and welfare.

General Fund Revenues: The following chart depicts the primary revenue sources of the General Fund for the year ended December 31, 2018. Property taxes represent a key component of revenue.

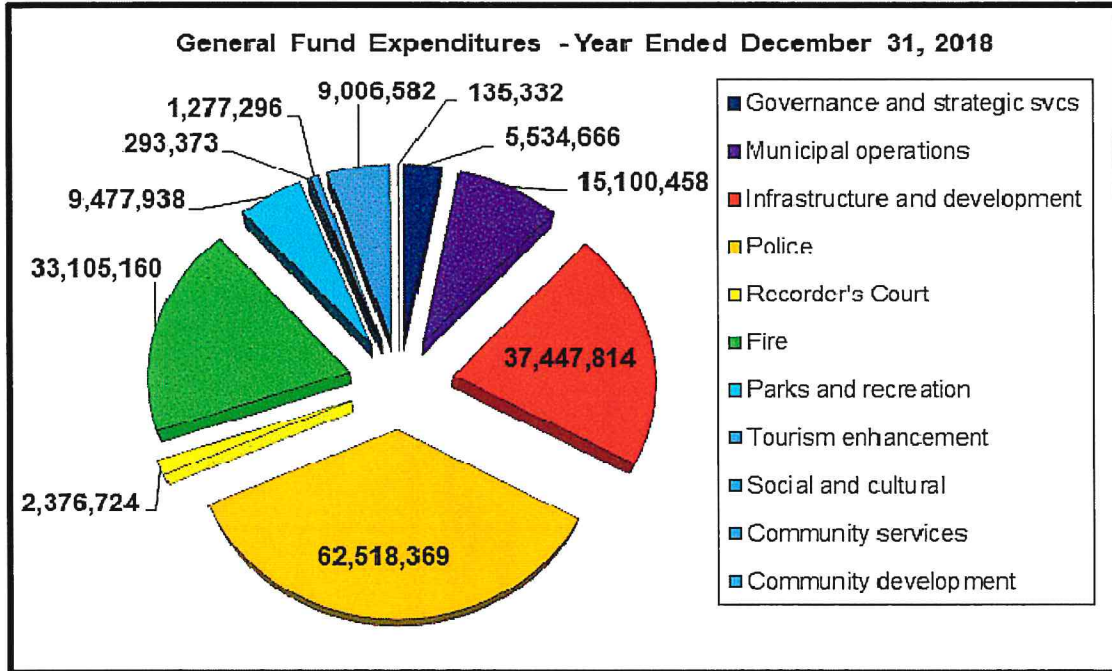


City of Savannah, Georgia

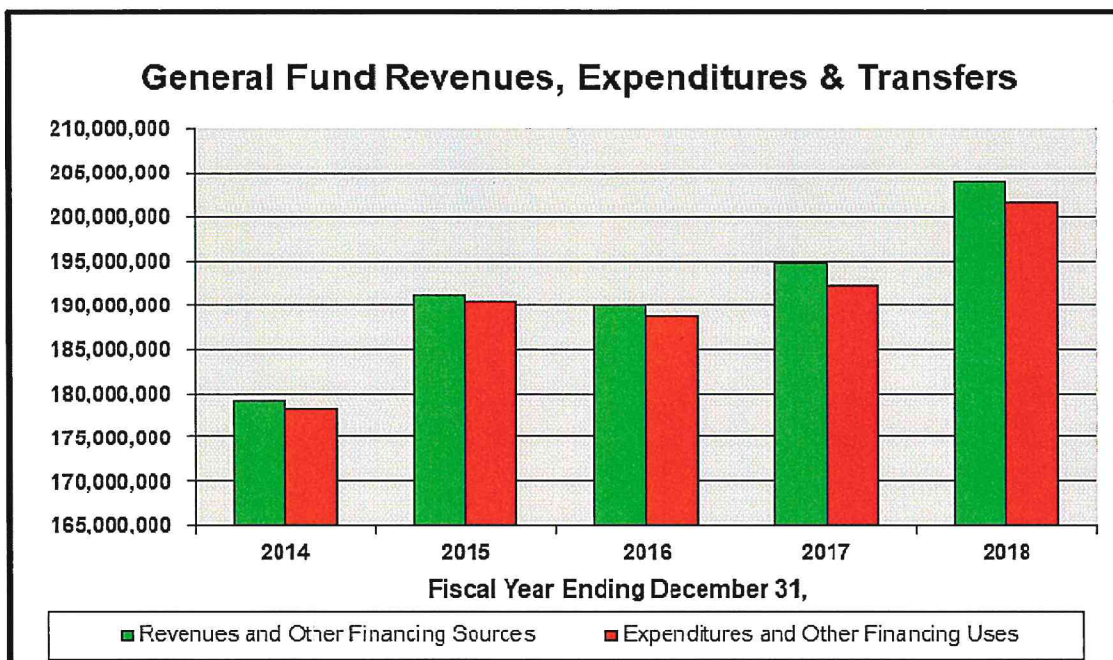
Auditor's Discussion & Analysis (AD&A)

December 31, 2018

General Fund Expenditures: The following chart presents the General Fund's expenditures by major function for the year ended December 31, 2018.



The following chart demonstrates General Fund revenues versus expenditures for a five (5) year period.

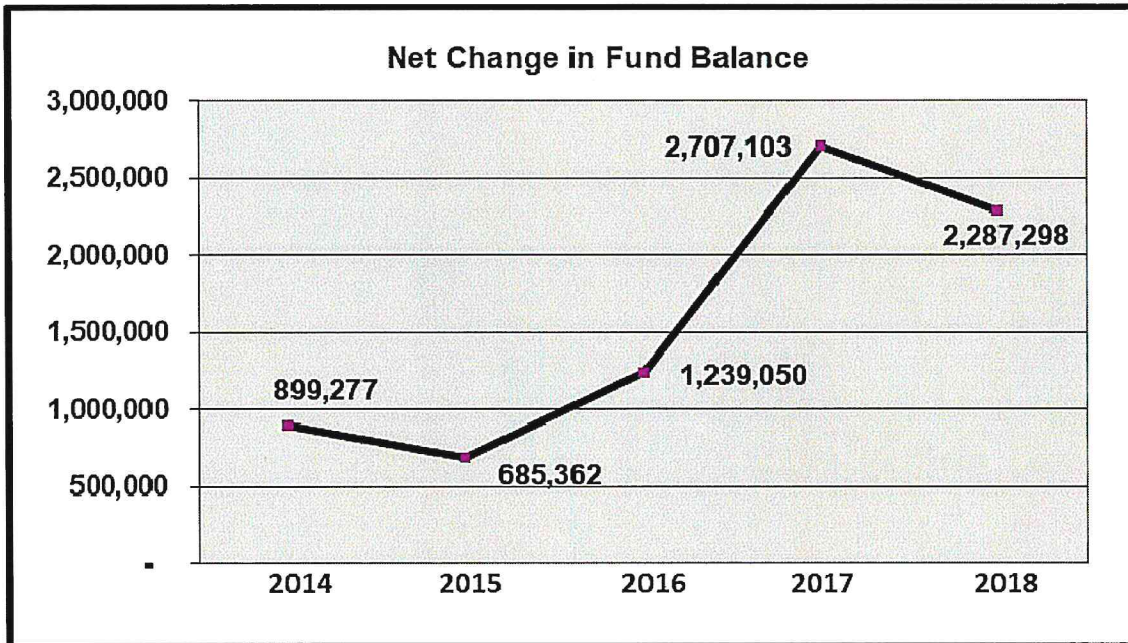


City of Savannah, Georgia

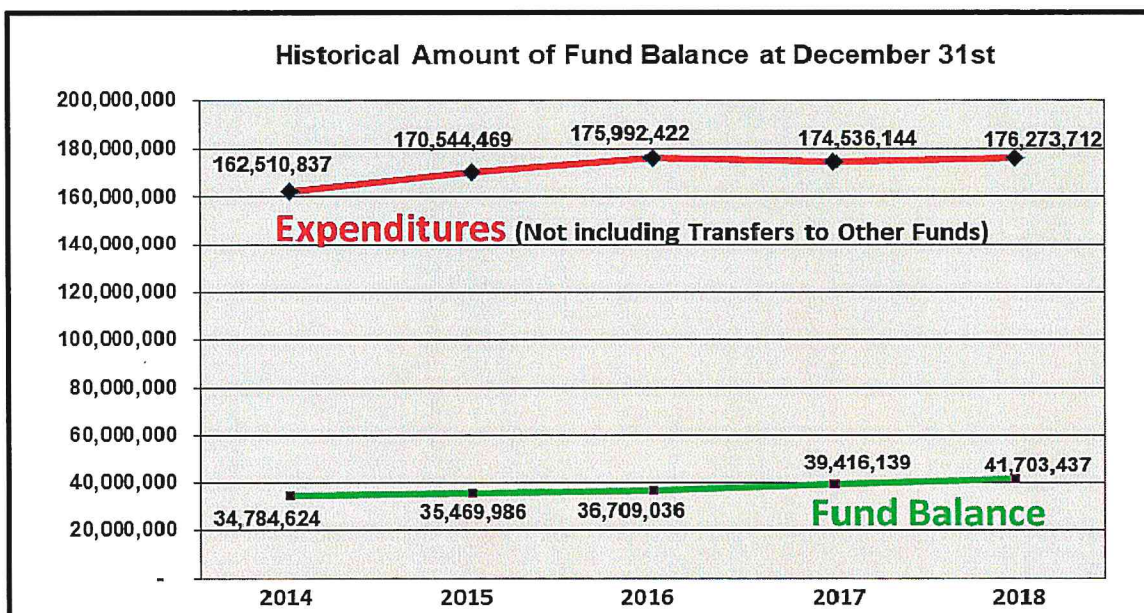
Auditor's Discussion & Analysis (AD&A)

December 31, 2018

The following chart present the annual net change in fund balance of the General Fund for the past five (5) fiscal years. All years presented have resulted in a positive change (increased) fund balance.



The following graph reflects the overall financial strength of the City's General Fund as of each year ended December 31st for a five (5) year period. The wider the gap between expenditures and the fund balance, the less leverage the City has each year as it enters a new fiscal year.



City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

As of December 31, 2018, the City reflected a fund balance that is available to cover approximately 75 days. This means that cash flows are very tight at the beginning of the new fiscal year, and the City must delay the possibility of incurring certain costs and investing in itself until later in the fiscal year.

In observation of the above chart, the relationship of year-end fund balance as compared to each year's expenditures should be further considered. The following is the relative percentage of fund balance as compared to annual expenditures for each of the past five (5) years:

- 2014 = 21.4%
- 2015 = 20.8%
- 2016 = 20.9%
- 2017 = 22.6%
- 2018 = 23.7%

The percentages noted above are indicative of the City's ability to be proactive with its initiatives and general operations, and also its ability to proceed into the new fiscal year with or without certain seasonal revenue streams. Of course, it is of great importance to further reflect that fund balance does not always equate to cash and investments. Fund balance is simply the difference in all assets (and deferred outflows) and all liabilities (and deferred inflows). Cash and investments are simply a component of this equation.

Other Governmental Funds

The City also maintains eleven (11) *special revenue funds*. These funds account for revenues derived from specific sources which are legally restricted to finance particular functions or activities. *Debt service funds* are used to account for the accumulation of resources for payment of the City's long-term debt. The City maintains two (2) debt service funds. *Capital projects funds* are used to account for revenues and expenditures related to the renovation and/or construction of major capital assets. Seven (7) capital projects funds are maintained by the City. The City maintains one (1) *permanent fund* which is used to account for the activity of the Cemetery.

Business-Type Funds

The City maintains six (6) *enterprise funds*, which are used to account for operations in a manner similar to private business enterprises. The enterprise funds maintained are the Water and Sewer Fund, the Sanitation Fund, the Parking Services Fund, the Civic Center Fund, the Golf Course Fund, and the Resource and Recovery Fund.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

The City also maintains two (2) *internal service funds* which are used to account for various programs and services for the benefit of the other funds of the City. The internal service funds maintained are the Revolving Fund and the Risk Management Fund.

Business-Type Statement of Net Position

Assets: The City's assets recognized an increase during the year ended December 31, 2018. Assets increased approximately \$129 million or 20.4% from approximately \$631 million to \$760 million. This majority of this increase can be attributed to the increase in capital assets.

Liabilities: The City's liabilities increased during the year ended December 31, 2018. Total liabilities went from approximately \$159 million to \$203 million. The increase is primarily attributed to new debt issued by the City during 2018.

Net Position: The City's equity position increased from approximately \$471 million to \$558 million. This increase is reconciled on the City's "Statement of Revenues, Expenses and Changes in Fund Net Position". It should be noted that a very large portion of the City's net position is its net investment in capital assets. While the City is reflecting approximately \$558 million in net position (or equity), only \$163 million is unrestricted and considered available for operations. In the end, the statement of net position reflects the fact that the City has invested heavily in itself over the history of the organization.

Business-Type Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues of the City increased from approximately \$117 million to \$120 million. This represents growth of 2.6% vs. prior year's growth of 3.5%. Total operating expenses of the City decreased from approximately \$100 million to \$93 million. This represents a decrease of 7.5% vs. prior year's growth of 4.2%. The effect of the increased revenues and decreased expenses resulted in an increase in operating income of approximately \$10 million (or 58.8%) and ending at approximately \$27 million.

Non-operating income (expense) reflects increased investment income and reduced interest expense. During the current year, the City reported net non-operating revenue of approximately \$800,000 as compared to a net non-operating expense in the prior year of \$400,000.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

Business-Type Statement of Cash Flows

The statement of cash flows is a very important statement for any enterprise, and the City is no different.

The “cash flows from operating activities” is the most important element in the statement of cash flows, because it should be the operations of an entity that provides a substantial portion of the capital needed in a growth environment. This section of the statement begins with operating income (not net income as you see in the commercial sector) as reported in the statement of operations.

The City has very good cash flows from operations. This has been true for the past several years. Such **operating cash flows amounted to approximately \$35 million** for the year ended December 31, 2018. The City had approximately \$49 million in operating cash flows for the prior year. Additionally, this section of the statement recognizes the fact that depreciation expense of approximately \$20 million is a non-cash flow item.

Further, the operating cash flows were used to fund certain significant capital and related financing activities:

- The City purchased capital assets in the amount of approximately \$46 million.
- The City received proceeds from bond and note issuances in the amount of approximately \$55 million while paying principal and interest of approximately \$8 million.
- The City received contributed capital assets in the approximate amount of \$53 million.

In conclusion, the City reflects an increase in cash and cash equivalents in the approximate amount of \$46 million to a balance of approximately \$237 million at December 31, 2018.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

Fiduciary Funds

The City maintains two (2) *pension trust funds* and one (1) *OPEB trust fund*, which accounts for the activities of the employees' pension plan and other postemployment benefits. The two (2) pension trust funds maintained are the Pension Trust Fund and the Old Pension Trust Fund.

The City also maintains the following two (2) *agency funds* – Recorder's Court and Flexible Benefits – which are used to account for the collection and disbursement of funds by the City on behalf of other governments and individuals.

Footnotes

Note 1 – Accounting Policies: This footnote discusses the overall organization of the City, the nature of its operations, and the fact that it was incorporated in 1789. This note also discloses pertinent information regarding the governing body of the City.

This footnote continues by sharing with a reader of the financial statements the significant accounting policies and principles utilized in the preparation of the financial statements.

Note 2 – Reconciliation of Government-wide Financial Statements and Fund Financial Statements: This footnote provides additional detailed information that is not already shown within the financial statements themselves, on the differences between the Government's fund level financial statements and its government-wide financial statements.

Note 3 – Deposits and Investments: The Governmental Accounting Standards Board (GASB) issued Statement No. 40, Deposit and Investment Risk Disclosure, an amendment of GASB Statement No. 3, and GASB Statement No. 72, Fair Value Measurement and Application which significantly changed the disclosure in the financial statements of the City related to deposits and investments. The disclosure addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, foreign currency risk and fair value measurement of investments.

This footnote reflects the fact that the City maintained substantial amounts in Georgia Fund 1 which is managed by the State of Georgia's Office of the State Treasurer.

Note 4 – Pension Plans: This footnote discloses the details of the City's Pension Plans.

Note 5 – Capital Assets: This footnote discloses the City's capital asset activity and its related accumulated depreciation for the year.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

Note 6 – Long-Term Liabilities: This footnote discloses the City's long-term debt activity for the year, and other information and maturities for the revenue bonds and installment notes.

Note 7 – Landfill Closure and Post Closure Care Costs: This footnote discloses the amounts and activity related to the City's landfill.

Note 8 – Other Post Employment Benefit Plan: This footnote discloses information regarding the City of Savannah Employee Benefit Plan.

Note 9 – Risk Management: This footnote discloses the City's various risks of loss.

Note 10 – Interfund Receivables, Payables, and Transfers: This footnote discloses detailed information on the City's interfund balances and transfers and the purpose of these balances and transactions.

Note 11 – Receivable and Payable Balances: This note discloses the details of the various receivables (taxes, due from other governments, and miscellaneous) and payables (due to vendors and accrued payroll taxes/liabilities) of the City.

Note 12 – Fund Equity and Fund Balance Classifications: This note discloses the details of the various restricted and committed fund balances of the City's governmental funds.

Note 13 – Property Taxes: This footnote discloses the City's property tax calendar.

Notes 14 – Contingent liabilities: This footnote discloses the outstanding commitments and contingencies of the City. Certain matters disclosed in this footnote include: litigation; environmental remediation; and grants.

Note 15 – Tax Abatements: This footnote discloses information on the City's agreements which include the abatement of property taxes.

Note 16 – Subsequent Events: This footnote discloses the fact that the City issued bonds subsequent to the reporting date and prior to the date of the independent auditor's report.

Note 17 – Change in Accounting Principle: This footnote discloses the fact that City changed the measurement date for the pension plans to 12/31/17 and the financial statement impact of this change.

Note 18 – Restatement: This footnote discloses the adjustments made for implementation of GASB Statement No. 75, Accounting and Reporting for Postemployment Benefits Other than Pensions.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

COMPLIANCE REPORTS

The financial report package contains two (2) compliance reports.

Yellow Book Report: The first compliance report is a report on our tests of the City's internal controls and compliance with laws, regulations, etc. The tests of internal controls were those we determined to be required as a basis for designing our financial statement auditing procedures. Such tests also considered the City's 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. In accordance with the respective standards, the report is **not** intended to provide an opinion, but to provide a form of negative assurance as to the City's internal controls and compliance with applicable rules and regulations.

Single Audit Report: The second compliance report is a report on our tests of the City's internal controls and compliance with laws, regulations, etc. relative to certain Federal grant programs and the respective expenditures. Our tests were performed on the City's major programs (as defined by the relevant Federal guidelines), and were not applied to each and every Federal grant expended by the Government. In accordance with the respective standards, we did provide an unmodified (or positive) opinion on the City's compliance based on our audit. However, we were not required to provide an opinion on the relevant internal controls, but to provide a form of negative assurance on such controls.



City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

REQUIRED COMMUNICATIONS

**The Auditor's Responsibility Under *Government Auditing Standards*
and Auditing Standards Generally Accepted in the United States of America**

Our audit of the financial statements of the City of Savannah, Georgia (the "City") for the year ended December 31, 2018 was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the City's internal control or compliance with laws and regulations.

Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. There are several new accounting standards which will be required to be implemented in the coming years. These are discussed later in this document.

In considering the qualitative aspects of the City's accounting policies, we did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. The City's policies relative to the timing of recording of transactions are consistent with GAAP and typical government organizations.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We considered this information and the qualitative aspects of management's calculations in evaluating the City's significant accounting policies. Estimates significant to the financial statements include such items as: the estimated lives of depreciable assets; actuarial assumptions and concepts relative to the benefit plans; deferred revenues; valuation of financial and non-financial instruments; the estimated incurred-but-not-reported liabilities; conservation commitments; extraordinary items; and the estimated allowance for uncollectible accounts.

Financial Statement Disclosures

The footnote disclosures to the financial statements are also an integral part of the financial statements. The process used by management to accumulate the information included in the disclosures was the same process used in accumulating the financial statements, and the accounting policies described above are included in those disclosures. The overall neutrality, consistency, and clarity of the disclosures was considered as part of our audit and in forming our opinion on the financial statements.

Significant Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Representation from Management

We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

Management's Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements. We are not aware of any consultations management had with us or other accountants about accounting or auditing matters. No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Audit Adjustments

During our audit of the City's basic financial statements as of and for the year ended December 31, 2018, there were three audit adjustments provided to us by management and none proposed by us, to the funds of the City.

Uncorrected Misstatements

We had no passed adjustments.

Independence

We are independent of the City and all related organizations, in accordance with auditing standards promulgated by the American Institute of Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the City.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

ACCOUNTING RECOMMENDATIONS AND RELATED MATTERS

Recommendations for Improvement and Other Matters

During our audit of the financial statements as of and for the year ended December 31, 2018, we noted some areas within the accounting and internal control systems that we believe can be improved. We have three findings (significant deficiencies). Additionally, we noted certain items management should consider as part of its decision making process. Further, we noted other matters which we wish to communicate to you in an effort to keep the City abreast of accounting matters that could present challenges in financial reporting in future periods. Our recommendations and proactive thoughts and communications are presented in the following paragraphs.

Items Cited in the Government's Financial Statements as Significant Deficiencies

1) Recorder's Court Citations

Tests of transactions in the prior year detected several citations that were not recorded to the correct jurisdiction in the case management system. It was noted that Recorder's Court is coding some citations to a particular jurisdiction based upon the issuing agency rather than the physical location of the violation. Upon discussion with management, this issue has not yet been resolved. The Court is responsible for the proper processing of citations and proper distribution of funds to the agencies (City and County). We recommend that the Court develop internal written policies and procedures to provide clarity and consistency in the daily operations of the Court. The policies and procedures should address the risk of coding a citation to the incorrect agency. We also suggest that a formal risk assessment of the Court's various functions be performed and internal controls established to reduce any risk to an acceptable level to determine where loss of revenue could occur.

2) Probation Services Monitoring

It was noted in the prior year that several cases turned over to the probation services provider had inadequate payments over multiple months. The Recorder's Court is not monitoring cases turned over to the probation services provider for collection. Upon discussion with management, this issue has not yet been resolved. The Court is responsible for the monitoring of the collection of citations and proper distribution of funds to the agencies (City and County). We recommend that the Court develop internal written policies and procedures to provide clarity and consistency in the daily operations of the Court. The policies and procedures should provide for monitoring of the probation services contractor and the adequacy of probation payments received. We also suggest that the City or Court perform an annual review of the third party provider's internal control structure to ensure that the third party service provider has internal controls that are effective.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

3) Recorder's Court Bank Reconciliations

On August 1, 2017, Recorders Court began operations on the Odyssey case management and finance system. We noted that bank reconciliations had not been completed at the beginning of field work. In addition, we were not able to run daily receipt reports that would agree with deposits on the bank statement. Subsequently, a bank reconciliation was prepared using the manual records maintained by the Court and agreed to the bank statement but the reconciliation does not agree with the Odyssey financial records. Bank reconciliations should agree to the official books and records of the Court which is the Odyssey system. We recommend Court personnel receive training on the proper posting of transactions to the accounting system and reconciliations prepared in a timely manner. Also, differences between the reconciliation and accounting system should be investigated and corrections made.

Recommendation for Improvement (Management Point)

1) Accounts Payable Cutoff

During our testing of accounts payable, we noted the City has a cutoff date for payables of two months subsequent to year end. This is a short period for the City considering their project activity cycles and the timing of receipt of some large invoices. As such, we recommend the City extend this period to ensure all invoices are received and accrued in the proper period.

Other Matters for Communication to the Board and Management

1) New Governmental Accounting Standards Board (GASB) Standards



As has been the case for the past 10 years, GASB has issued several other new pronouncements which will be effective in future years. The following is a brief summary of the new standards:

- a) **Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*** was issued in June of 2015, and is effective for financial statements for periods beginning after June 15, 2017 resulting in the City's fiscal year ending December 31, 2018. **The City implemented this standard as of January 1, 2018 and such information is reflected in the City's financial report for the fiscal years ended December 31, 2018.** This statement could easily be described as the GASB No. 68 for postemployment benefit plans due to the fact that it will closely follow the provisions of GASB No. 68 for pension plans.

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable;
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms;
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

The requirements of this statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

- b) **Statement No. 83, *Certain Asset Retirement Obligations*** was issued in November 2016, and is effective for the first reporting period beginning after June 15, 2018. An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Timing could be based on the occurrence of external laws, regulations, contracts or court judgments. Examples include the closure of a nuclear reactor or a sewage treatment facility. This statement addresses the financial reporting and accounting as well as the respective disclosures relative to ARO's.
- c) **Statement No. 84, *Fiduciary Activities*** was issued in January 2017 and is effective for the first reporting period beginning after December 15, 2018. This statement establishes criteria for identifying fiduciary activities with a focus on: 1) whether a government is controlling the assets of the fiduciary activity; and, 2) the beneficiaries with whom a fiduciary relationship exists.

Further, this statement describes four (4) fiduciary funds that should be reported, if applicable: 1) pension and other employee benefit trust funds; 2) investment trust funds; 3) private-purpose trust funds; and, 4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

- d) **Statement No. 86, *Certain Debt Extinguishment Issues*** was issued in May 2017 and is effective for the first reporting period beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed into an irrevocable trust for the sole purpose of extinguishing debt. This Statement also addresses prepaid insurance on debt that is extinguished and the notes to financial statements for debt that is in-substance defeased.
- e) **Statement No. 87, *Leases*** was issued in June 2017 and is effective for the first reporting period beginning after December 15, 2019. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that a lease is the financing of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease: A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Lease Term: The lease term is defined as the period during which a lessee has a non-cancelable right to use an underlying asset, plus the following periods, if applicable:

- Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option;
- Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option;
- Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option;
- Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised. Lessees and lessors should reassess the lease term only if one or more of the following occur:

- The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option;
- The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option;

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

- An event specified in the lease contract that requires an extension or termination of the lease takes place.

Short-Term Leases: A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Lessee Accounting: A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Lessor Accounting: A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

Contracts with Multiple Components and Contract Combinations: Generally, a government should account for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

Lease Modifications and Terminations: An *amendment* to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by re-measuring the lease liability and adjusting the related lease asset by a lessee and re-measuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

Subleases and Leaseback Transactions: Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

- f) **Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*** was issued in March 2018 and is effective for reporting periods beginning after June 15, 2018 (meaning December 31, 2019). This standard defines debt for disclosure purposes and adds disclosures related to debt (it does not reduce any previously required disclosures).

Under Statement 88, debt for disclosure purposes is defined as a liability that arises from a contractual obligation to pay cash (or other assets) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This would include, but is not limited to:

- Direct Borrowings: Entering into a loan agreement with a lender.
- Direct Placements: Issuing a debt security directly to an investor.

This excludes leases (except for contracts reported as a financed purchase) and accounts payable.

In addition to other disclosures related to debt, the notes to the financial statements should include:

- The amount of any unused lines of credit.
- Assets pledged as collateral for debt.
- Terms specified in the debt agreement related to significant:
 - Events of default with finance-related consequences
 - Termination events with finance-related consequences
 - Subjective acceleration clauses
- Debt disclosures should separate information regarding direct borrowings and direct placements from other debt.

- g) **Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*** was issued in June 2018 and is effective for reporting periods beginning after December 15, 2019 (meaning December 31, 2020). This standard eliminates the requirement/ability to capitalize construction period interest costs as part of the cost of a capital asset in enterprise funds. This standard should be applied prospectively with no restatement. This standard can be early implemented as part of fiscal year 2019.

- h) **Statement 90, *Majority Equity Interests – An Amendment of GASB's No. 14 and 61*** was issued in August 2018, and is effective for reporting periods beginning after December 15, 2018 (meaning December 31, 2019). Under this standard, an equity interest is: a) a financial interest in a legally separate organization by the ownership shares of the organization's stock; or b) by otherwise having an explicit, measurable right to the net

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if: a) the government has a present or future claim to the net resources of the entity, and b) the method for measuring the government's share of the entity's net resources is determinable.

If the interest is deemed to be an investment under GASB No. 72, paragraph 64, then the interest should be reported as an investment and measured using the equity method. If the interest is held by a special-purpose government engaged in fiduciary activities, a fiduciary fund, or an endowment or permanent fund, then the amount should be measured at fair value. If interest is 100% of entity, then it is a component unit. We do not expect this new standard to have a significant effect on the City.

- i) **Other Pending or Current GASB Projects.** As noted by the numerous pronouncements issued by GASB over the past decade, the GASB continues to research various projects of interest to governmental units. Subjects of note include:
- **Re-Examination of the Financial Reporting Model.** GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability. GASB anticipates issuing an initial due process document on this project by the end of 2018 with a final standard expected in early 2022.
 - **Conceptual Framework** is a constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense things such as supplies and prepaid assets at acquisition. Will look into which balances (at all statement levels) are measured at acquisition and which need to be re-measured at year-end. Final standard is expected in 2021.
 - **Revenue and Expense Recognition** is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions. The final standard is expected in 2023.
 - **Conduit Debt.** The GASB is looking at improving the definition of conduit debt and determining whether a liability should be reported for these transactions. Additionally, they are reviewing what information should be disclosed by government issuers. Final standard is expected in mid-2019.

City of Savannah, Georgia

Auditor's Discussion & Analysis (AD&A)

December 31, 2018

Summations of Thoughts Noted Above

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures.



City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

FREE QUARTERLY CONTINUING EDUCATION
AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

Free Continuing Education. We provide free continuing education (quarterly is the goal and objective) for all of our governmental clients. Each quarter we pick a couple of significant topics tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking among our governmental clients. We normally see approximately 100 people per quarter. We obtain the input and services of experienced outside speakers along with providing the instruction utilizing our in-house professionals. We hope City staff and officials have been able to participate in this opportunity, and that it has been beneficial to you. Examples of subjects addressed in the past few quarters include:

"I've been a CPA for 32 years. Today's CPE class by Mauldin & Jenkins has been the best of my career". Terry Nall, CPA, City of Dunwoody (GA) Council Member

"They are always on top of new accounting pronouncements and provide training well before implementation deadlines. This is a very valuable resource for our organization". Laurie Puckett, CPA, CPFO, Gwinnett County (GA), Accounting Director



Examples of subjects addressed in past quarters include:

- Accounting for Debt Issuances
- American Recovery & Reinvestment Act (ARRA) Updates
- Best Budgeting Practices, Policies and Processes
- Budget Preparation
- CAFR Preparation (several times including a two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Closing Out and Audit Preparation
- Collateralization of Deposits and Investments
- Evaluating Financial and Non-Financial Health of a Local Government
- GASB No. 51, Intangible Assets
- GASB No. 54, Governmental Fund Balance (subject addressed twice)
- GASB No. 60, Service Concession Arrangements (webcast)
- GASB No. 61, the Financial Reporting Entity (webcast)
- GASB No.'s 63 & 65, Deferred Inflows and Outflows (webcast)
- GASB No.'s 67 & 68, New Pension Standards (presented several occasions)
- GASB No. 72, Fair Value Measurement and Application
- GASB No. 74 & 75, New OPEB Standards

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

- GASB No. 77, Tax Abatement Disclosures
- GASB No. 87, Leases
- GASB Updates (ongoing and several sessions)
- Grant Accounting Processes and Controls
- Information Technology (IT) Risk Management
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- Internal Revenue Service (IRS) Compliance Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances & Disclosure Requirements
- Policies and Procedures Manuals
- Presenting Financial Information to Non-Financial People
- Segregation of Duties
- Single Audits for Auditees
- SPLOST Accounting, Reporting & Compliance
- Uniform Grant Reporting Requirements and the New Single Audit



Governmental Newsletters. We periodically produce newsletters tailored to meet the needs of governments. The newsletters have addressed a variety of subjects and are intended to be timely in their subject matter. The newsletters are authored by Mauldin & Jenkins partners and managers, and are not purchased from an outside agency. The newsletters are intended to keep you informed of current developments in the government finance environment.

In the past several years, the following topics have been addressed in our monthly newsletters:

- American Recovery & Reinvestment Act (ARRA) Information and Issues
- Are Your Government's Funds Secure?
- Capitalization of Interest
- Changes in FDIC Deposit Insurance Coverage
- Changes on the Horizon for OMB Circular A-133
- Cybersecurity Awareness
- Deposit Collateralization
- Employee vs Independent Contractor
- Escheat Laws on Unclaimed Property
- Federal Funding and Accountability Transparency Act
- Forensic Audit or Financial Audit?
- Form PT 440
- GASB Invitation to Comment – the New Financial Reporting Model
- GASB No. 54, Governmental Fund Balance

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

- GASB No. 54, Governmental Fund Balance Note Disclosure Requirements
- GASB No. 60, Service Concession Arrangements
- GASB No. 67, New Pension Standard
- GASB No.'s 63 & 65, Deferred Inflows & Outflows
- GASB No. 68 Allocations
- GASB No. 72, Fair Value, It is Not Totally About Disclosure
- GASB No.'s 74 & 75, Other Post-Employment Benefits (OPEB)
- GASB No. 77, Abatements – Go Viral with GASB 77
- GASB No. 87, Leases
- GASB No. 89, Accounting for Interest Cost Incurred Before the End of Construction
- IRS Delays Implementation of 3% Withholding on Payments for Goods and Services
- OMB A-133 Compliance Supplements
- OMB Revisions to A-133
- OPEB, What You Need to Know
- Public Funds and Secure Deposit Program
- Re-Examination of the GASB 34 Reporting Model
- Rotating or Not Rotating Auditors
- Property Tax Assessments
- Refunding Debt
- Sales & Use Taxes on Retail Sales of Jet Fuel
- Sales Tax Collections and Remittances by the State
- SAS Clarity Standards and Group Audits
- Single Audit, including Uniform Guidance (several)
- Social Security Administration (SSA) Incentive Payments
- Special Purpose Local Option Sales Taxes (SPLOST) Expenditures
- Supplemental Social Security for Inmates
- The New Tax Cuts and Jobs Act – Impact on Bond Refunding
- The Return of the Component Unit – GASB 61
- Uniform Guidance & New Procurement Requirements
- What's Happening with Property Tax Assessments

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpa.com (send corresponding copy to medwards@mjcpa.com), and provide individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.

City of Savannah, Georgia
Auditor's Discussion & Analysis (AD&A)
December 31, 2018

CLOSING

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures. If you have any questions regarding any comments, suggestions or recommendations set forth in this memorandum, we will be pleased to discuss it with you at your convenience.

This information is intended solely for the use of the City's management, and others within the City's organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve the City of Savannah, Georgia and look forward to serving the City in the future. Thank you.

