



GWINNETT COUNTY  
**BOARD OF COMMISSIONERS**

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Charlotte J. Nash, Chairman

Jace W. Brooks, District 1

Ben Ku, District 2

Tommy Hunter, District 3

Marlene M. Fosque, District 4

Official

## **Informal Briefing Minutes**

Tuesday, August 18, 2020 – 10:30 AM

Present: Charlotte J. Nash, Jace Brooks

Via teleconference: Ben Ku, Tommy Hunter

Absent: Marlene M. Fosque

### **1. Financial Services**

Annual Audit Report with External Auditor

Meredith Lipson of Mauldin & Jenkins presented the 2019 Audit Report results for Gwinnett County Government. No official action taken.



# Presentation of 2019 Audit Results

Gwinnett County, Georgia  
August 18, 2020



# Agenda

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- Engagement Team
- Results of the 2019 Audit
- Financial Trends
- Comments, Recommendations, and Other Issues
- Questions



# Engagement Team

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- **Mauldin & Jenkins, LLC**
  - Founded in 1918 – **serving clients for 100 years!**
  - Large regional firm serving the Southeastern United States.
  - Offices located in Macon, Atlanta, Albany, Savannah, Bradenton, FL, Chattanooga, TN, Columbia, SC and Birmingham, AL employing approximately 400 personnel.
  - In addition to our governmental practice, we have large banking, healthcare, not-for-profit, benefit plan and tax practices.
- **Mauldin & Jenkins, LLC; Governmental Sector**
  - Largest specific industry niche served by the Firm representing 25% of Firm practice.
  - Serve more governmental entities in Georgia than any other certified public accounting firm requiring over 85,000 hours of service on an annual basis.
  - Approximately 100 professional staff persons with current governmental experience.
  - Current auditor for almost 400 total governments in the Southeast, including approximately:
    - 50 counties (including 8 of the 10 largest)
    - 110 cities (including 9 of 10 largest cities in Georgia);
    - 55 school systems (including 9 of the 10 largest in Georgia);
    - 40 state entities; and,
    - 100 special purpose entities (stand-alone business type entities, libraries, etc).
- **Engagement Team leaders for Gwinnett County**
  - Meredith Lipson, Engagement Partner
  - Doug Moses, Quality Review Partner



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# Results of 2019 Audit

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and Government Auditing Standards (GAS)
  - Our audit was performed in accordance with GAAS and GAS.
  - We considered the internal control structure for the purpose of expressing our opinion on the County’s basic financial statements and not for the purpose of providing assurance on the internal control structure.
  - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free from material misstatement.
  - The basic financial statements are the responsibility of the County’s management.
  
- Report on 2019 Basic Financial Statements
  - Unmodified (“clean”) opinion on basic financial statements.
  - Includes the audit of the County’s component units (except the Board of Health).
  - Presented fairly in accordance with accounting principles generally accepted in the United States of America (GAAP).
  - Our responsibility does not extend beyond financial information contained in our report.
  
- Report on 2019 Single Audit
  - Unmodified (“clean”) opinion on compliance for 4 major federal programs tested in accordance with Title 2 U.S. CFR Section 200.

# Required Communications

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## ■ Significant Accounting Policies

- The significant accounting policies used by the County are described in Note 1 to the basic financial statements.
- GASB 75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*) was implemented in the current fiscal year. Restatement of beginning net position to record the County's Net OPEB Liability.
- In considering the policies used by the County, we noted they are in accordance with generally accepted accounting principles and similar government organizations with no significant new policies or qualitative aspects of its policies. The County is not involved in any controversial or emerging issues for which guidance is not available.

## ■ Management Judgment/Accounting Estimates

- The County uses various estimates as part of its financial reporting process – including valuation of accounts receivable (recording of allowance for uncollectible accounts), actuarial assumptions, and donated capital assets.
- Management's estimates used in preparation of financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management's calculations in evaluating the County's significant accounting estimates.



## Required Communications (Continued)

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- Financial Statement Disclosures
  - The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part of our audit.
- Relationship with Management
  - We received full cooperation from the County’s management, staff, and others.
  - There were no disagreements with management on accounting issues or financial reporting matters.
- Audit Adjustments
  - There were no passed or posted audit adjustments.
- 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.



## Required Communications (Continued)

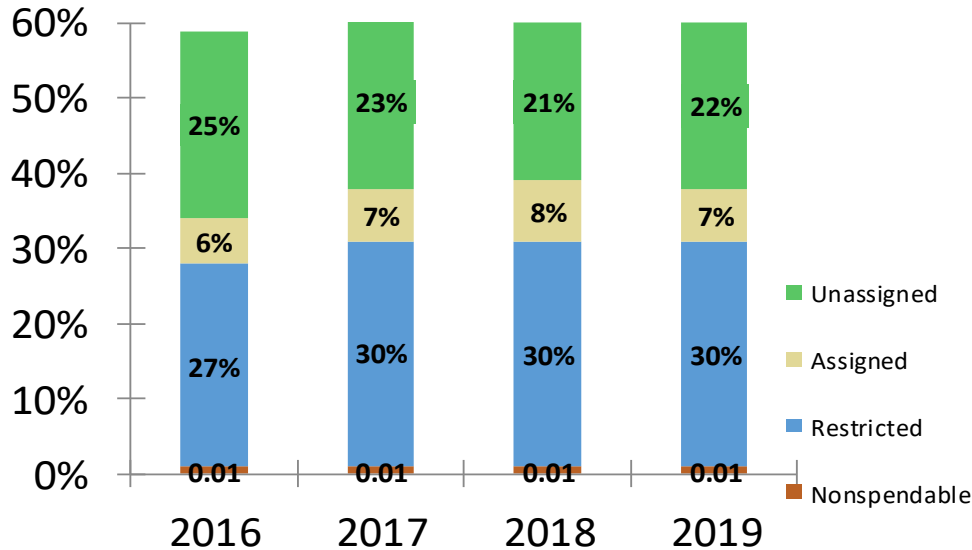
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- Consultation with Other Accountants
  - To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.
- Significant 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.
- Information in Documents Containing Audited Financial Statements
  - Our responsibility for other information in documents containing the County’s basic financial statements and our report thereon does not extend beyond the information identified in our report. If the County intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers’ proof for our review and approval before printing. The County must also provide us with a copy of the final reproduced material for our approval before it is distributed.
- Auditor Independence
  - In accordance with AICPA professional standards, M&J is independent with regard to the County and its financial reporting process.
  - There were no fees paid to M&J for management advisory services during fiscal year 2019 that might effect our independence as auditors.

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## Financial Trends – Tax Funds Fund Balance Ratio to Expenditures and Operating Transfers



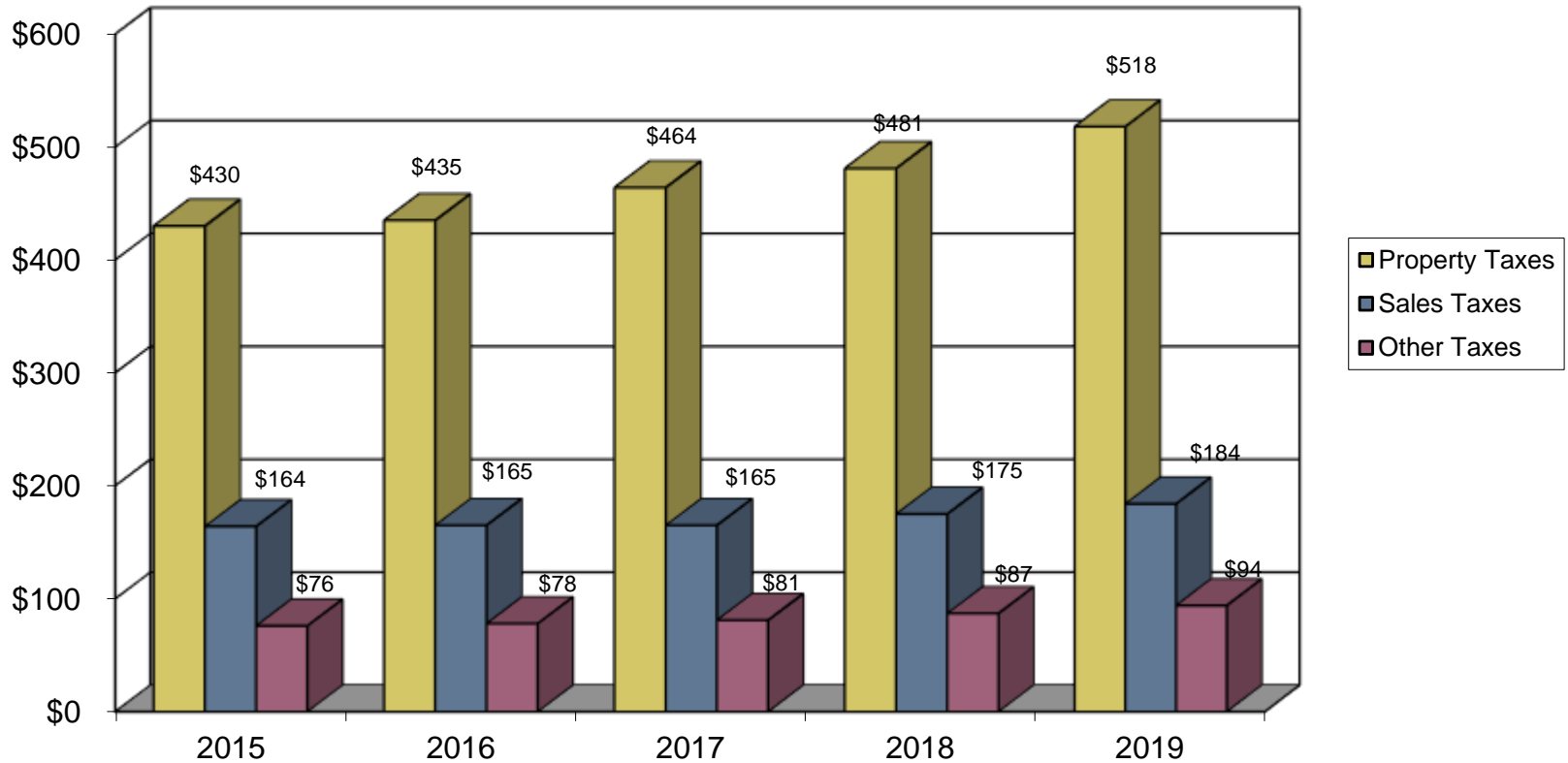
As of December 31, 2019, the County has 7 months worth of expenditures in fund balance. As the Tax Funds' predominate revenue stream (property taxes) will not come in until September/October, the County needs to be able to fund 9-10 months of expenditures until then.

*Tax Funds include: General Fund, Fire & EMS Service District, Police Service District, Development & Enforcement Service District, and Recreation.*

*Source: The County's Comprehensive Annual Financial Reports*

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# Trend Analysis of Tax Revenue per capita



Source: The County's Comprehensive Annual Financial Reports

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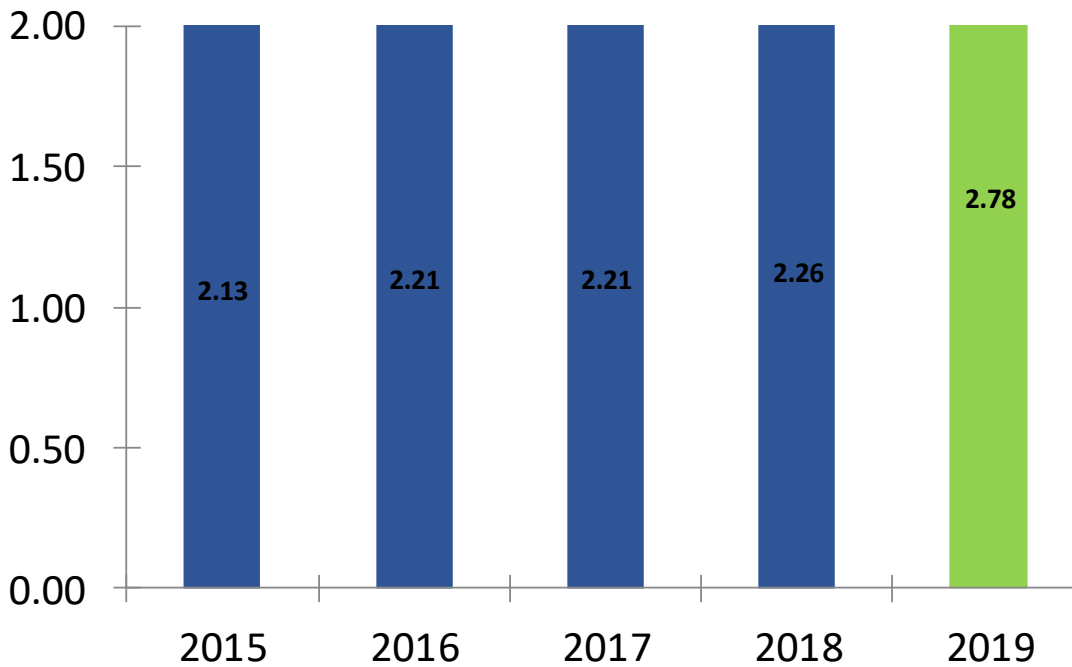
## General Fund Budget to Actual Results – Fiscal Year 2019

□ General Fund revenues were within 4.1% of the budgeted amount. The actual revenue was over budget primarily due to taxes exceeding budget as a result of increasing property values and higher than expected motor vehicle ad valorem tax revenues.

	Budget	Actual	Variance
Revenues	\$ 320,605,000	\$ 333,841,000	\$ 13,236,000
Expenditures	(295,607,000)	(276,348,000)	19,259,000
Net Transfers	<u>(41,110,000)</u>	<u>(40,905,000)</u>	<u>205,000</u>
Net Change	<u>\$ (16,112,000)</u>	<u>\$ 16,588,000</u>	<u>\$ 32,700,000</u>

□ Expenditures for many functional areas were less than budget as the County generated savings of \$19.3 million (6.5%) from the operating budget. Several departments came in under budget due to personnel vacancies and efforts to spend conservatively.

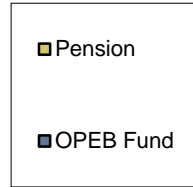
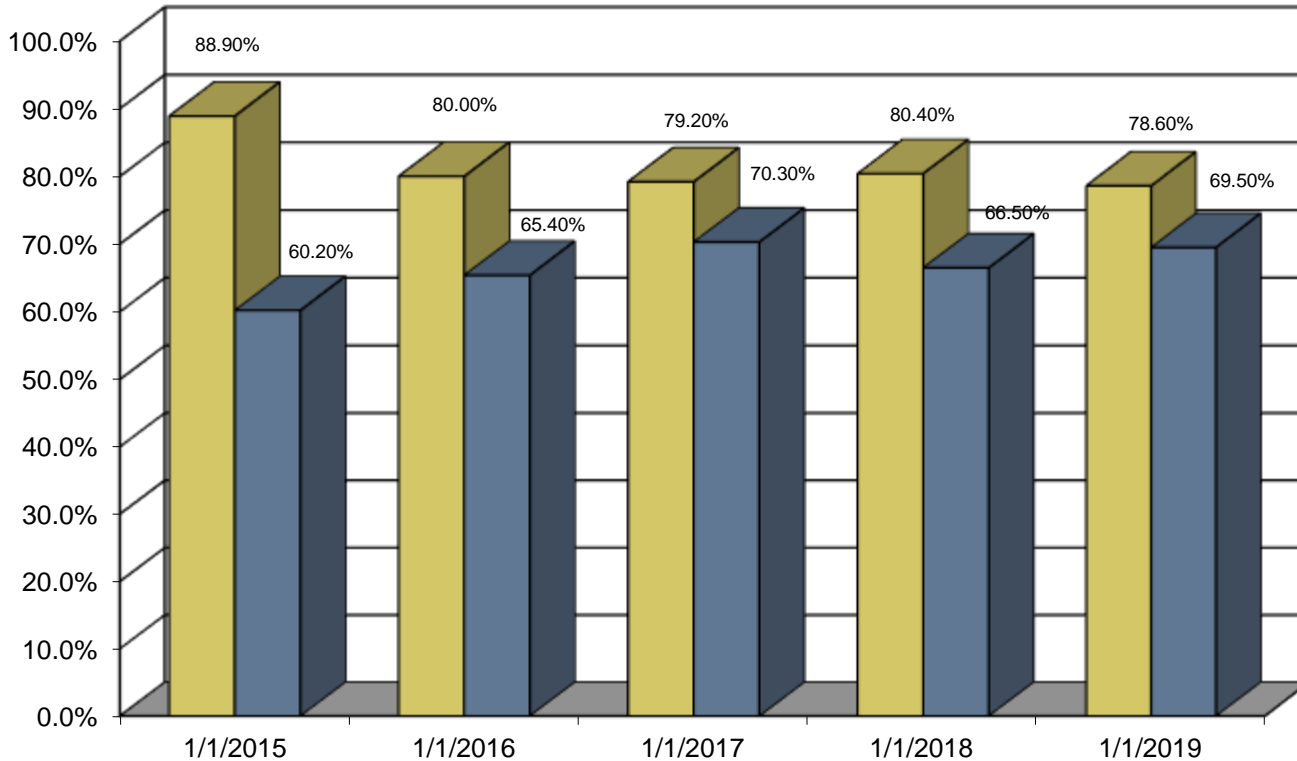
# Water and Sewer Fund Debt Service Coverage Ratio



**Required coverage under bond covenants is 1.20.**

**The County has an internal target coverage of 1.50.**

# Gwinnett County Pension and OPEB Funds Funding Progress – Actuarial Valuation Date



## Funded Ratio Under New GASB Standards

**Pension**  
**74.7% at 12/31/16**  
**80.8% at 12/31/17**  
**72.3% at 12/31/18**  
**79.9% at 12/31/19**

**OPEB**  
**63.8% at 12/31/16**  
**70.6% at 12/31/17**  
**59.4% at 12/31/18**  
**72.4% at 12/31/19**

Source: The respective Annual Financial Reports

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## Comments & Other Matters

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None.

## Comments & Other Matters (Continued)

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### ■ New GASB Pronouncements Implemented This Year

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, requires the accrual of an estimate for any legally enforceable future liability associated with the retirement of a capital asset (i.e. decommissioning a sewer treatment plant) and to report the expenses over the life of the associated capital asset. The County adopted this standard in 2019; however, it had no effect on the financial reporting of the County.
- GASB Statement No. 84, *Fiduciary Activities*, requires the County to revisit its fiduciary funds with a focus on (1) whether the County is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom the fiduciary relationship exists. All fiduciary funds now require a statement of changes in fiduciary net position. The County adopted this standard in 2019.



# Comments & Other Matters (Continued)

## ■ New GASB Pronouncements for Future Years

- GASB Statement No. 87, *Leases*, will require all lease agreements to be recorded as a liability under full accrual accounting. Many of these leases were previously considered operating leases and payments were expensed as incurred with no liability accrued. Originally applicable for December 31, 2020; however, GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* has postponed implementation by eighteen months. Now applicable for December 31, 2022.
- GASB Statement No. 89, *Capitalized Interest*, requires that construction period interest no longer be capitalized for proprietary funds. This statements is only applied prospectively in the year implemented. Applicable for June 30, 2021. Originally applicable for December 31, 2020; however, GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* has postponed implementation by one year. Now applicable for December 31, 2021.
- Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. Originally applicable for December 31, 2020; however, GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* has postponed implementation by one year. Now applicable for December 31, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates* accounting and financial reporting implications that result from the replacement of an IBOR and is effective for the first reporting period ending after December 31, 2021, meaning for those with year ends of December 31, 2022 and beyond.





## Comments & Other Matters (Continued)

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### ■ New GASB Pronouncements for Future Years

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* addresses a gap in generally accepted accounting principles: how do we account for these type arrangements that do not meet the definition of a service concession arrangement covered by GASB Statement No. 60? This Statement also establishes accounting and financial reporting requirements for availability payment arrangements. This Statement is effective for December 31, 2023.
- Statement No. 96, *Subscriptions-Based Information Technology Arrangements* provides guidance on accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement is based on standards established earlier by GASB in Statement No. 87, *Leases*. This Statement is effective for December 31, 2023.
- Statements No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* which amends the criteria for reporting governmental fiduciary component units. The guidance will result in consistent and comparable information about fiduciary component units and IRS Section 457 plans. This Statement is applicable for December 31, 2022.

# Comments & Other Matters (Continued)

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## ■ Other Matters Currently Being Considered by GASB

- Financial reporting model (Changes in accounting for governmental funds)
- Revenue and Expense Recognition
- Compensated Absences
- Presentation and Disclosures for Prior-Period Adjustments, Accounting Changes, and Error Corrections

# Comments, Recommendations, & Other Matters

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## FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

**Free Continuing Education.** We provide free quarterly continuing education 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. Examples of subjects addressed in the past few quarters include:

- CAFR Preparation - GASB Updates - Grant Accounting Processes and Controls - GASB 68 (Pensions)
- Internal controls over revenue and cash receipting and accounts payable, payroll, and cash disbursements
- American Recovery & Reinvestment Act (ARRA) information, issues and updates - Single audits for auditees
- Collateralization of Deposits and Investments - Internal Controls over Accounts Payable, Payroll and Controls
- Policies and Procedures Manuals - Segregation of Duties – GASB 75 (OPEB) – GASB 87 (Leases)
- Data Security and General Information Technology Controls and Best Practices

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



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## Conclusion

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### Comments and Questions?

**We appreciate the opportunity to serve Gwinnett County, Georgia and look forward to continuing to work with the County in upcoming years!**

