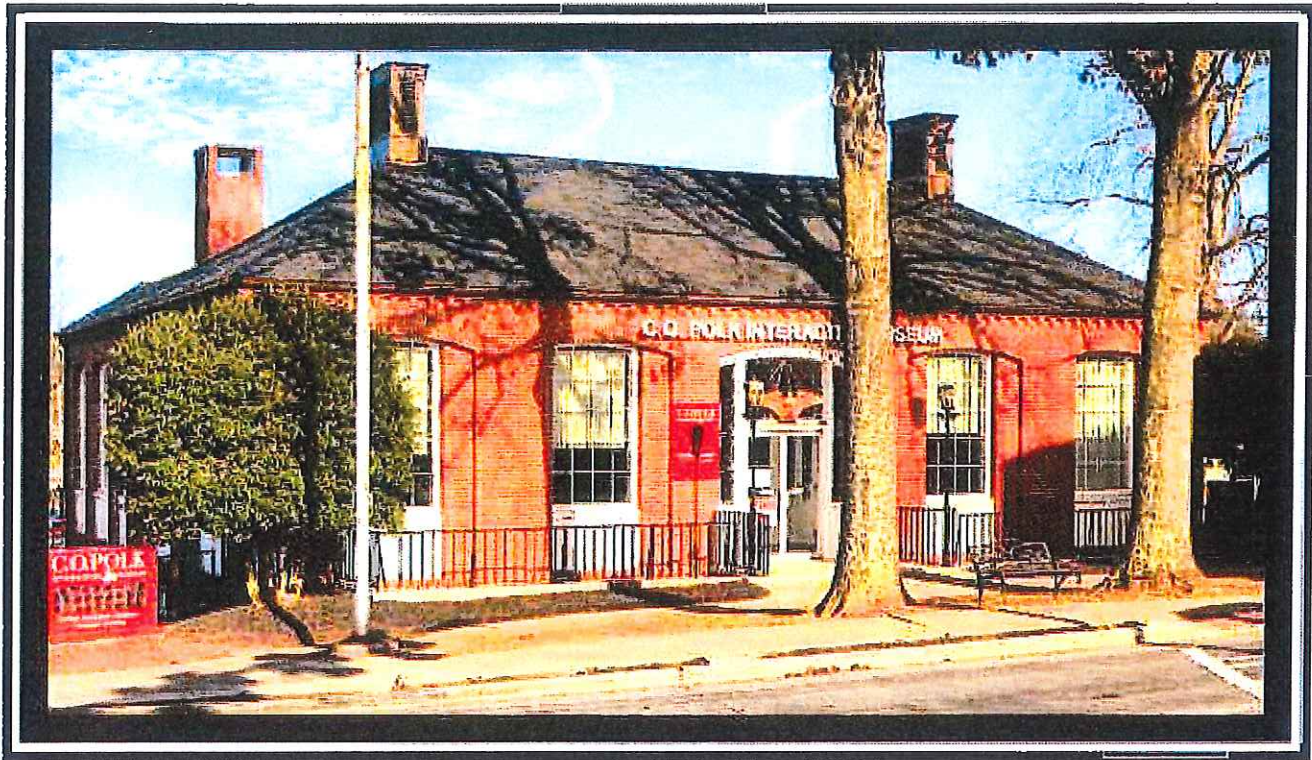


**City of McDonough**  
**The Geranium City**



**MCDONOUGH, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2019**









**CITY OF McDONOUGH, GEORGIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	21
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Notes to the Financial Statements	28
Required Supplementary Information:	
Pension Related Schedules and Notes	59
OPEB Related Schedules and Notes	62
Combining Fund Statements:	
Combining Balance Sheet - Non-major Governmental Funds	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-major Governmental Funds	66
Individual Fund Financial Statements:	
Hotel/Motel Tax Special Revenue Fund- Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	67

**CITY OF McDONOUGH, GEORGIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

**TABLE OF CONTENTS**

	<u>Page</u>
FINANCIAL SECTION	
Individual Fund Financial Statements (Continued):	
SPLOST III Capital Projects Fund	
Schedule of Revenues, Expenditures and Changes in Fund	
Balances - Project Length Budget and Actual	68
SPLOST IV Capital Projects Fund	
Schedule of Revenues, Expenditures and Changes in Fund	
Balances - Project Length Budget and Actual	69
Development Impact Fee Capital Project Fund	
Schedule of Revenues, Expenditures	
and Changes in Fund Balances - Budget and Actual	70
Urban Redevelopment Authority	
Schedule of Revenues, Expenditures	
and Changes in Fund Balances - Budget and Actual	71

# **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**

To the Honorable Mayor and Members of City Council  
City of McDonough, Georgia

### **Report on the Financial Statements**

We have audited the accompanying 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 McDonough, Georgia (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of McDonough, Georgia, as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, the schedule of changes in the net pension liability and related ratios on pages 59 through 61 and the schedule of changes in the net OPEB liability and related ratios on pages 62 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

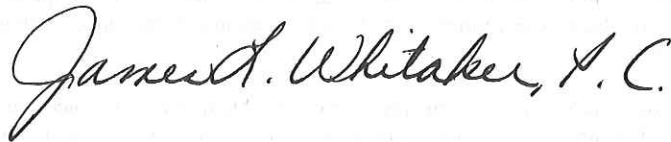
### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of McDonough, Georgia's basic financial statements. The combining nonmajor and individual fund budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the individual fund budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the individual fund budgetary schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated February 6, 2020 on our consideration of City of McDonough, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of McDonough, Georgia's internal control over financial reporting and compliance.



Snellville, Georgia  
February 6, 2020

## **CITY OF McDONOUGH MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of McDonough, we offer readers of the City of McDonough's financial statements this narrative overview and analysis of the financial activities of the City of McDonough for the year ended June 30, 2019, (the current period). We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

### **Financial Highlights**

- Assets and deferred outflows of the City of McDonough (Primary Government) exceeded its liabilities and deferred inflows at June 30, 2019 by \$74,993,298. Of this amount unrestricted net position of \$9,629,017 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position of the Primary Government increased by \$1,205,428. Of this amount, a net increase of \$368,745 was associated with governmental activities and an increase of \$836,683 was associated with business-type activities.
- The total net position of the Downtown Development Authority (Component Unit) of \$14,864 may be used to meet the Authority's ongoing obligations to its citizens and creditors.
- As of the close of the current period, the City of McDonough's governmental funds reported combined ending fund balances of \$16,518,521, a decrease of \$544,325 in comparison with the prior period. Of this amount \$7,566,825 is unassigned, \$6,406,303 is restricted for capital projects and other specific future uses, \$391,516 is assigned for the FY 2020 budget, \$618,037 is nonspendable for such amounts as prepaid items of \$419,468, and the cemetery trust corpus of \$172,600, \$25,969 is restricted for the Cemetery, and \$1,535,840 is committed for the stabilization reserve, established by the Mayor and Council during FY 2018.
- At the end of the current year, unassigned fund balance for the general fund was \$7,566,825 or 50.15 percent of total general fund expenditures.
- The millage rate decreased to 4.083, a 5.02 percent decrease from Fiscal Year 2018.
- The C.O. Polk Interactive Museum (as shown on the cover) was completed in June, 2019.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of McDonough's basic financial statements. The City of McDonough's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements (Primary Government).** The government-wide financial statements are designed to provide readers with a broad overview of the City of McDonough's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



## City of McDonough

**Government-wide financial statements (Primary Government) (Continued).** Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of McDonough include general government, public safety and courts, highways and streets, parks and recreation, cemetery, community development, economic development, and code enforcement. The business-type activities of the City are water and sewer, solid waste, stormwater management, and the cemetery enterprise fund. The activities of the Downtown Development Authority (Component Unit) are shown separately in the Government-wide financial statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of McDonough can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains five major governmental funds. The City's major governmental funds are the General Fund, two SPLOST Capital Project Funds, the Development Impact Fee Fund, and the Urban Redevelopment Authority. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds.

The City of McDonough adopts an annual budget for all of its Governmental Funds. Budgetary comparison statements have been provided for the General Fund beginning on page 21 to demonstrate compliance with the FY 2019 budget. A project length budget has been adopted for each Capital Projects Fund and is presented in the individual fund financial statements. Non-major special revenue funds' budget comparisons are also presented in the individual fund financial statements.

**Proprietary funds.** Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, its Solid Waste Management Fund, its Storm Water Management Fund and its Cemetery Enterprise Fund. All of the City's enterprise funds are considered by the City to be major funds.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the City's major funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of Combining Statements for Non-major Governmental Fund and Various Fund Budget Schedules.

**City of McDonough**  
**Government-wide financial analysis (Continued)**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2019, the City's net position exceeded liabilities by \$74,993,298. The City's net position reflects its investment in capital assets \$58,406,511 (77.88 percent), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Of the total net position, \$6,957,770 (9.28 percent) is restricted for capital projects and other specified activities and \$9,629,017 (12.84 percent) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The comparative primary government-wide information for the years ended June 30, 2019 and June 30, 2018 is as follows:

	Governmental Activities		Business-type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018 *	6/30/2019	6/30/2018
Current and other assets	\$ 17,790,304	\$ 17,903,893	\$ 7,115,172	\$ 10,642,631	\$ 24,905,476	\$ 28,546,524
Deferred outflows	1,047,920	1,057,307	261,980	264,327	1,309,900	1,321,634
Capital assets	43,555,824	41,826,012	22,958,865	19,218,204	66,514,689	61,044,216
Total assets and deferred outflows	<u>62,394,048</u>	<u>60,787,212</u>	<u>30,336,017</u>	<u>30,125,162</u>	<u>92,730,065</u>	<u>90,912,374</u>
Current liabilities	1,147,134	648,625	1,157,749	1,571,352	2,304,883	2,219,977
Long-term liabilities and deferred inflows	10,123,587	9,384,005	5,308,297	5,520,522	15,431,884	14,904,527
Total liabilities	<u>11,270,721</u>	<u>10,032,630</u>	<u>6,466,046</u>	<u>7,091,874</u>	<u>17,736,767</u>	<u>17,124,504</u>
Net position:						
Net investment in capital assets	39,455,861	37,512,581	18,950,650	14,464,474	58,406,511	51,977,055
Restricted	6,604,872	8,474,217	352,898	352,898	6,957,770	8,827,115
Unrestricted	5,062,594	4,767,784	4,566,423	8,215,916	9,629,017	12,983,700
Total net position	<u>\$ 51,123,327</u>	<u>\$ 50,754,582</u>	<u>\$ 23,869,971</u>	<u>\$ 23,033,288</u>	<u>\$ 74,993,298</u>	<u>\$ 73,787,870</u>

\*The City made a prior period adjustment to the business-type activities as of June 30, 2018, in the amount of (\$337,750). The adjustment was for water impact fees received by the City from developers of various subdivisions in which the Henry County Water Authority provides water through its master meters.



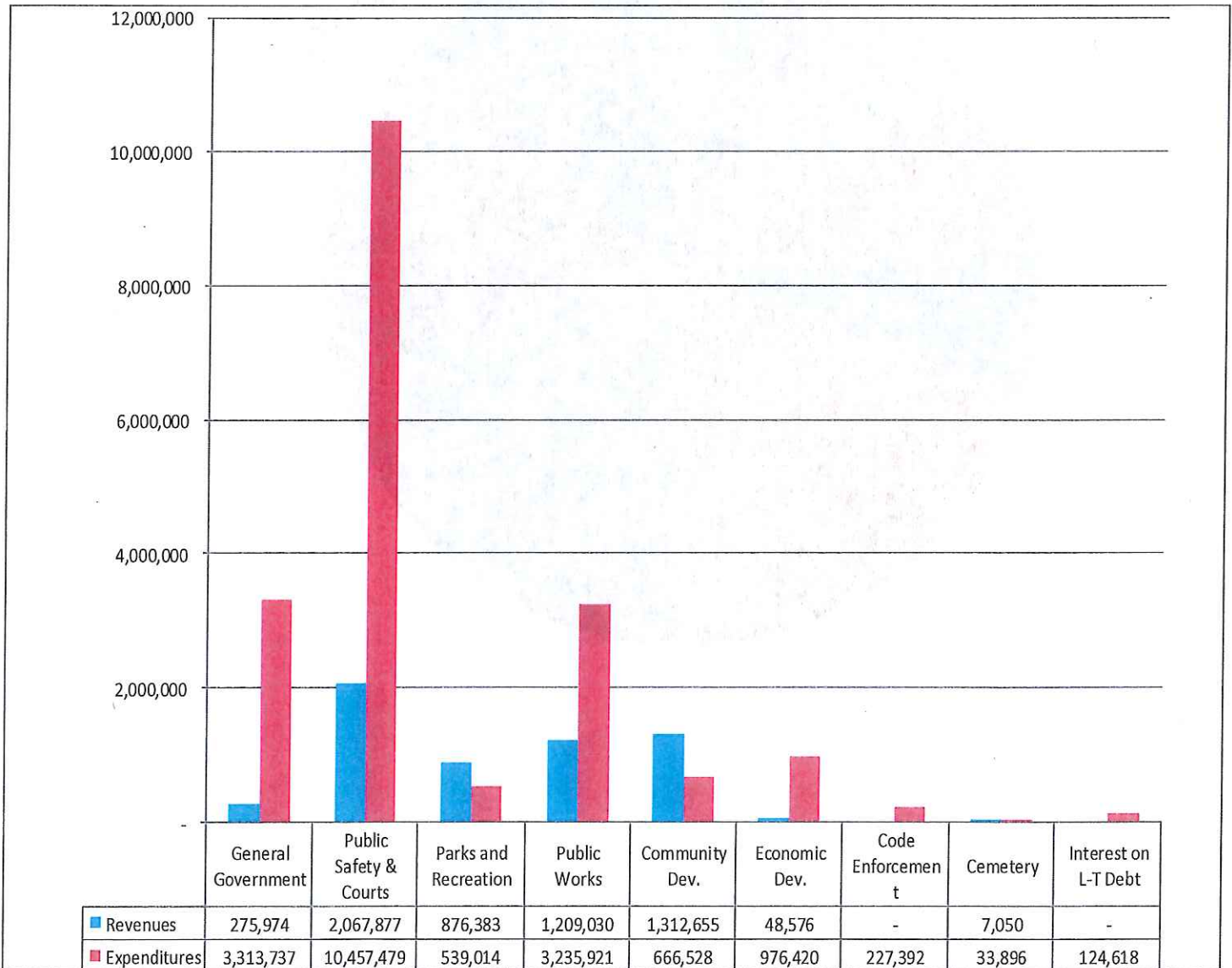
**City of McDonough's Change in Net Position  
For The Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues:						
Program Revenues -						
Charges for services	\$ 3,026,309	\$ 2,344,127	\$ 8,346,861	\$ 7,808,729	\$ 11,373,170	\$ 10,152,856
Operating grants and contributions	33,410	28,964	-	-	33,410	28,964
Capital grants and contributions	2,737,826	2,381,494	456,503	793,917	3,194,329	3,175,411
General Revenues-						
Property taxes	4,054,094	3,801,007	-	-	4,054,094	3,801,007
Sales taxes	3,806,578	3,546,756	-	-	3,806,578	3,546,756
Other taxes	5,680,376	5,362,699	-	-	5,680,376	5,362,699
Interest	150,608	95,115	125,223	62,580	275,831	157,695
Gain (Loss) on disposal of assets	-	-	-	-	-	-
Other	32,560	109,513	-	21,627	32,560	131,140
	<u>19,521,761</u>	<u>17,669,675</u>	<u>8,928,587</u>	<u>8,686,853</u>	<u>28,450,348</u>	<u>26,356,528</u>
Expenses:						
General government	3,313,737	3,057,434	-	-	3,313,737	3,057,434
Public safety and courts	10,457,479	8,726,590	-	-	10,457,479	8,726,590
Public works	3,235,921	1,998,333	-	-	3,235,921	1,998,333
Cemetery	33,896	26,572	-	-	33,896	26,572
Parks and recreation	539,014	504,432	-	-	539,014	504,432
Community development	666,528	589,421	-	-	666,528	589,421
Economic development	976,420	974,434	-	-	976,420	974,434
Code enforcement	227,392	161,152	-	-	227,392	161,152
Interest on long-term debt	124,618	129,718	-	-	124,618	129,718
Bond issuance costs and fees	-	-	-	-	-	-
Water	-	-	2,777,218	2,720,391	2,777,218	2,720,391
Sewer	-	-	1,624,613	1,426,150	1,624,613	1,426,150
Solid waste	-	-	2,274,328	1,927,725	2,274,328	1,927,725
Storm Water	-	-	993,756	832,939	993,756	832,939
	<u>19,575,005</u>	<u>16,168,086</u>	<u>7,669,915</u>	<u>6,907,205</u>	<u>27,244,920</u>	<u>23,075,291</u>
Increase (decrease) in net position before transfers	(53,244)	1,501,589	1,258,672	1,779,648	1,205,428	3,281,237
Transfers	<u>421,989</u>	<u>440,000</u>	<u>(421,989)</u>	<u>(440,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	368,745	1,941,589	836,683	1,339,648	1,205,428	3,281,237
Net position - beginning of year, adjusted	<u>50,754,582</u>	<u>48,812,993</u>	<u>23,033,288</u>	<u>21,693,640</u>	<u>73,787,870</u>	<u>70,506,633</u>
Net position - end of year	<u>\$ 51,123,327</u>	<u>\$ 50,754,582</u>	<u>\$ 23,869,971</u>	<u>\$ 23,033,288</u>	<u>\$ 74,993,298</u>	<u>\$ 73,787,870</u>

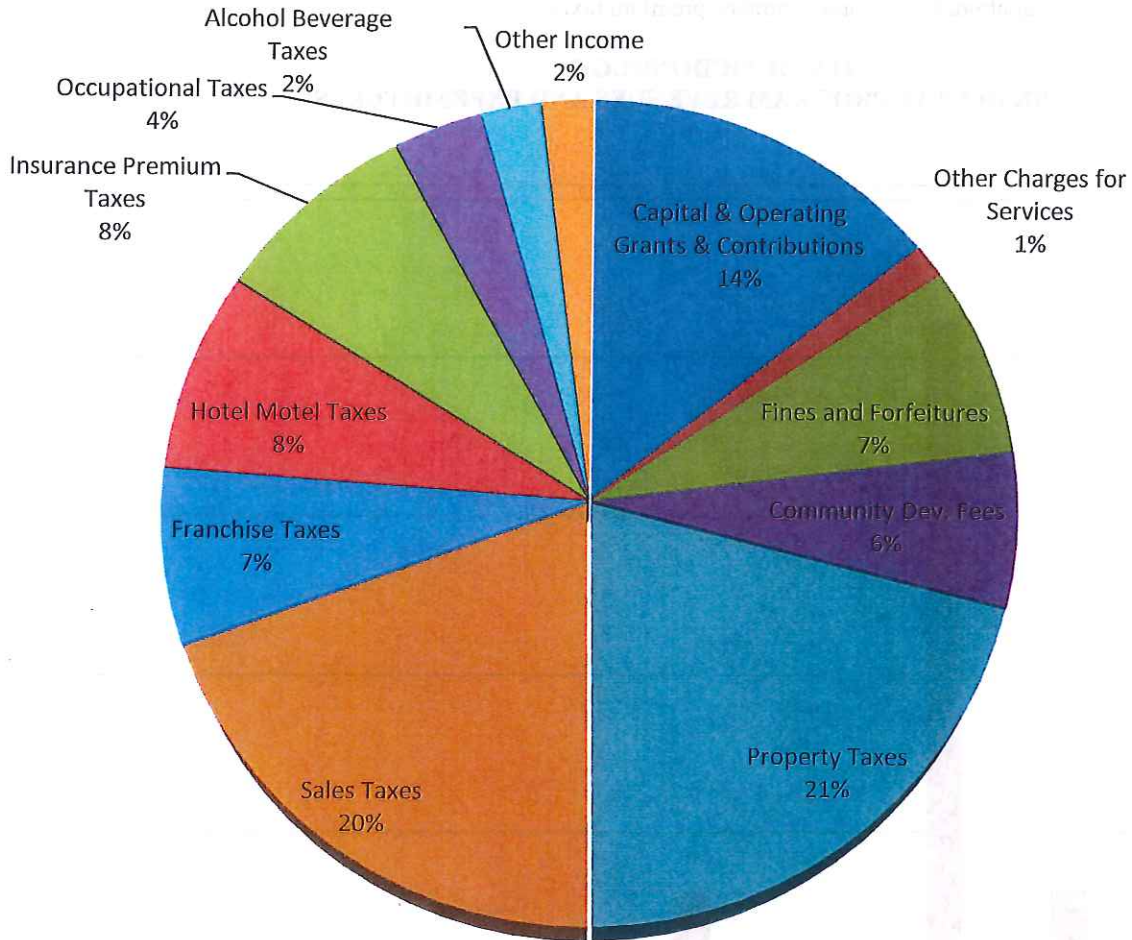
**City of McDonough**  
**Governmental Activities:**

For the year ended June 30, 2019, an increase in net position of \$368,745 was reported in Governmental Activities when compared to period ending June 30, 2018. General revenues increased from \$12,915,090 in 2018 to \$13,724,216 for the fiscal year ended June 30, 2019. The increase of \$809,126 is attributed the increases in collections of property taxes, local option sales taxes, hotel motel taxes, occupational taxes, and insurance premium taxes.

**CITY OF MCDONOUGH**  
**GOVERNMENTAL PROGRAM REVENUES AND EXPENDITURES**



**CITY OF MCDONOUGH**  
**REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES**





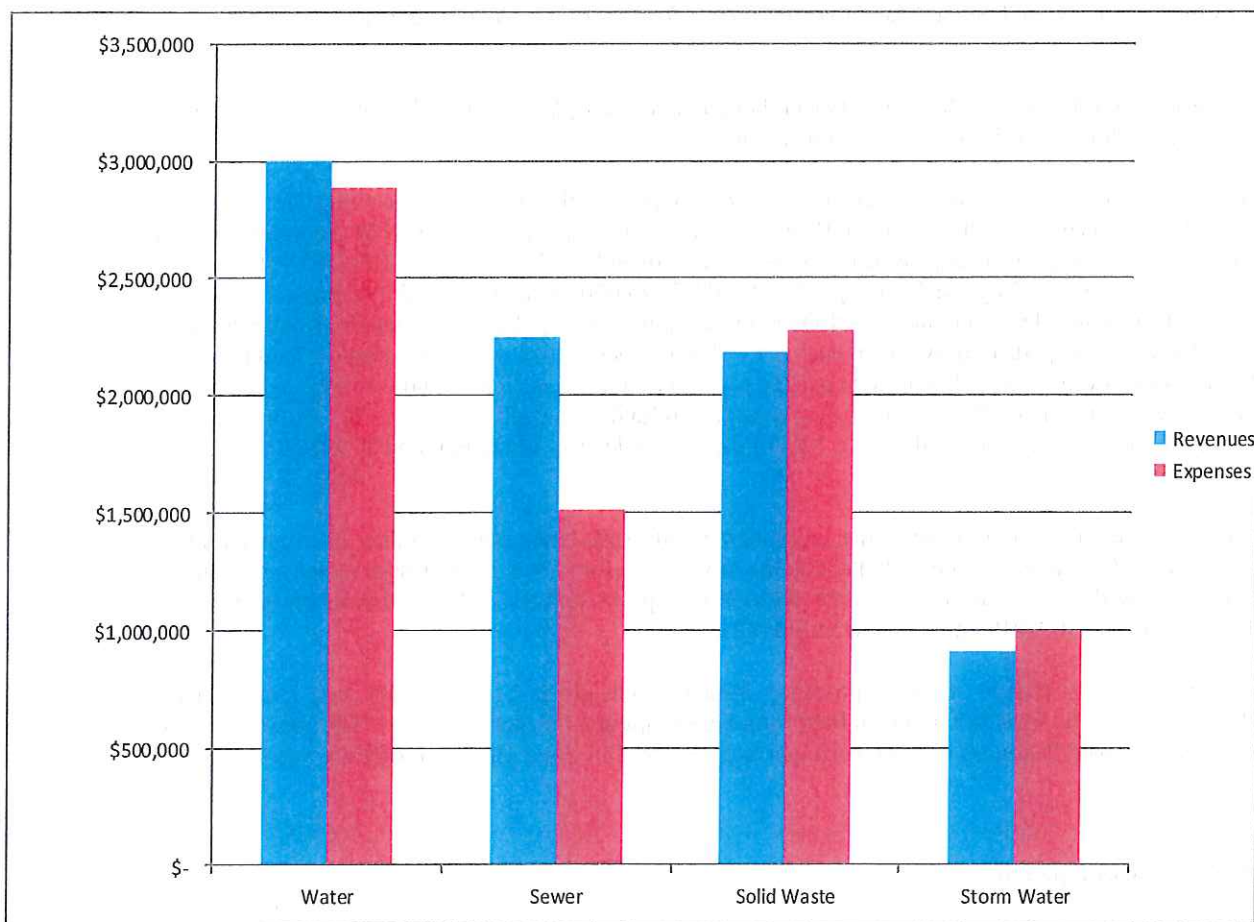
### City of McDonough

**Business-type activities.** Business-type activities increased the City's net position by \$836,683 of which an increase of \$931,315 was from Water and Sewer activities, a decrease of (\$33,645) was from Solid Waste Management Activities, and a decrease of (\$60,987) was from Storm Water Management Activities.

The City uses an outside contractor to perform most of its solid waste services. The Solid Waste Management Fund reported a decrease in net position for the year of (\$33,645) reducing net position at the end of the year to a deficit of \$42,236.

The Storm Water Management Fund was created to account for activities related to solving existing flooding problems and prevent flood damage, maintaining and improving the system of storm water management infrastructure and preserving and protecting the beneficial functions of natural drainage systems. Storm water activities are funded through fees assessed on the square footage of impervious property. The fees are collected by the Henry County Tax Commissioner and remitted to the City.

**CITY OF MCDONOUGH  
EXPENSES AND PROGRAM REVENUE-BUSINESS-TYPE ACTIVITIES**



### Financial Analysis of the Government's Funds

As noted earlier, the City of McDonough uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

## Financial Analysis of the Government's Funds (Continued)

**Governmental Funds.** The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2019, the city's governmental funds reported combined ending fund balances of \$16,518,521, a decrease of \$544,325 in comparison to the prior period. Of this amount, \$7,566,825 (45.81 percent) is unassigned fund balance. A portion of fund balance is restricted to indicate that it is to be used for specified purposes: 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax, Development Impact Fees, and Urban Redevelopment Revenue Bonds (\$6,406,303), and 2) for Perpetual Care of the City's cemetery (\$25,969). The remainder of fund balance is nonspendable for such items as prepaid items of \$419,468, cemetery trust corpus of \$172,600, and budget appropriation for fiscal year 2019 of \$391,516. During FY 2019, \$1,535,840 of unassigned fund balance was committed by the Mayor and Council into the stabilization reserve.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,566,825 while the total fund balance amounted to \$9,913,649. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 50.15 percent of the total general fund expenditures, while total fund balance represents 65.70 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,325,020. The increase was primarily the result of an increase taxes, building permits and fines and forfeitures.

The City of McDonough received \$1,724,920 in Special Purpose Local Option Sales Taxes for the year. The City began receiving its share of SPLOST proceeds under the SPLOST III intergovernmental agreement during 2008. In addition, Henry County issued bonds in order to begin projects approved by the voters in November 2008. The new SPLOST IV agreement started collecting taxes in April 2015. The City received \$9,200,000 and \$7,325,000 in 2015 and 2008, respectively, from the County's bond issue. Projects approved by voters in the SPLOST referendum include public safety facilities and equipment, public works facilities and equipment, park improvements and roads, bridges, sidewalks and transportation facilities. As a condition of the Bonds, SPLOST Revenues were first used to pay the principle and interest on the bonds secured and guaranteed by Henry County SPLOST. Any remaining SPLOST Revenues were used to funds other SPLOST projects. During FY 2019, the City spent \$2,027,732 for roads, bridges and sidewalks; \$1,414,022 for parks and recreation, and \$799,253 for cultural, historic & recreation facilities.

The City also received Development Impact Fees during the year totaling \$602,189. These funds can only be expended for the category of system improvements (public safety and parks) within the service area for which the fee was assessed and collected. During FY 2019 this fund expended \$37,555; for public safety; \$160,351 for parks, and \$31,870 for administrative purposes.. The fund balance of this fund at June 30, 2019 amounted to \$1,340,022.

The Urban Redevelopment Authority (URA) received proceeds from revenue bonds of \$4,235,000 and bond issuance premiums of \$185,132 during FY 2016. In addition, it benefited from the receipt of a transfer-in of \$236,939 from the General Fund during FY 2019. The URA paid \$145,000 of bond principal and \$131,988 of bond interest during the year ended June 30, 2019.

## Financial Analysis of the Business-type Funds

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position (deficit) of the proprietary funds at the end of the year was \$4,566,423 of which the Water and Sewer Fund had \$1,859,996; Solid Waste Management Fund had (\$141,532); the Storm Water Management Fund had \$2,847,959; and the Cemetery Enterprise Fund had \$0.

Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the City's business-type activities.



## City of McDonough

### General Fund Budgetary Highlights

The original general fund budgeted expenditures of \$17,298,217 were amended to a total of \$17,746,100 or 102.6 percent of the original budget. Budget amendments were made mainly for the increase in insurance costs and capital outlays.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities at June 30, 2019, amounted to \$66,514,689, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, construction in progress, automobiles and equipment, sidewalks, bridges and roads.

Major capital asset events during the current fiscal year included the following:

#### Construction in Progress:

Parking Lot Construction	\$ 20,318	
Roundabout Construction	273,755	
Sidewalk Connectivity	10,875	
C.O. Polk Museum Improvements	775,709	
Park Improvements	885,856	
Police Precinct	24,909	
Water Treatment Plant Expansion	<u>968,057</u>	\$ 2,959,479

#### Property Plant & Equipment:

##### Governmental Activities:

Park Buildings and Improvements	672,783	
Street and Sidewalk Improvements	182,436	
WiFi Improvements	8,900	
Public Safety Vehicles & Equipment	301,315	
Technology Upgrades	132,159	
Event Furniture and Equipment	16,733	
Government Building Improvements	<u>29,793</u>	1,344,119

##### Business-Type Activities:

Water Meters	146,250	
Computer Equipment & Displays	57,900	
Generators	31,102	
Earth Moving Equipment	47,020	
Pumps and Drainage Equipment	109,856	
Vehicles	<u>112,933</u>	505,061

<b>Total Capital Asset Events</b>	<u><u>\$ 4,808,659</u></u>
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Additional information on the City's capital assets can be found in note 7.

## City of McDonough

**Long-term debt.** At the end of the current fiscal year, the City had \$8,377,715 in outstanding debt consisting of the following:

Governmental Activities:	
Accrued Compensated Absences	\$ 269,538
Series 2015 Revenue Bonds	3,835,000
Bond Premium	155,678
Unearned Rental Income (Obligation)	109,284
Total Government Activities	<u>4,369,500</u>
Business-Type Activities:	
Series 2014 Revenue Bonds	1,543,000
GEFA Notes Payable	<u>2,465,215</u>
Total Business-Type Activities	<u>4,008,215</u>
Total Long-Term Debt	<u>\$ 8,377,715</u>

The City's total long-term debt decreased by a net of \$938,788 during the year ended June 30, 2019.

Additional information on the City's long-term debt can be found in note 9.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of McDonough is approximately \$90,250,000 which is significantly in excess of the City of McDonough's outstanding general obligation debt.

### Status of the City of McDonough's Economy

- The unemployment rate for the regional development center in which the City of McDonough is located was approximately 4.1 percent which is consistent with the U.S. average of 3.9%. The job market increase was approximately 2.9% and future job growth over the next ten years is expected to be 46.7% which is higher than the U.S. average of 33.5%.
- Building permits, both commercial and residential, have shown significant increases during the fiscal year.
- Local option sales tax receipts continue to meet budgeted expectations.

### Requests for Information

This financial report is designed to provide a general overview of the City of McDonough's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (770) 957-3915 or at the following address:

City of McDonough  
Finance Department  
136 Keys Ferry Street  
McDonough, GA 30253



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**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
<b>Assets and Deferred Outflows</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 215,130	\$ 1,417,890	\$ 1,633,020	\$ 17,789
Investments	9,100,556	3,908,673	13,009,229	-
Receivables, net				
Taxes	799,035	-	799,035	-
Fines	152,808	-	152,808	-
Accounts	-	1,400,694	1,400,694	-
Intergovernmental	-	-	-	-
Other	3,461	-	3,461	-
Internal balances	-	-	-	-
Prepaid items	419,468	35,017	454,485	-
Restricted assets				
Cash	5,504,403	352,898	5,857,301	-
Investments	1,595,443	-	1,595,443	-
Non-depreciable capital assets	15,809,496	5,445,594	21,255,090	-
Depreciable capital assets, net	27,746,328	17,513,271	45,259,599	-
<b>Total Assets</b>	<u>61,346,128</u>	<u>30,074,037</u>	<u>91,420,165</u>	<u>17,789</u>
<b>Deferred Outflows</b>				
Deferred pension and OPEB outflows	<u>1,047,920</u>	<u>261,980</u>	<u>1,309,900</u>	<u>-</u>
<b>Total Assets and Deferred Outflows</b>	<u>62,394,048</u>	<u>30,336,017</u>	<u>92,730,065</u>	<u>17,789</u>

See accompanying notes to the basic financial statements.

Continued

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government			Component Unit
	Governmental	Business-	Total	Downtown
	Activities	Type Activities		Development Authority
<b>LIABILITIES AND DEFERRED INFLOWS</b>				
<b>Liabilities</b>				
Accounts payable				
Trade	\$ 482,423	\$ 674,333	\$ 1,156,756	\$ 2,925
Construction	-	-	-	-
Accrued liabilities				
Salaries	87,129	-	87,129	-
Compensated absences	-	46,718	46,718	-
Customer deposits	-	295,383	295,383	-
Other	113,087	-	113,087	-
Unearned revenues	2,026	-	2,026	-
Liabilities payable from restricted assets				
Revenue bonds	-	-	-	-
Notes payable	-	138,439	138,439	-
Accrued interest	-	2,876	2,876	-
Accounts payable	462,469	-	462,469	-
Long-term liabilities				
Debt due within one year	236,429	-	236,429	-
Debt due in more than one year	4,133,071	3,869,776	8,002,847	-
Net pension liability	4,236,413	1,059,103	5,295,516	-
Net Opeb liability	569,430	142,358	711,788	-
<b>Total Liabilities</b>	<b>10,322,477</b>	<b>6,228,986</b>	<b>16,551,463</b>	<b>2,925</b>
<b>Deferred Inflows</b>				
Deferred pension and OPEB inflows	948,244	237,060	1,185,304	-
<b>Total Liabilities and Deferred Inflows</b>	<b>11,270,721</b>	<b>6,466,046</b>	<b>17,736,767</b>	<b>2,925</b>
<b>NET POSITION</b>				
Net investment in capital assets	39,455,861	18,950,650	58,406,511	-
Restricted for				
Perpetual care				
Expendable	172,600	-	172,600	-
Nonexpendable	25,969	-	25,969	-
Police activities	-	-	-	-
Capital projects	6,406,303	-	6,406,303	-
Promotional activities	-	-	-	-
Debt covenants	-	352,898	352,898	-
Unrestricted	5,062,594	4,566,423	9,629,017	14,864
<b>Total Net Position</b>	<b>\$ 51,123,327</b>	<b>\$ 23,869,971</b>	<b>\$ 74,993,298</b>	<b>\$ 14,864</b>

See accompanying notes to the basic financial statements.

Concluded

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities</b>				
General Government	\$ 3,313,737	\$ 257,114	\$ -	\$ 18,860
Public Safety and Courts	10,457,479	1,462,357	23,410	582,110
Public Works	3,235,921	69,315	10,000	1,129,715
Cemetery	33,896	7,050	-	-
Parks and Recreation	539,014	-	-	876,383
Community Development	666,528	1,181,897	-	130,758
Economic Development	976,420	48,576	-	-
Code Enforcement	227,392	-	-	-
Interest	124,618	-	-	-
Bond issuance costs and fees	-	-	-	-
Total Governmental Activities	<u>19,575,005</u>	<u>3,026,309</u>	<u>33,410</u>	<u>2,737,826</u>
<b>Business-Type Activities</b>				
Water	2,777,218	2,911,133	-	237,325
Sewer	1,624,613	2,340,617	-	219,178
Cemetery Enterprise	-	-	-	-
Solid Waste Management	2,274,328	2,187,672	-	-
Storm Water Management	993,756	907,439	-	-
Total Business-Type Activities	<u>7,669,915</u>	<u>8,346,861</u>	<u>-</u>	<u>456,503</u>
<b>Total Government</b>	<u>\$ 27,244,920</u>	<u>\$ 11,373,170</u>	<u>\$ 33,410</u>	<u>\$ 3,194,329</u>
<b>Component Unit:</b>				
Downtown Development Authority	\$ 3,142	\$ -	\$ 18,000	\$ -

**General Revenues**

Taxes  
Property  
Franchise  
Local option sales  
Occupational  
Insurance premium  
Alcohol beverage  
Hotel/motel  
Other

Investment earnings

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year, Adjusted

Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business- Type Activities	Total	Downtown Development Authority
\$ (3,037,763)	\$ -	\$ (3,037,763)	\$ -
(8,389,602)	-	(8,389,602)	-
(2,026,891)	-	(2,026,891)	-
(26,846)	-	(26,846)	-
337,369	-	337,369	-
646,127	-	646,127	-
(927,844)	-	(927,844)	-
(227,392)	-	(227,392)	-
(124,618)	-	(124,618)	-
-	-	-	-
(13,777,460)	-	(13,777,460)	-
-	371,240	371,240	-
-	935,182	935,182	-
-	-	-	-
-	(86,656)	(86,656)	-
-	(86,317)	(86,317)	-
-	1,133,449	1,133,449	-
(13,777,460)	1,133,449	(12,644,011)	-
-	-	-	14,858
4,054,094	-	4,054,094	-
1,343,750	-	1,343,750	-
3,806,578	-	3,806,578	-
684,199	-	684,199	-
1,577,638	-	1,577,638	-
458,567	-	458,567	-
1,525,915	-	1,525,915	-
90,307	-	90,307	-
150,608	125,223	275,831	6
32,560	-	32,560	-
13,724,216	125,223	13,849,439	6
421,989	(421,989)	-	-
14,146,205	(296,766)	13,849,439	6
368,745	836,683	1,205,428	14,864
50,754,582	23,033,288	73,787,870	-
\$ 51,123,327	\$ 23,869,971	\$ 74,993,298	\$ 14,864

**CITY OF McDONOUGH, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	GENERAL	SPLOST III	SPLOST IV
<b>ASSETS</b>			
Cash and cash equivalents	\$ 215,130	\$ 629,500	\$ 3,777,038
Investments	9,100,556	-	1,131,287
Receivables			
Taxes	528,522	-	-
Intergovernmental	-	-	-
Fines	152,808	-	-
Other	922	57	2,482
Due from other funds	186,217	-	-
Prepaid items	419,468	-	-
Total Assets	<u>\$ 10,603,623</u>	<u>\$ 629,557</u>	<u>\$ 4,910,807</u>
<b>LIABILITIES</b>			
Accounts payable			
Trade	\$ 358,716	\$ -	\$ -
Construction	-	-	462,469
Accrued expenditures			
Payroll	87,129	-	-
Court Bonds	62,881	-	-
Other	50,206	-	-
Unearned revenues	2,026	-	-
Due to other funds	4,367	11,614	-
Total Liabilities	<u>565,325</u>	<u>11,614</u>	<u>462,469</u>
<b>DEFERRED INFLOWS</b>			
Unavailable revenues	124,649	-	-
<b>FUND BALANCE</b>			
Nonspendable -			
Prepaid items	419,468	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	617,943	4,448,338
Cemetery	-	-	-
Committed -			
Stabilization reserve	1,535,840	-	-
Assigned -			
Appropriated for next year's budget	391,516	-	-
Unassigned	7,566,825	-	-
Total Fund Balance	<u>9,913,649</u>	<u>617,943</u>	<u>4,448,338</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 10,603,623</u>	 <u>\$ 629,557</u>	 <u>\$ 4,910,807</u>

See accompanying notes to the financial statements.



DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 1,096,016	\$ -	\$ 1,849	\$ 5,719,533
267,436	-	196,720	10,695,999
-	-	270,513	799,035
-	-	-	-
-	-	-	152,808
-	-	-	3,461
-	4,367	-	190,584
-	-	-	419,468
<u>\$ 1,363,452</u>	<u>\$ 4,367</u>	<u>\$ 469,082</u>	<u>\$ 17,980,888</u>
\$ 990	\$ 4,367	\$ 118,350	\$ 482,423
-	-	-	462,469
-	-	-	87,129
-	-	-	62,881
-	-	-	50,206
-	-	-	2,026
22,440	-	152,163	190,584
<u>23,430</u>	<u>4,367</u>	<u>270,513</u>	<u>1,337,718</u>
-	-	-	124,649
-	-	-	419,468
-	-	172,600	172,600
1,340,022	-	-	6,406,303
-	-	25,969	25,969
-	-	-	1,535,840
-	-	-	391,516
-	-	-	7,566,825
<u>1,340,022</u>	<u>-</u>	<u>198,569</u>	<u>16,518,521</u>
<u>\$ 1,363,452</u>	<u>\$ 4,367</u>	<u>\$ 469,082</u>	<u>\$ 17,980,888</u>



**CITY OF McDONOUGH, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances -- total governmental funds	\$ 16,518,521
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	43,555,824
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	124,649
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:	
Deferred outflows	1,047,920
Deferred inflows	(948,244)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital lease	-
Long-term portion of compensated absences	(269,537)
Bonds payable	(3,835,000)
Unamortized bond premium	(155,679)
Unearned rental revenue (obligation)	(109,284)
Accrued interest	-
Net pension liability	(4,236,413)
Net OPEB liability	(569,430)
Net position of governmental activities.	<u>\$ 51,123,327</u>

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

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**CITY OF McDONOUGH, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	GENERAL	SPLOST III	SPLOST IV
<b>REVENUES</b>			
Taxes	\$ 12,040,508	\$ -	\$ -
Licenses and permits			
Business license	191,193	-	-
Building permits and fees	943,660	-	-
Intergovernmental	133,410	-	1,967,898
Charges for services	247,294	-	-
Fines and forfeitures	1,504,868	-	-
Interest	146,191	336	61,448
Miscellaneous	159,350	-	-
Total Revenues	15,366,474	336	2,029,346
<b>EXPENDITURES</b>			
Current			
Governing Body	306,406	-	-
General Administration	2,433,092	-	-
Municipal Court	1,026,315	-	-
Probation	238,077	-	-
Public Safety	7,776,971	-	-
Highways & Streets	1,324,910	-	-
Cemetery	27,247	-	-
Parks and Recreation	282,755	-	-
Community Development	595,637	-	-
Economic Development	293,902	-	-
Code Enforcement	210,639	-	-
Debt service			
Principal	23,624	-	-
Interest	352	-	-
Bond insurance costs	-	-	-
Capital outlay	548,586	31,293	4,209,714
Total Expenditures	15,088,513	31,293	4,209,714

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ -	\$ 1,525,914	\$ 13,566,422
-	-	-	191,193
-	-	-	943,660
-	-	-	2,101,308
602,189	-	-	849,483
-	-	-	1,504,868
6,005	-	4,417	218,397
-	-	-	159,350
608,194	-	1,530,331	19,534,681
-	-	-	306,406
31,870	806	-	2,465,768
-	-	-	1,026,315
-	-	-	238,077
-	-	-	7,776,971
-	-	-	1,324,910
-	-	-	27,247
-	-	-	282,755
-	-	-	595,637
-	-	682,437	976,339
-	-	-	210,639
-	145,000	-	168,624
-	131,988	-	132,340
-	-	-	-
197,906	-	-	4,987,499
229,776	277,794	682,437	20,519,527

Continued

**CITY OF McDONOUGH, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ 277,961	\$ (30,957)	\$ (2,180,368)
Other Financing Sources (Uses)			
Proceeds from debt issue	-	-	-
Proceeds from disposition of capital asset	18,532	-	-
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers	1,028,527	-	-
Total Other Financing Sources (Uses)	1,047,059	-	-
Net Change in Fund Balance	1,325,020	(30,957)	(2,180,368)
Fund Balance - Beginning of Year	8,588,629	648,900	6,628,706
Fund Balance - End of Year	<u>\$ 9,913,649</u>	<u>\$ 617,943</u>	<u>\$ 4,448,338</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>\$ 378,418</u>	<u>\$ (277,794)</u>	<u>\$ 847,894</u>	<u>\$ (984,846)</u>
-	-	-	-
-	-	-	18,532
-	-	-	-
-	-	-	-
<u>-</u>	<u>236,939</u>	<u>(843,477)</u>	<u>421,989</u>
<u>-</u>	<u>236,939</u>	<u>(843,477)</u>	<u>440,521</u>
378,418	(40,855)	4,417	(544,325)
<u>961,604</u>	<u>40,855</u>	<u>194,152</u>	<u>17,062,846</u>
<u>\$ 1,340,022</u>	<u>\$ -</u>	<u>\$ 198,569</u>	<u>\$ 16,518,521</u>

Concluded

**CITY OF McDONOUGH, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances -- total governmental funds \$ (544,325)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	3,313,540
Depreciation	(1,583,728)

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. This is the net amount of capital assets donated and written off:

Donated capital assets	-
Sale of asset to the Cemetery Enterprise Fund	-
Other dispositions of capital assets	-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference between the beginning and ending unavailable revenue balances related to timing differences. (67,886)

Proceeds from long-term debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Principal payments	168,624
Proceeds from debt issues	-
Premium from debt issue	-

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in net OPEB obligation and related deferrals	(178,361)
Change in net pension liability and related deferred items	(763,880)
Change in unearned rental income (obligation)	36,429
Change in accrued interest	113
Amortization of bond premium	8,415
Change in long-term portion of accrued compensated absences	(20,196)

Change in net position of governmental activities. \$ 368,745

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



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**CITY OF McDONOUGH, GEORGIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 11,346,000	\$ 11,346,000	\$ 12,040,508	\$ 694,508
Licenses and permits				
Business license	203,500	203,500	191,193	(12,307)
Building permits and fees	523,000	523,000	943,660	420,660
Intergovernmental	263,000	358,000	133,410	(224,590)
Charges for services	128,000	128,000	247,294	119,294
Fines and forfeitures	1,785,000	1,785,000	1,504,868	(280,132)
Interest	68,000	68,000	146,191	78,191
Administration fees *	362,400	362,400	362,400	-
Miscellaneous	153,000	153,000	159,350	6,350
Total Revenues	<u>14,831,900</u>	<u>14,926,900</u>	<u>15,728,874</u>	<u>801,974</u>
<b>EXPENDITURES</b>				
Current				
Governing Body	388,321	388,321	306,406	81,915
General Government -				
City Administrator	397,110	472,702	440,478	32,224
City Clerk	1,015,226	1,045,226	1,034,234	10,992
Finance	459,540	497,240	438,397	58,843
Legal	160,000	160,500	46,891	113,609
IT	884,498	884,598	804,871	79,727
Human Resources	239,529	239,529	225,664	13,865
Municipal Court	1,119,768	1,201,768	1,026,315	175,453
Probation	273,637	273,637	238,077	35,560
Public Safety -				
Police	5,755,866	5,809,732	5,293,324	516,408
Fire	2,894,105	2,906,747	2,724,475	182,272
Highways & Streets	1,405,711	1,526,119	1,433,665	92,454
Cemetery	32,421	32,421	27,247	5,174
Parks and Recreation	425,417	425,417	310,691	114,726
Community Development				
Planning and Zoning	528,334	528,434	323,570	204,864
Building Inspection	318,480	322,080	272,067	50,013
Economic Development				
Main Street	339,512	384,687	275,902	108,785
Business Development	33,000	18,000	18,000	-
Code Enforcement	222,858	224,058	210,639	13,419
Debt Service**	404,884	404,884	-	404,884
Capital outlay **	-	-	-	-
Total Expenditures	<u>17,298,217</u>	<u>17,746,100</u>	<u>15,450,913</u>	<u>2,295,187</u>

See accompanying notes to the financial statements.

Continued

**CITY OF McDONOUGH, GEORGIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>\$ (2,466,317)</u>	<u>\$ (2,819,200)</u>	<u>\$ 277,961</u>	<u>\$ 3,097,161</u>
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from disposition of assets	-	15,000	18,532	3,532
Transfers	<u>1,701,317</u>	<u>1,701,317</u>	<u>1,028,527</u>	<u>(672,790)</u>
Total Other Financing Sources (Uses)	<u>1,701,317</u>	<u>1,716,317</u>	<u>1,047,059</u>	<u>(669,258)</u>
Net Change in Fund Balance	(765,000)	(1,102,883)	1,325,020	2,427,903
Fund Balance - Beginning of Year	<u>8,588,629</u>	<u>8,588,629</u>	<u>8,588,629</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 7,823,629</u>	<u>\$ 7,485,746</u>	<u>\$ 9,913,649</u>	<u>\$ 2,427,903</u>

\* Administrative fees were used to off-set expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance.

\*\* Capital and debt service expenditures are included in the corresponding department for budget purposes.

See accompanying notes to the financial statements.

Concluded



**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current Assets			
Cash	\$ 131,123	\$ -	\$ 1,286,767
Investments	2,731,603	-	1,177,070
Receivables			
Accounts (net)	774,396	115,723	510,575
Other	-	-	-
Due from other funds	-	-	-
Due from other government	-	-	-
Prepaid expenses	29,794	2,932	2,291
Restricted Assets			
Cash	352,898	-	-
Total Current Assets	<u>4,019,814</u>	<u>118,655</u>	<u>2,976,703</u>
Noncurrent Assets			
Capital assets			
Land	4,397,398	-	222,162
Buildings	953,543	-	166,141
Improvements other than buildings	26,781,053	-	2,436,686
Machinery and equipment	1,669,089	96,566	685,843
Autos and trucks	698,324	155,574	405,298
Construction in progress	-	-	-
Accumulated depreciation	<u>(15,558,635)</u>	<u>(152,844)</u>	<u>(860,386)</u>
Capital assets (net of depreciation)	<u>18,940,772</u>	<u>99,296</u>	<u>3,055,744</u>
Total Assets	<u>22,960,586</u>	<u>217,951</u>	<u>6,032,447</u>
Deferred Outflows			
Deferred pension and OPEB outflows	<u>222,683</u>	<u>13,099</u>	<u>26,198</u>
Total Assets and Deferred Outflows	<u>23,183,269</u>	<u>231,050</u>	<u>6,058,645</u>

See accompanying notes to the basic financial statements.

Continued

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 1,417,890
-	3,908,673
-	1,400,694
-	-
-	-
-	-
-	35,017
-	352,898
-	7,115,172
826,034	5,445,594
-	1,119,684
37,019	29,254,758
-	2,451,498
-	1,259,196
-	-
-	(16,571,865)
863,053	22,958,865
863,053	30,074,037
-	261,980
863,053	30,336,017

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current Liabilities			
Accounts payable			
Trade	\$ 469,078	\$ 198,677	\$ 6,578
Construction	-	-	-
Accrued liabilities			
Deposits	295,383	-	-
Accrued compensated absences	39,523	2,683	4,512
Accrued salaries	-	-	-
Due to other funds	-	-	-
Current liabilities payable from restricted assets			
Revenue bonds	-	-	-
Notes payable	138,439	-	-
Accrued interest	2,876	-	-
Total Current Liabilities	<u>945,299</u>	<u>201,360</u>	<u>11,090</u>
Noncurrent Liabilities			
Revenue bonds	1,543,000	-	-
Notes payable	2,326,776	-	-
Net pension liability	900,238	52,955	105,910
Net OPEB liability	121,004	7,118	14,236
Total Noncurrent Liabilities	<u>4,891,018</u>	<u>60,073</u>	<u>120,146</u>
Total Liabilities	<u>5,836,317</u>	<u>261,433</u>	<u>131,236</u>
Deferred Inflows			
Deferred pension and OPEB inflows	<u>201,501</u>	<u>11,853</u>	<u>23,706</u>
Total Liabilities and Deferred Inflows	<u>6,037,818</u>	<u>273,286</u>	<u>154,942</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,932,557	99,296	3,055,744
Restricted under debt ordinance	352,898	-	-
Unrestricted	<u>1,859,996</u>	<u>(141,532)</u>	<u>2,847,959</u>
Total Net Position	<u>\$ 17,145,451</u>	<u>\$ (42,236)</u>	<u>\$ 5,903,703</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 674,333
-	-
-	295,383
-	46,718
-	-
-	-
-	-
-	138,439
-	2,876
<u>-</u>	<u>1,157,749</u>
-	1,543,000
-	2,326,776
-	1,059,103
<u>-</u>	<u>142,358</u>
-	5,071,237
<u>-</u>	<u>6,228,986</u>
-	237,060
<u>-</u>	<u>6,466,046</u>
863,053	18,950,650
-	352,898
<u>-</u>	<u>4,566,423</u>
<u>\$ 863,053</u>	<u>\$ 23,869,971</u>



**CITY OF McDONOUGH, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
<b>OPERATING REVENUES</b>			
Charges for services			
Water sales	\$ 2,790,640	\$ -	\$ -
Sewer charges	2,252,253	-	-
Sanitation fees	-	2,187,672	-
Storm water fees	-	-	907,439
Connection fees	-	-	-
Water	32,130	-	-
Sewer	-	-	-
Penalties and reconnect fees	173,251	-	-
Miscellaneous	3,476	-	-
Total Operating Revenues	<u>5,251,750</u>	<u>2,187,672</u>	<u>907,439</u>
<b>OPERATING EXPENSES</b>			
Purchased products / services	-	2,017,878	-
Personal services and benefits	2,032,041	115,935	300,010
Purchased / contracted services	529,923	38,723	344,251
Supplies	668,258	13,913	61,517
Cost allocations	210,145	64,032	39,823
Depreciation and amortization	806,126	23,847	211,993
Other	89,422	-	36,162
Total Operating Expenses	<u>4,335,915</u>	<u>2,274,328</u>	<u>993,756</u>
Operating Income (Loss)	<u>915,835</u>	<u>(86,656)</u>	<u>(86,317)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest earned	99,893	-	25,330
Interest expense	(65,916)	-	-
Gain (Loss) on disposition of capital assets	-	-	-
Total Non-Operating Income (Expense)	<u>33,977</u>	<u>-</u>	<u>25,330</u>
Net Income before Transfers and Capital Contributions	949,812	(86,656)	(60,987)
Capital Contributions			
Water	237,325	-	-
Sewer	219,178	-	-
Cemetery	-	-	-
Transfers	<u>(475,000)</u>	<u>53,011</u>	<u>-</u>
Change in Net Position	931,315	(33,645)	(60,987)
Net Position - Beginning of Year (Adjusted)	<u>16,214,136</u>	<u>(8,591)</u>	<u>5,964,690</u>
Net Position - End of Year	<u>\$ 17,145,451</u>	<u>\$ (42,236)</u>	<u>\$ 5,903,703</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 2,790,640
-	2,252,253
-	2,187,672
-	907,439
-	
-	32,130
-	-
-	173,251
-	3,476
<u>-</u>	<u>8,346,861</u>
-	
-	2,017,878
-	2,447,986
-	912,897
-	743,688
-	314,000
-	1,041,966
-	125,584
<u>-</u>	<u>7,603,999</u>
-	
<u>-</u>	<u>742,862</u>
-	
-	125,223
-	(65,916)
-	-
<u>-</u>	<u>59,307</u>
-	
-	802,169
-	
-	237,325
-	219,178
-	-
<u>-</u>	<u>(421,989)</u>
-	
-	836,683
<u>863,053</u>	<u>23,033,288</u>
<u>\$ 863,053</u>	<u>\$ 23,869,971</u>

**CITY OF McDONOUGH, GEORGIA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Cash flows from operating activities:			
Cash received from customers and users	\$ 5,199,314	\$ 2,161,194	\$ 888,138
Cash paid to suppliers for goods	(2,190,281)	(2,137,150)	(598,219)
Cash paid to employees	(1,255,475)	(60,702)	(187,618)
Net Cash Flows from Operating Activities	<u>1,753,558</u>	<u>(36,658)</u>	<u>102,301</u>
Cash flows from investing activities:			
Interest received	99,893	-	25,330
(Purchase) / redemption of investments	2,292,819	-	(272,536)
Net Cash Flows from Investing Activities	<u>2,392,712</u>	<u>-</u>	<u>(247,206)</u>
Cash flows from non-capital financing activities:			
Transfers	(475,000)	53,011	-
Change in due to/from other funds	-	-	-
Net Cash Flows from Non-Capital Financing Activities	<u>(475,000)</u>	<u>53,011</u>	<u>-</u>
Cash flows from capital financing activities:			
Purchases / construction of capital assets	(4,817,305)	(77,655)	(143,034)
Capital contributions	456,503	-	-
Principal payments on long-term debt	(745,515)	-	-
Change in net pension liability	163,391	9,611	19,222
Change in net OPEB liability	(46,080)	(2,710)	(5,421)
Proceeds from disposition of capital assets	-	-	-
Interest paid	(83,829)	-	-
Net Cash Flows from Capital Financing Activities	<u>(5,072,835)</u>	<u>(70,754)</u>	<u>(129,233)</u>
Net Change in Cash and Cash Equivalents	(1,401,565)	(54,401)	(274,138)
Cash and Cash Equivalents - Beginning	<u>1,858,986</u>	<u>54,401</u>	<u>1,560,905</u>
Cash and Cash Equivalents - Ending	<u>\$ 457,421</u>	<u>\$ -</u>	<u>\$ 1,286,767</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 8,248,646
-	(4,925,650)
-	(1,503,795)
-	<u>1,819,201</u>
-	125,223
-	<u>2,020,283</u>
-	<u>2,145,506</u>
-	(421,989)
-	<u>-</u>
-	<u>(421,989)</u>
-	(5,037,994)
-	456,503
-	(745,515)
-	192,224
-	(54,211)
-	-
-	<u>(83,829)</u>
-	<u>(5,272,822)</u>
-	(1,730,104)
-	<u>3,474,292</u>
<u>\$ -</u>	<u>\$ 1,744,188</u>



**CITY OF McDONOUGH, GEORGIA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED  
BY OPERATING ACTIVITIES**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Operating Income (Loss)	\$ 915,835	\$ (86,656)	\$ (86,317)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	806,126	23,847	211,993
(Increase) decrease in -			
Accounts receivable	(150,533)	(26,478)	(19,301)
Prepaid expense	93	(221)	112
Deferred outflows	1,995	117	235
Increase (decrease) in -			
Accounts payable	5,083	47,826	(13,934)
Deposits	98,097	-	-
Deferred inflows	80,921	4,760	9,520
Accrued liabilities	(4,059)	147	(7)
Total Adjustments	<u>837,723</u>	<u>49,998</u>	<u>188,618</u>
Net Cash Flows from Operating Activities	<u>\$ 1,753,558</u>	<u>\$ (36,658)</u>	<u>\$ 102,301</u>

**NON-CASH TRANSACTIONS**

Capital contribution from SPLOST IV Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
--	-------------	-------------	-------------

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 742,862
-	1,041,966
-	(196,312)
-	(16)
	2,347
-	38,975
-	98,097
	95,201
-	(3,919)
-	1,076,339
\$ -	\$ 1,819,201
\$ -	\$ -

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Basis of Presentation**

In calendar year 2011 the Mayor and Council approved a change in the fiscal year end from December 31 to June 30. Since property taxes, a major source of revenue for the City was received so late in the calendar year the Council believed that a June 30 fiscal year end would allow for better budgeting and other financial management along with a better matching of revenues and expenditures.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**B. The Reporting Entity**

The City of McDonough, Georgia (the City) was incorporated on December 31, 1823 and is located in Henry County about 30 miles south of Atlanta. The City provides a full range of services to approximately 22,000 residents. These services are provided in whole by the City. These services include police and fire protection, community development, highways and streets, water and sewer, storm water, sanitation, public improvements, planning and zoning, economic development, parks and recreation and general administrative services.

Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB No. 61 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on organization's for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City regardless of whether the organization has a separate elected or appointed governing board. Blended component units, although legally separate entities, are, in substance part of the government's operations and are reported with similar funds of the primary government. Using the above criteria, the City of McDonough Downtown Development Authority is a component unit of the City. The City Council appoints all members of the Development Authority's Board of Directors and pays from the City's budget expenditures, if any, related to the Authority. During f/y 2019, the DDA began to have financial transactions and therefore, is included in this report as a component unit of the City.

The City has also created the McDonough Urban Redevelopment Agency which is to serve as a financing arm of the City in order to help finance development and improvements within certain areas of the City. The City Council makes up the majority of all members of the Agency. The McDonough Urban Redevelopment Agency is considered a blended component unit of the City.

In addition, the City has excluded from the City's financial report the McDonough Housing Authority, a related party, since the City is not responsible for the Authority's financial burdens.

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**B. The Reporting Entity – (Continued)**

**Blended Component Unit –**

The McDonough Urban Redevelopment Agency (URA) was created in 2015 by the City to serve as a financing vehicle for certain community development projects. The URA is a legally separate organization governed by a board that is appointed by the mayor and city council of the City of McDonough. Although it is legally separate from the City, the URA is reported as if it were a part of the primary government because its sole purpose is to oversee and participate, if necessary, in financing community development projects for the benefit of the City and its citizens. Furthermore, the URA is included as a component unit as the URA has no ability to issue debt or otherwise carry out its activities without the participation and agreement of the City or appropriation of funds by the city council. The operations of the URA are included in the governmental activities of the government-wide financial statements and as a capital project fund in the governmental funds financial statements. Separate financial statements are not published for the URA which follows the same accounting policies as the City of McDonough.

**C. Basic Financial Statements—Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The City does not allocate indirect cost. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

The net costs (by function) are normally covered by general revenue (property, sales or use taxes, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**D. Basic Financial Statements-Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

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

**Governmental Fund Types** – Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

**General Fund** – The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**The SPLOST Capital Projects Funds** – These funds are used by the City to account for acquisition and construction of major capital facilities that were approved by the voters of Henry County, Georgia through the special purpose local option sales tax referenda.

**The Development Impact Fee Capital Projects Fund** – This fund is used to account for monies collected under the City's Development Impact Fee Ordinance as adopted in July, 2003. Monies collected under this ordinance can only be expended for the category of system improvements within the service area (City limits of McDonough) for which the development impact fee was assessed and collected.

**Urban Redevelopment Agency Fund** – This fund is used as a capital projects fund to account for the proceeds for the issuance of bonds to finance or refinance urban improvement projects. It is currently being used to account for the accumulation of resources that are restricted to pay for costs incurred in the construction of the new municipal court building.

**Proprietary Fund Type** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are considered major funds.

**The Water and Sewer Enterprise Fund** – This fund is used to account for activities connected with the development, operation and maintenance of water and sewer in the City of McDonough and parts of Henry County.

**Solid Waste Management Enterprise Fund** - The Solid Waste Management Enterprise Fund is used to account for the revenues generated from the charges for sanitation and recycling services provided to the residential and commercial users of the City.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**D. Basic Financial Statements-Fund Financial Statements- (Continued)**

**Proprietary Fund Type, Continued –**

**Storm Water Management Fund** – This fund is used to account for activities related to solving existing flooding problems and prevent future flood damage, maintaining and improving the system of storm water management infrastructure and preserving and protecting the beneficial functions of natural drainage systems.

**Cemetery Enterprise Fund** – The City created this fund during fiscal year ended June 30, 2014 to account for the financial transactions associated with the expansion of the McDonough Cemetery and the operations of the cemetery upon completion of the expansion.

**E. Measurement Focus**

**Government-wide Financial Statements** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

**Fund Financial Statements** – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

**F. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**1. Accrual**

Government-wide financial statements are presented on the accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**F. Basis of Accounting, continued**

**2. Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Those revenues susceptible to accrual are taxes, state and federal grants, fines, interest revenue and charges for services. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, penalties and miscellaneous revenues which are recorded as revenues when received in cash. Those revenues that are measurable but are not collected within 60 days after year end are recorded as deferred revenues.

**G. Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City's investments reported in the governmental and proprietary funds consist of the State of Georgia Local Government Investment Pool and certificates of deposit with a maturity date greater than three months from the date of purchase. For reporting purposes, all investments are recorded at fair value.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2019:

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items subject to involuntary participation in an external pool; and, c) items associated with a fund other than the fund to which the income is assigned.

The City's policy is to hold investments until maturity.

**H. Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory, if any, in the General Fund consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are used, rather than in the period purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories of the Water and Sewer Fund, if any, consist of various repair parts and supplies.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**I. Prepaid Expenses**

Payments made to vendors for service that will benefit periods beyond June 30, 2019 are recorded as prepaid items and are expensed during the period benefited

**J. Restricted Assets**

Certain proceeds from the Water and Sewer Enterprise Fund revenue bond, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue bond current debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “debt service reserve fund” account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account.

**K. Capital Assets**

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized in the Water and Sewer Fund during the year ended June 30, 2019. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30-50 years
Improvement other than buildings	25-50 years
Furniture and fixtures	10-20 years
Vehicles	5-10 years
Machinery and equipment	5-10 years

The City only reports infrastructure assets purchased subsequent to June 30, 2003.

**L. Bond Premiums, Discounts and Issuance Cost**

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as an expense in the year incurred.

(See Independent Auditor’s Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**M. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**N. Revenues**

Substantially all governmental fund revenues are accrued. When applicable, property taxes are billed and collected within the same period in which the taxes are levied. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**O. Expenditures**

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

**P. Compensated Absences**

The City accrues accumulated unpaid vacation and sick leave benefits, which will be paid to employees upon separation from service, when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. No payment is made for accumulated sick leave upon retirement from the City.

**Q. Interfund Activity**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**R. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

(See Independent Auditor's Report).

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**S. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has one item that qualifies for reporting in this category as of June 30, 2019 which is deferred pension and OPEB outflows recognized in the Statements of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognizes deferred pension and OPEB inflows in its Statements of Net Position and also recognizes unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and probation fines.

**T. Net Position**

Net Position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position invested in capital asset consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City's government-wide statement of net position reports \$6,957,770 of restricted net position, of which \$6,406,303 is restricted by enabling legislation.

The City first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position are available.

**U. Fund Equity – Governmental Funds**

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of City of McDonough's Council. McDonough's Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council prior to end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation. During fiscal year 2018 the City Council did approve a Revenue Stabilization Reserve of \$1,500,000. The Reserve is to provide resources to cover anticipated and unanticipated revenue shortfalls in subsequent years. If available, committed reserves shall strive to replenish the unassigned reserves to the recommended minimum of twenty percent (20%) level should they fall below that level.

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**U. Fund Equity – Governmental Funds, Continued**

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes through passage of a resolution. Unlike commitments, assignments generally only exist temporarily and do not normally have to have an additional action taken for their removal.

**Unassigned** – all other spendable amounts.

As of June 30, 2019, fund balances are composed of the following:

	General	SPLOST Funds	Development Impact Fee	Urban Redevelopment Authority	Other Governmental Funds	Total
Nonspendable						
Prepays	\$ 419,468	\$ -	\$ -	\$ -	\$ -	\$ 419,468
Cemetery Trust Corpus	-	-	-	-	172,600	172,600
Restricted -						
Capital projects	-	5,066,281	1,340,022	-	-	6,406,303
Cemetery	-	-	-	-	25,969	25,969
Committed -						
Stabilization reserve	1,535,840	-	-	-	-	1,535,840
Assigned -						
Appropriated for 2020 budget	391,516	-	-	-	-	391,516
Unassigned	7,566,825	-	-	-	-	7,566,825
 Total Fund Balances	 \$ 9,913,649	 \$ 5,066,281	 \$ 1,340,022	 \$ -	 \$ 198,569	 \$ 16,518,521

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**V. Contributions of Capital**

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-on fees to the extent they exceed the cost of connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**W. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):**

**X. Budgets and Budgetary Accounting**

The City Council adopts an annual budget for all of the City's funds. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of a resolution. Any revisions that alter the total expenditures of any department must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a department. Budgets, as reported in the financial statements, are as originally approved or as amended in December 2019. All annual appropriations lapse at year end.

**Y. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of McDonough Retirement Plan (MRP) and additions to / deductions from MRP's fiduciary net position have been determined on the same basis as they are reported in the MRP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**2. CASH AND INVESTMENTS**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of June 30, 2019, \$6,881,428 of the government's bank balance of \$7,759,714 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent	6,881,428
Total	<u>\$ 6,881,428</u>

**Investments**

Investments - Statutes authorize the City to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions, and certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations.

The City's investments are classified as follows at June 30, 2019:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturities</u>	<u>Rating</u>	<u>Organization</u>
<b>All Funds With Investments -</b>				
Georgia Fund 1	\$ 14,604,672	39 days	AAAf	S&P

(See Independent Auditor's Report).



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**2. CASH AND INVESTMENTS – (Continued)**

**Investments , continued**

“Georgia Fund 1”, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standards and Poor’s criteria for AAAf rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool’s primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants’ shares sold and redeemed on \$1.00 per share. The fund is managed by the Georgia Office of State Treasurer (OST). OST is guided by the policies of the State Depository Board and OCGA 55-17-2 and 50-17-63.

**3. PROPERTY TAX**

Property taxes were levied on July 16, 2018 and are due 60 days after the receipt of the tax notice. Property taxes attach as an enforceable lien on the property as of January 1. A local option sales tax is in force. Proceeds from this tax are remitted to the City to help reduce property tax rates. The City has obtained the service of Henry County to bill and collect the City’s property taxes. The County remits monies collected to the City on a semi-monthly basis. Property taxes receivable at June 30, 2019 amounted to \$ 83,918.

**4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES**

Intergovernmental revenues and receivables reported in the governmental fund financial statements for the year ended June 30, 2019 consist of the following:

	<u>Receivable</u>	<u>Revenues</u>
General Fund		
GMA Safety and Liability Grant	\$ -	\$ 20,000
Henry County - CDBG		100,000
Other	-	13,410
SPLOST Funds		
Henry County - SPLOST	-	1,724,920
Department of Transportation	-	242,978
	<u>\$ -</u>	<u>\$ 2,101,308</u>

**5. RECEIVABLES**

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

<b>Governmental Funds</b>	<u>General</u>	<u>SPLOST</u>	<u>Non-Major</u>	<u>Total</u>
Taxes	\$ 528,522	\$ -	\$ 270,513	\$ 799,035
Fines	305,617	-	-	305,617
Other	922	2,539	-	3,461
Intergovernmental	-	-	-	-
Gross receivables	835,061	2,539	270,513	1,108,113
Less allowance for bad debt	(152,809)	-	-	(152,809)
Net Total Receivables	<u>\$ 682,252</u>	<u>\$ 2,539</u>	<u>\$ 270,513</u>	<u>\$ 955,304</u>
<b>Proprietary Funds</b>	<u>Water/Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Total</u>
Accounts	\$ 1,339,396	\$ 275,723	\$ 855,575	\$ 2,470,694
Less allowance for bad debt	(565,000)	(160,000)	(345,000)	(1,070,000)
Net Total Receivable	<u>\$ 774,396</u>	<u>\$ 115,723</u>	<u>\$ 510,575</u>	<u>\$ 1,400,694</u>

(See Independent Auditor’s Report).

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**6. INTER-FUND TRANSACTIONS**

Individual fund interfund receivable and payable balances at June 30, 2019 were as follows:

Payable From	Payable To			
	General Fund	SPLOST IV Fund	Urban Redevelopment	Total
General	\$ -	\$ -	\$ 4,367	\$ 4,367
SPLOST III	11,614	-	-	11,614
Development Impact Fee	22,440	-	-	22,440
Non-Major	152,163	-	-	152,163
Totals	<u>\$ 186,217</u>	<u>\$ -</u>	<u>\$ 4,367</u>	<u>\$ 190,584</u>

The City's General Fund's operating bank account receives all deposits from the general fund and water and sewer fund operations. All monies collected for the Water and Sewer Fund and all expenditures paid for the Water and Sewer Fund are made through the General Fund's operating bank account. The amount due from Development Impact Fund to the General Fund of \$24,440 is for expenses paid by the General Fund which the Development Impact Fee Fund has not yet repaid. The SPLOST III Fund owed the General Fund \$11,614 for expenditures paid by the General Fund and not reimbursed by the SPLOST III Fund as of June 30, 2019. The General Fund owes the URA Fund \$4,367 for items that have not been paid as of year end.

Individual fund interfund transfers for the year ended June 30, 2019 were as follows:

Transfer To	Transfer From			
	General	Non- Major	Water & Sewer	Totals
General	\$ -	\$ 843,477	\$ 475,000	\$ 1,318,477
Urban Redevelopment Authority	236,939	-	-	236,939
Solid Waste	53,011	-	-	53,011
	<u>\$ 289,950</u>	<u>\$ 843,477</u>	<u>\$ 475,000</u>	<u>\$ 1,608,427</u>

The City created the Hotel / Motel Tax Fund during 2006 in order to comply with state law. The City reports the income from hotel / motel taxes in this fund along with the required payments to the McDonough Hospitality and Tourism Board and other qualifying expenditures. The remaining monies are transferred to the General Fund to help fund the General Fund budgetary appropriations. For the year ended June 30, 2019 the Hotel / Motel Tax Fund transferred \$843,477 to the General Fund and as of June 30, 2019 the Hotel / Motel Tax Fund owed the General Fund \$152,163 for unreimbursed expenditures and transfers. The Water and Sewer Fund transferred \$475,000 to the General Fund to support the fund balance of the General Fund. The General Fund transferred \$236,939 to the Urban Redevelopment Fund to finance debt service on the URA revenue bonds. The General fund also transferred \$53,011 to the Solid Waste fund to help finance operations.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**7. PROPERTY, PLANT AND EQUIPMENT**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,884,218	\$ 8,755	\$ -	\$ 12,892,973
Construction in progress	933,856	1,982,667	-	2,916,523
Total	<u>13,818,074</u>	<u>1,991,422</u>	<u>-</u>	<u>15,809,496</u>
Capital assets being depreciated:				
Buildings	18,201,586	207,744	-	18,409,330
Improvements other than buildings	13,132,581	656,374	-	13,788,955
Vehicles, including related equipment	5,784,596	231,543	-	6,016,139
Machinery and equipment	4,732,784	216,466	-	4,949,250
Furniture and fixtures	610,530	9,991	-	620,521
Total capital assets being depreciated	<u>42,462,077</u>	<u>1,322,118</u>	<u>-</u>	<u>43,784,195</u>
Less accumulated depreciation for:				
Buildings	4,238,152	459,501	-	4,697,653
Improvements other than buildings	3,045,385	351,717	-	3,397,102
Vehicles, including related equipment	3,784,789	416,718	-	4,201,507
Machinery and equipment	3,069,775	331,416	-	3,401,191
Furniture and fixtures	316,038	24,376	-	340,414
Total accumulated depreciation	<u>14,454,139</u>	<u>1,583,728</u>	<u>-</u>	<u>16,037,867</u>
Total capital assets being depreciated, net	<u>28,007,938</u>	<u>(261,610)</u>	<u>-</u>	<u>27,746,328</u>
Governmental capital assets, net	<u>\$ 41,826,012</u>	<u>\$ 1,729,812</u>	<u>\$ -</u>	<u>\$ 43,555,824</u>

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

Administrative	\$ 218,436
Public Safety and Courts	913,030
Highways and Streets	213,690
Cemetery	4,543
Parks and Recreation	215,486
Community Development	10,365
Economic Development	8,178
Total depreciation expense	<u>\$ 1,583,728</u>

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**7. PROPERTY, PLANT AND EQUIPMENT – (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,192,765	\$ 3,252,829	\$ -	\$ 5,445,594
Construction in progress	1,267,091	917,262	(2,184,353)	-
Total	3,459,856	4,170,091	(2,184,353)	5,445,594
Capital assets being depreciated:				
Buildings	1,119,684	-	-	1,119,684
Improvements other than buildings	26,896,272	2,358,486	-	29,254,758
Machinery and equipment	2,233,503	217,995	-	2,451,498
Vehicles	1,038,789	220,407	-	1,259,196
Total capital assets being depreciated	31,288,248	2,796,888	-	34,085,136
Less accumulated depreciation for:				
Buildings	852,358	12,352	-	864,710
Improvements other than buildings	12,510,370	734,385	-	13,244,755
Machinery and equipment	1,483,393	174,028	-	1,657,421
Vehicles	683,779	121,200	-	804,979
Total capital assets being depreciated	15,529,900	1,041,965	-	16,571,865
Total capital assets being depreciated, net	15,758,348	1,754,923	-	17,513,271
Business-Type Activities capital assets, net	\$ 19,218,204	\$ 5,925,014	\$ (2,184,353)	\$ 22,958,865

Depreciation expense was charged to functions/programs as follows:

Water	\$ 266,021
Sewer	540,104
Storm Water	211,993
Solid Waste Management	23,847
Total depreciation expense	\$ 1,041,965

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**8. UNAVAILABLE REVENUES**

Deferred revenues as of June 30, 2019, reported in the Governmental Fund's balance sheet, consisted of the following revenue items which had been earned and were measurable but were not received within 60 days after year end and therefore were not considered available:

Fines and forfeitures	\$ 55,334
Property taxes	<u>69,315</u>
Total unavailable revenues - Governmental Funds	<u>\$ 124,649</u>

**9. LONG-TERM DEBT**

**Changes in Long-Term Debt**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities</b>					
Accrued Compensated Absences	\$ 249,342	\$ 20,196	\$ -	\$ 269,538	\$ 50,000
Revenue bonds	3,980,000	-	(145,000)	3,835,000	150,000
Bond premium	164,094	-	(8,416)	155,678	-
Capital Leases	23,624	-	(23,624)	-	-
Unearned Rental Income (Obligation)	<u>145,713</u>	<u>-</u>	<u>(36,429)</u>	<u>109,284</u>	<u>36,429</u>
Total Governmental Activity					
Long-Term Debt	<u>\$ 4,562,773</u>	<u>\$ 20,196</u>	<u>\$ (213,469)</u>	<u>\$ 4,369,500</u>	<u>\$ 236,429</u>
<b>Business-Type Activities</b>					
Revenue Bonds	\$ 2,152,000	\$ -	\$ (609,000)	\$ 1,543,000	\$ -
GEFA Notes Payable	<u>2,601,730</u>	<u>-</u>	<u>(136,515)</u>	<u>2,465,215</u>	<u>138,439</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$ 4,753,730</u>	<u>\$ -</u>	<u>\$ (745,515)</u>	<u>\$ 4,008,215</u>	<u>\$ 138,439</u>

The beginning balance for long-term debt and obligations was restated for fiscal year ended June 30, 2018 due to the implementation of GASB 75 related to the City's OPEB Plan. For further discussions, see Note 21.

The City's General Fund is typically used to liquidate governmental activity long-term debt except the URA Fund is used to liquidate the revenue bonds payable.

The Water and Sewer Enterprise Fund is used to liquidate all of the business-type activity long-term liabilities except each enterprise fund will be responsible for its share of the net pension obligation.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**9. LONG-TERM DEBT - (Continued)**

**Governmental Activities Long-Term Obligations -**

Governmental activities long-term obligations as of June 30, 2019 consist of the following:

**McDonough Urban Redevelopment Authority Long-Term Debt**

During fiscal year ended June 30, 2016 the City issued \$4,235,000 of McDonough Urban Redevelopment Authority revenue bonds to construct a municipal court building. The revenue bonds will be repaid with General Fund monies.

Revenue Bonds Payable, Series 2015, in the amount of \$4,235,000, interest ranging from 2.00% to 4.00%, due in annual installments of up to \$280,962 with varying maturity dates through January, 2038.

\$3,980,000

Annual repayment requirements to amortize the revenue bonds as they mature are as follows:

Year Ending 6/30	REVENUE BONDS		
	Principal	Interest	Total
2020	\$ 150,000	\$ 129,813	\$ 279,813
2021	155,000	125,313	280,313
2022	160,000	120,663	280,663
2023	165,000	115,862	280,862
2024	165,000	110,912	275,912
2025	175,000	105,962	280,962
2026	180,000	100,712	280,712
2027	185,000	94,862	279,862
2028	190,000	88,850	278,850
2029	195,000	82,200	277,200
2030	205,000	75,375	280,375
2031	210,000	68,200	278,200
2032	220,000	60,850	280,850
2033	230,000	54,250	284,250
2034	230,000	47,350	277,350
2035	240,000	38,150	278,150
2036	250,000	28,550	278,550
2037	260,000	18,550	278,550
2038	270,000	9,450	279,450
Totals	<u>\$ 3,835,000</u>	<u>\$ 1,475,874</u>	<u>\$ 5,310,874</u>

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**9. LONG-TERM DEBT - (Continued)**

**McDonough Urban Redevelopment Authority Long-Term Debt – Continued**

**Water and Sewer Long-Term Debt –**

The City issues revenue bonds and enters into construction note agreements with the Georgia Environmental Facilities Authority where in both types of debt the government pledges income derived from the acquired or constructed assets to pay debt service. The City is required to maintain certain debt service and renewal & extension reserves and maintain a certain debt service to income ratio. Amounts outstanding at the end of the current fiscal year related to bonds and notes issued in prior years to finance construction projects to improve the City's water distribution and wastewater treatment facilities.

Water and Sewer Enterprise Fund long-term liabilities outstanding at year end are as follow:

Note payable to GEFA, in the total amount of \$3,000,000, interest at 1.4%, due in monthly installments of \$14,339 through June 2035.	<u>\$2,465,215</u>
Revenue Bonds Payable, Series 2014, in the amount of \$3,309,000, interest at 1.65%, due in annual installments of up to \$335,826 with varying maturity dates through July, 2026.	<u>\$1,543,000</u>

Annual repayment requirements to amortize all closed long-term obligations as they mature are as follows:

Year Ending 6/30	NOTES PAYABLE		REVENUE BONDS		Total
	Principal	Interest	Principal	Interest	
2020	\$ 138,439	\$ 33,627	\$ -	\$ 12,729	\$ 184,795
2021	140,389	31,677	312,000	22,886	506,952
2022	142,367	29,699	219,000	18,505	409,571
2023	144,374	27,692	196,000	15,081	383,147
2024	146,407	25,659	199,000	11,822	382,888
2025	148,471	23,595	202,000	8,514	382,580
2026	150,562	21,504	206,000	5,148	383,214
2027	152,684	19,382	209,000	1,724	382,790
2028	154,836	17,230	-	-	172,066
2029	157,017	15,049	-	-	172,066
2030	159,229	12,837	-	-	172,066
2031	161,473	10,593	-	-	172,066
2032	163,748	8,318	-	-	172,066
2033	166,055	6,011	-	-	172,066
2034	168,395	3,671	-	-	172,066
2035	170,769	1,297	-	-	172,066
Totals	<u>\$ 2,465,215</u>	<u>\$ 287,841</u>	<u>\$ 1,543,000</u>	<u>\$ 96,409</u>	<u>\$ 4,392,465</u>

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**9. LONG-TERM DEBT - (Continued)**

**Water and Sewer Long-Term Debt – Continued**

The City issued \$3,309,000 of Water and Sewer revenue bonds in May 2014. The proceeds of the issue provided resources to pay off the principal balance and interest due on two of the four Georgia Environmental Finance Authority notes totaling \$3,217,177 as of June 4, 2014. As a result, the refunded debt is considered defeased and the liability has been removed from the Water and Sewer statement of net position. The remaining proceeds from the bonds were used to pay for the issuance cost of the bonds of \$91,823.

The refunding was undertaken to reduce future debt service payments. The reacquisition price of the old debt was equal to the net carry amount. The transaction also resulted in a net present value savings of \$358,419 and a reduction of \$376,236 in future debt service payments.

**10. CAPITAL LEASE OBLIGATION**

During fiscal year ended June 30, 2014 the City entered into two capital lease obligations with a private corporation for the purchase of telephone and network equipment. The lease agreements principal amounts totaled \$219,750 and interest was imputed at 5%. The lease obligations were completely paid off by June 30, 2019.

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**11. RISK MANAGEMENT**

The City of McDonough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of Georgia Interlocal Risk Management Agency. This membership allows the City to share liability, crime, motor vehicle and property damage risks.

Coverages are as follows:

Coverage Description – Property:

Buildings and contents – (Blanket)	\$43,861,940
Automobile physical damage	Per Application on file with GIRMA

Coverage Description – Casualty:

Comprehensive general liability	\$1,000,000
Automobile liability	\$1,000,000
Errors and omissions (Public Officials)	\$1,000,000
Employee benefits liability	\$1,000,000
Pollution liability	\$1,000,000

Coverage Description – Crime:

Blanket bond – employees required to be bonded	\$500,000
Blanket bond – all other employees	\$500,000
Depositors forgery	\$500,000
Money and securities – loss inside and outside premises	\$500,000

Deductible:

Law Enforcement Liability	\$50,000
Public Officials Errors & Omissions Liability	\$50,000
Building and Contents	\$25,000
Other coverages are subject to a per occurrence deductible of	\$1,000

Coverage Exceptions:

Coverage Subject to a Retroactive Date:

Public officials, pollution and employee benefits liability coverages are subject to a retroactive date of 12/31/87.

Chapter 85 Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated non-profit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government.

During the year ended June 30, 2019, the City paid no claims. The City has not compiled a record of the claims paid up to the \$1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the \$1,000) which were outstanding and unpaid at June 30, 2019. No provisions have been made in the financial statements for the year ended June 30, 2019 for any estimate of potential unpaid claims.

During the year ended June 30, 2017, the City decided to change its per occurrence deductible for two of the coverages above to \$50,000 from \$1,000.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**11. Risk Management (continued)**

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of McDonough became a member of the Georgia Municipal Associated Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of McDonough) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and / or employer's liability.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

**12. HOTEL / MOTEL TAX**

Prior to August 2013 the City levied a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 40% of the monies collected under this provision to the McDonough Tourism and Hospitality Organization, a not-for-profit entity. Starting in August 2013 the City began to levy an 8% hotel / motel tax in accordance with the provisions of O.C.G.A. 48-13-50. In order to comply with the expenditure requirements of this code section the City must expend 62.5% of the monies collected under this provision for the purpose of promoting tourism, conventions, trade shows or tourism product development. The following is a summary of the collections and expenditures for the year ended June 30, 2019:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 1,525,915	100.00%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 667,588	43.75%
Product development	\$ 286,109	18.75%

**13. RELATED ORGANIZATION**

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations.

The City of McDonough Housing Authority is considered a related organization. The Authority operates a multi-family housing facility which is located within the city limits. The citizens who serve as the governing board are appointed by the Mayor and Council. The City has no significant influence over the management budget or policies of the Authority.

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**14. JOINT VENTURES**

**Atlanta Regional Commission**

Under Georgia law, the City, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in this organization is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The ARC Board membership includes the chief elected official of each county, one representative for all the cities in a member county and 15 citizen representatives. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Management believes that ARC is accumulating sufficient financial resources to meet its financial obligations. Separate financial statements may be obtained from:

Atlanta Regional Commission  
3715 Northside Parkway  
Building 200, Suite 300  
Atlanta, Georgia 30328

**Flint Circuit Drug Task Force**

The City has entered into an intergovernmental agreement with the two other cities and Henry County, Georgia to provide personnel and the necessary assets to the Flint Circuit Drug Task Force, a joint venture among the cities, in order to carry on investigations into illegal drug activities. The governing authority consists of a board made up of the District Attorney of Henry County and the Police Chiefs of each member Organization, the Henry County Sheriff and the State Solicitor General. The City contributes two full time personnel and the necessary equipment to perform such investigations. Management believes that the task force will soon obtain sufficient funds from confiscations that it will be able to meet its own financial obligations.

**15. CONTINGENCIES AND COMMITMENTS**

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Development impact fee credits – During the year ended June 30, 2007, the City received public safety and park improvements from a private developer in the amount of \$6,812,407. As part of a development agreement with the developer, the developer contributed these improvements in exchange for Development Impact Fee Credits prior to being issued a building permit, which is when the fees are actually due. As of June 30, 2019, the developer had actually used approximately \$3,169,307 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$3,643,100. The City recognizes impact fees as revenues when received.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**15. CONTINGENCIES AND COMMITMENTS – Continued**

**Henry County SPLOST Bond Issue** - In 2014 the citizens of Henry County voted to approve a special purpose local option sales tax to help finance the acquisition and construction of major capital equipment and facilities. In relation to this, the City entered into an intergovernmental agreement with Henry County and the other cities inside the County whereby Henry County would issue revenue bonds to finance some of the SPLOST projects in advance of the SPLOST tax collections. City of McDonough received \$9,200,000 from the County under this agreement.

The revenue bonds are in the name of Henry County and are not a direct liability of the City of McDonough. However, under the terms of the intergovernmental agreement the County will retain all of the first SPLOST revenue collections for each year in amounts that will satisfy the annual debt service requirements. The agreement also requires the City of McDonough to pay its share of debt service requirements should the SPLOST revenue collections not be sufficient to satisfy the debt service requirements under the bond issue. Management believes the SPLOST revenue collections will be sufficient to satisfy all debt service requirements under the bond ordinance.

**16. EMPLOYEE BENEFIT PENSION PLANS**

**Deferred Compensation Plan-**

Under the terms of the deferred compensation plan, any employee can voluntarily defer receipt of up to 25% of gross compensation per year. Each participant selects one of three options to administer the investment of the deferred funds. All administration costs of the plan are deducted from the participants' accounts. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). Total amounts deferred by employees for the year ended June 30, 2019 amounted to \$62,820.

**Mayor and Council Retirement Plans-**

In 1999, the City created the City of McDonough Exclusive Benefit Governmental 401(a) Nontrusteed Retirement Plan, a defined contribution plan, for the retirement benefit of the Mayor and Council. The plan is administered by the Security Benefit Group and currently has 2 participants. In addition, the City created the 401a Defined Contribution Plan which began January 1, 2011 and is administered by the Georgia Municipal Employees Benefit System (GMEBS). The two plans provide that the City should contribute the amount of compensation allowed under IRS regulations for each participant's account. The balance in the account shall become distributable in accordance with the payout options in the annuity contract. Annual contributions to the plans are determined by the City Council and can be up to 100% of eligible salaries. For the year ended June 30, 2019, contributions to the plans amounted to \$39,972, which is 44.4% of eligible salaries. The amount of payroll covered under the plan for the year ended June 30, 2019 amounted to \$90,000. This plan was established by an adoption agreement executed by the City Council.

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**16. EMPLOYEE BENEFIT PENSION PLANS – Continued**

**Defined Benefit Plan – GMA Administered**

**Plan Description**

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of McDonough Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by State law, benefit provisions for Participants in GMEBS are established and amended by the respective employers. As authorized by the City Council, the Plan provides pension benefits and death and disability benefits for Plan members and beneficiaries. All employees, excluding elected officials, who work thirty hours or more per week, are eligible to participate immediately upon hiring. Benefits vest after five years of service. Effective for July 1, 2018, the benefit formula changed from 2% for all participants to varying multipliers ranging from 1.5% to 2.25% based on hire date and service. Disability benefits are paid out at 20% of an employee's current salary. Death benefits are calculated using an actuarial reserve.

At January 1, 2019, the date of the most recent actuarial valuation, there were 233 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	30
Terminated vested participants not yet receiving benefits	37
Active employees - vested	97
Active employees - nonvested	69
Total	<u>233</u>

**Contributions**

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standard law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For fiscal year 2019, the actuarially determined contribution rate was 12.94% of covered payroll.

For fiscal year ended June 30, 2019, the City's recommended and actual contribution was \$914,197 which was actuarially determined and is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The amount of employer contributions recognized in the actuarial report date January 1, 2019 and the Statements of Net Position for the fiscal year ended June 30, 2019 amounted to \$1,794,758.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**16. EMPLOYEE BENEFIT PENSION PLANS – Continued**

**Defined Benefit Plan – GMA Administered, continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows and  
Deferred Outflows of Resources Related to Pensions**

At June 30, 2019, the City reported a liability of \$5,295,516 for its net pension liability. The net pension liability was measured as of September 30, 2018 and was determined by an actuarial valuation as of January 1, 2019. The changes in the Net Pension Liability for the year ended September 30, 2018 (the measurement date) were as follow:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning	\$ 13,898,702	\$ 9,564,305	\$ 4,334,397
Changes for the year-			
Service cost	395,007	-	395,007
Interest	1,049,972	-	1,049,972
Differences between expected and actual experience	174,761	-	174,761
Contributions - Employer	-	806,729	(806,729)
Net investment income	-	959,943	(959,943)
Benefit payments, including refunds of employee contributions	(588,172)	(588,172)	-
Administrative expense	-	(25,422)	25,422
Other	1,082,629	-	1,082,629
Net Changes	2,114,197	1,153,078	961,119
Balance, ending	\$ 16,012,899	\$ 10,717,383	\$ 5,295,516

Effective January 1, 2016, the Plan was amended to provide for immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits. As a result of this change, all Employees are now included in the valuation. This change has minimal impact on the Plan's liability.

For the year ended June 30, 2019, the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	\$ 395,007
Interest on The Pension Liability (TPL)	1,049,972
Administrative expenses	25,422
Expected return on assets	(724,565)
Expensed portion of current year period differences between expected and actual experience in TPL	29,126
Current year recognition of deferred inflows and outflows established in prior years	(15,759)
Current year plan changes	1,082,629
Expensed portion of current year period differences between projected and actual investment earnings	(47,074)
Total expense	\$ 1,794,758

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**16. EMPLOYEE BENEFIT PENSION PLANS – Continued**

**Defined Benefit Plan – GMA Administered, continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows and  
Deferred inflows of Resources Related to Pensions, continued**

\$685,648 reported as deferred outflows of resources related to pensions resulting from the City's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

F/Y/E June 30,	Deferred Outflows	Deferred Inflows	Net
2020	\$ 233,161	\$ (226,262)	\$ 6,899
2021	141,179	(226,262)	(85,083)
2022	119,815	(178,208)	(58,393)
2023	87,483	(47,076)	40,407
2024	29,127	-	29,127
2025 and thereafter	-	-	-
	<u>\$ 610,765</u>	<u>\$ (677,808)</u>	<u>\$ (67,043)</u>

Outstanding balances of deferred outflows/inflows of resources related to pensions as of June 30, 2019 are as follow:

	Outflows	Inflows
Contributions subsequent to measurement date	\$ 685,648	\$ -
Demographic	361,599	(35,532)
Investment	91,982	(642,276)
Assumption change	157,184	-
Total	<u>\$ 1,296,413</u>	<u>\$ (677,808)</u>

**Actuarial Assumptions**

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Actuarial Assumptions:**

Net Investment Rate of Return	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates - Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - unisex rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**16. EMPLOYEE BENEFIT PENSION PLANS – Continued**

**Defined Benefit Plan – GMA Administered, continued**

**Actuarial Assumptions, continued**

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45.00%	6.40%
International equity	20.00%	7.40%
Real estate	10.00%	5.10%
Global fixed income	5.00%	3.03%
Domestic fixed income	20.00%	1.75%
Total	100.00%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability  
 To Changes in the Discount Rate*

The following presents the City's net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net Pension Liability	\$ 7,481,434	\$ 5,295,516	\$ 3,484,661

**Pension Plan Net Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued City of McDonough Retirement Plan financial report.

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**17. OTHER POSTEMPLOYMENT BENEFIT**

*Plan Administration and Benefits* – The City administers a single-employer defined benefit Postemployment Healthcare Benefit Plan (the “PHB”) which was established by the City Council. The Council is authorized to approve amendments to the Plan. The Council has not elected to advance fund the Plan, but rather maintains the Plan on a “pay as you go” basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The Plan does not issue a separate financial report.

Retirees receive medical coverage on the City’s Plan on a retiree-pay-all basis; however, they receive the same insurance at the same rates offered to active employees. In addition, retirees can elect coverage for their eligible dependents and coverage can continue when the retiree or their dependent becomes Medicare eligible.

Employees must meet the following eligibility requirements (a) at least age 65 with five years of service, (b) age plus service equals at least 80 (Rule of 80). The City Council established and may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the Plan.

*Plan Membership* – Membership of the PHB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Actives fully eligible to retire	28
Actives not yet fully eligible to retire	123
Retirees and dependents	-
	<hr/>
	151

*Contributions* – The City’s contribution is determined by the actuary; however, the Plan is on a “pay as you go” basis. For the fiscal year ended June 30, 2019, the City contributed \$3,455 for the pay as you go benefits for the PHB Plan.

*Total OPEB Liability of the City* – Effective July 1, 2017, the City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which significantly changed the City’s accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The City’s total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2016 with the actuary using standard techniques to roll forward the liability to the measurement date.

*Actuarial assumptions.* The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Discount Rate:	3.13%
Healthcare Cost Trend Rate:	7.0% for 2018/19 fiscal year graded down by .5% per year to 5% in 2022/23
Payroll increase:	3.0%

IMRF Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2000 Study, with Blue collar Adjustment. These Rates are Improved Generationally using Scale BB.

*Discount Rate* – The discount rate used to measure the total OPEB liability was 2.79%. This rate was determined using the S&P Municipal Bond 20-year high Grade Index.

(See Independent Auditor’s Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**17. OTHER POSTEMPLOYMENT BENEFIT - Continued**

*Changes in the Total OPEB Liability of the City* – The changes in the total OPEB liability of the City for the fiscal year ended June 30, 2019, were as follows:

	Total OPEB Liability
Balances - Beginning of year	\$ 1,108,560
Plus OPEB expense for the fiscal year	111,862
Minus employer contribution for the fiscal year	-
Plus change in balance of deferred outflows of resources	(1,138)
Minus change in balance of deferred inflows of resources	<u>(507,497)</u>
Net OPEB liability - end of year	<u>\$ 711,787</u>

The required schedule of changes in the City's total OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

*Sensitivity of the total OPEB liability to changes in the discount rate* – The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1.0% Decrease	Current Rate	1.0% Increase
Total OPEB Liability	\$ 794,781	\$ 711,787	\$ 636,497

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2019 and the current sharing pattern of costs between employer and inactive employees.

For the year ended June 30, 2019, the City recognized OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Service cost	\$ 115,024
Expected interest growth	34,088
Demographic gains / loss	(30,189)
Benefit payments & refunds	(3,628)
Assumption changes	<u>(3,433)</u>
OPEB expense	<u>\$ 111,862</u>

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**17. OTHER POSTEMPLOYMENT BENEFIT - Continued**

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$111,862. At June 30, 2019, the City reported deferred outflows of resources of \$13,486 and deferred inflows of resources of \$507,497 related to OPEB. Amounts reported as deferred resources related to OPEB will be recognized in OPEB expense as follows:

F/Y/E June 30,	Deferred Outflows	Deferred Inflows	Net
2020	\$ 1,138	\$ (34,760)	\$ (33,622)
2021	1,138	(34,760)	(33,622)
2022	1,138	(34,760)	(33,622)
2023	1,138	(34,760)	(33,622)
2024	1,138	(34,760)	(33,622)
2025 and thereafter	<u>7,796</u>	<u>(333,697)</u>	<u>(325,901)</u>
	<u>\$ 13,486</u>	<u>\$ (507,497)</u>	<u>\$ (494,011)</u>

Outstanding balances of deferred outflows/inflows of resources related to OPEB as of June 30, 2019 are as follow:

	Outflows	Inflows
Demographic	\$ -	\$ 440,764
Assumption change	<u>13,486</u>	<u>66,733</u>
Total	<u>\$ 13,486</u>	<u>\$ 507,497</u>

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**18. RESTRICTED ASSETS**

Pursuant to the Water and Sewer Revenue Bonds and notes payable, the City was required to create various funds and accounts. Balances in these bond restricted funds and other various restricted funds and accounts as of June 30, 2019 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 352,898
Capital projects-	
Special purpose local option sales funds	5,537,825
Development impact fee funds	1,363,452
Cemetery perpetual care funds	<u>198,569</u>
	<u>\$ 7,452,744</u>

**19. UNEARNED RENTAL INCOME (OBLIGATION)**

During fiscal year ended June 30, 2015, the City entered into an agreement with Henry County which transferred property owned by the County, valued at \$255,000, to the City in exchange for rental of a piece of property owned by the City for a period of seven years, which rental value for the period was also \$255,000. The transaction has been recorded by the City in the Statement of Net Position under Governmental Activities by reporting the land purchase and the corresponding unearned rental income obligation. The obligation will be amortized over a seven year period at \$36,429 annually. The outstanding balance as of June 30, 2019 is 109,284.

**20. CONDUIT DEBT OBLIGATION**

In June 2019 the Downtown Development Authority of the City of McDonough, Georgia issued \$250,000 principal amount of a loan from the Georgia Department of Community Affairs and \$250,000 principal amount of a loan from the Georgia Cities Foundation. Proceeds from the loans were loaned to 19 Griffin Street, LLC in accordance with the terms of the loan agreements dated June 12, 2019. The proceeds will be used for the purpose of helping to finance renovations of a building at 19 Griffin Street in downtown McDonough. The loans do not constitute a debt, moral obligation, liability, or a loan, or credit or pledge of full faith and credit of the taxpayers of the City of McDonough, Georgia. Accordingly, the loans have not been reported as liabilities in the accompanying financial statements. As of June 30, 2019, \$500,000 was outstanding under the loan agreements.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**21. CHANGE IN ACCOUNTING PRINCIPLE**

Subsequent to June 30, 2019, the city discovered it had not reimbursed Henry County Water Authority (HCWA) for water impact fees received by the city from developers of various subdivisions in which HCWA provides water through its master meters. As a result, the City is making a prior period adjustment to record the liability as of June 30, 2018 as shown below:

	Business - Type Activities	Water & Sewer
Net position as previously reported	\$ 23,371,038	\$ 16,551,886
To record the liability to HCWA as of June 30, 2018	<u>(337,750)</u>	<u>(337,750)</u>
Net position, as restated	<u>\$ 23,033,288</u>	<u>\$ 16,214,136</u>

**22. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures, as a part of the combined statements - overview, of certain information concerning individual funds including-

- A) Deficit fund balances or net position balances of individual funds – As of June 30, 2019, the Sanitation Fund had a deficit net position of \$42,236. Management expects to cure this situation through additional revenues or General Fund transfers.
- B) Excess expenditures over budget – None of the City’s funds had material excesses (if over 5 percent and greater than \$5,000) of expenditures over appropriations at the department level (the legal level of control).

(See Independent Auditor’s Report)

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**CITY OF MCDONOUGH, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS**

	Fiscal Year End								
	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total Pension Liability</b>									
Service cost	\$ 395,007	\$ 412,374	\$ 392,336	\$ 381,005	\$ 374,655				
Interest	1,049,972	964,619	890,810	840,753	777,801				
Differences between expected and actual experience	174,761	121,141	193,990	(82,909)	133,731				(Historical information prior to implement of GASB 67/68 is not required)
Change in plan benefit terms	1,082,629	-	-	-	-				
Changes of assumptions	-	228,995	-	-	15,821				
Benefit payments	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)				
Net changes in total pension liability	2,114,197	1,176,887	977,845	652,243	809,164				
Total pension liability - beginning	13,898,702	12,721,815	11,743,970	11,091,727	10,282,563				
Total pension liability - ending	\$ 16,012,899	\$ 13,898,702	\$ 12,721,815	\$ 11,743,970	\$ 11,091,727				
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 806,729	\$ 850,523	\$ 827,632	\$ 813,118	\$ 800,328				
Net investment income	959,943	1,231,717	791,561	62,378	651,380				
Benefit payments	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)				(Historical information prior to implement of GASB 67/68 is not required)
Administrative expense	(25,422)	(29,411)	(14,925)	(16,223)	(12,347)				
Other	-	-	-	-	-				
Net change in fiduciary net position	1,153,078	1,502,587	1,104,977	372,667	946,517				
Plan fiduciary net position - beginning	9,564,305	8,061,718	6,956,741	6,584,074	5,637,557				
Plan fiduciary net position - ending	\$ 10,717,383	\$ 9,564,305	\$ 8,061,718	\$ 6,956,741	\$ 6,584,074				
<b>Net Pension Liability</b>									
Net pension liability	\$ 5,295,516	\$ 4,334,397	\$ 4,660,097	\$ 4,787,229	\$ 4,507,653				
Plan's fiduciary net position as a percentage of the total pension liability	66.93%	68.81%	63.37%	59.24%	59.36%				(Historical information prior to implement of GASB 67/68 is not required)
Covered-employee payroll	\$ 7,627,559	\$ 7,063,470	\$ 7,025,189	\$ 6,598,557	\$ 6,384,685				
Net pension liability as a percentage of covered payroll	69.43%	61.36%	66.33%	72.55%	70.60%				

CITY OF MCDONOUGH, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions										
Contributions in relation to the actuarially										
determined contribution	\$ 914,197	\$ 869,950	\$ 841,514	\$ 823,005	\$ 809,822					
Contribution deficiency (excess)	\$ (914,197)	\$ (869,950)	\$ (841,514)	\$ (823,005)	\$ (809,822)					
	\$ -	\$ -	\$ -	\$ -	\$ -					
Covered-employee payroll	\$ 7,063,470	\$ 7,025,189	\$ 6,598,557	\$ 6,384,685	\$ 5,752,771					
Contributions as a percentage of covered-	12.94%	12.19%	12.55%	12.89%	14.08%					
employee payroll										

(Historical information prior to implementation  
of GASB 67/68 is not required)

**CITY OF MCDONOUGH, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1**

Significant methods and assumptions used in calculating the actuarially determined calculations are as follow:

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 22 years.
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

**Actuarial Assumptions:**

Net Investment Rate of Return	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates - Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - unisex rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

Effective for July 1, 2018, the benefit formula changed from 2% for all participants to varying multipliers based on hire date and service.



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CITY OF MCDONOUGH, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total OPEB Liability</b>										
Service cost	\$ 111,862	\$ 80,665								
Interest	-	29,882								
Plan changes	-	-								
Change in deferred outflows of resources	(1,138)	-								
Changes in deferred inflows of resources	(507,497)	-								
Benefit payments	-	(3,455)								
Net changes in total OPEB liability	(396,773)	107,092								
Total OPEB liability - beginning	1,108,560	875,753								
Total OPEB liability - ending	\$ 711,787	\$ 982,845								
Covered-employee payroll	\$ 7,121,821	\$ 6,088,242								
Total OPEB liability as a percentage of covered payroll	9.99%	16.14%								

(Historical information prior to implementation of GASB 75 is not required)

(Historical information prior to implementation of GASB 75 is not required)

CITY OF MCDONOUGH, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS  
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2019	2018	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contributions	-	-	-	-	-	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	6,088,242	6,088,242								
Contributions as a percentage of covered-employee payroll	N/A	N/A								

(Historical information prior to implementation of GASB 75 is not required)

Notes to the Schedule:

The City is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.



**CITY OF MCDONOUGH, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1**

Significant methods and assumptions used in calculating the actuarially determined calculations are as follow:

Employer's reporting date:	September 23, 2019
Measurement date:	June 30, 2019
Actuarial valuation date:	July 1, 2018

**ACTUARIAL ASSUMPTIONS -**

Discount rate:	2.79% per annum based on the S&P Municipal Bond 20-year High Grade Index
Salary increases:	3.00% per annum
Cost of living increases:	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates
Healthcare Cost Trend Rate:	7.0% for 2018/19 fiscal year graded down by .5% per year to 5% in 2022/23

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**CITY OF McDONOUGH, GEORGIA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>Special Revenue Fund Hotel/ Motel Tax Fund</u>	<u>Permanent Fund Cemetery Perpetual Care Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ -	\$ 1,849	\$ 1,849
Investments	-	196,720	196,720
Receivables			
Taxes	270,513	-	270,513
Accounts	-	-	-
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 270,513</u>	<u>\$ 198,569</u>	<u>\$ 469,082</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 118,350	\$ -	\$ 118,350
Due to other funds	152,163	-	152,163
Unearned revenues	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>270,513</u>	<u>-</u>	<u>270,513</u>
Fund Balance			
Nonspendable -			
Cemetery corpus	-	172,600	172,600
Restricted for specified purposes	-	25,969	25,969
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>198,569</u>	<u>198,569</u>
Total Liabilities and Fund Balance	<u>\$ 270,513</u>	<u>\$ 198,569</u>	<u>\$ 469,082</u>

**CITY OF McDONOUGH, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Fund Hotel/ Motel Tax Fund	Permanent Fund Cemetery Perpetual Care Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,525,914	\$ -	\$ 1,525,914
Forfeitures	-	-	-
Intergovernmental	-	-	-
Interest	-	4,417	4,417
Miscellaneous	-	-	-
Total Revenues	<u>1,525,914</u>	<u>4,417</u>	<u>1,530,331</u>
<b>EXPENDITURES</b>			
Current			
Purchased / contracted services	14,850	-	14,850
Supplies	-	-	-
Payments to others	667,587	-	667,587
Capital outlay	-	-	-
Total Expenditures	<u>682,437</u>	<u>-</u>	<u>682,437</u>
Excess Revenues Over (Under)			
Expenditures Before Other			
Financing Sources (Uses)	<u>843,477</u>	<u>4,417</u>	<u>847,894</u>
Other Financing Sources (Uses)			
Transfers	<u>(843,477)</u>	<u>-</u>	<u>(843,477)</u>
Total Other Financing Sources (Uses)	<u>(843,477)</u>	<u>-</u>	<u>(843,477)</u>
Excess Revenues Over (Under)			
Expenditures and Other Financing			
Sources (Uses)	-	4,417	4,417
Fund Balance - Beginning of Year	<u>-</u>	<u>194,152</u>	<u>194,152</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 198,569</u>	<u>\$ 198,569</u>



**CITY OF McDONOUGH, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**HOTEL / MOTEL TAX FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2019			2018
	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Taxes	\$ 1,514,500	\$ 1,525,914	\$ 11,414	\$ 1,496,576
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenue	<u>1,514,500</u>	<u>1,525,914</u>	<u>11,414</u>	<u>1,496,576</u>
<b>EXPENDITURES</b>				
Current				
Contracted Services	283,875	14,850	269,025	14,850
Tourism and Hospitality	662,875	667,587	(4,712)	654,752
Capital				
Tourism Product	-	-	-	-
Total Expenditures	<u>946,750</u>	<u>682,437</u>	<u>264,313</u>	<u>669,602</u>
Excess Revenues Over (Under) Expenditures	567,750	843,477	275,727	826,974
Other Financing Sources (Uses) Transfers	<u>(567,750)</u>	<u>(843,477)</u>	<u>(275,727)</u>	<u>(826,974)</u>
Total Other Financing Sources (Uses)	<u>(567,750)</u>	<u>(843,477)</u>	<u>(275,727)</u>	<u>(826,974)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF McDONOUGH, GEORGIA  
SPLOST III CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - PROJECT LENGTH  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Intergovernmental - SPLOST	\$ 7,368,585	\$ -	\$ 7,368,585	\$ 26,842,500
Interest	<u>79,611</u>	<u>336</u>	<u>79,947</u>	<u>-</u>
Total Revenues	<u>7,448,196</u>	<u>336</u>	<u>7,448,532</u>	<u>26,842,500</u>
<b>EXPENDITURES</b>				
Current				
Capital Outlay				
Community development facilities	357,394	-	357,394	250,000
Public safety facilities and equipment	4,081,944	-	4,081,944	8,342,500
Roads, bridges, sidewalks & facilities	584,520	-	584,520	2,500,000
Public works facilities and equipment	995,476	-	995,476	3,250,000
Parks and recreation	3,338,238	31,293	3,369,531	7,000,000
Water storage tank	2,183,443	-	2,183,443	-
Repayment of public debt associated with above projects or previously issued G.O. debt	<u>2,583,281</u>	<u>-</u>	<u>2,583,281</u>	<u>5,500,000</u>
Total Expenditures	<u>14,124,296</u>	<u>31,293</u>	<u>14,155,589</u>	<u>26,842,500</u>
Excess Revenues Over (Under) Expenditures	<u>(6,676,100)</u>	<u>(30,957)</u>	<u>(6,707,057)</u>	<u>-</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	7,325,000	-	7,325,000	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,325,000</u>	<u>-</u>	<u>7,325,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 648,900</u>	<u>(30,957)</u>	<u>\$ 617,943</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>648,900</u>		
Fund Balance - End of Year		<u>\$ 617,943</u>		

**CITY OF McDONOUGH, GEORGIA**  
**SPLOST IV CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - PROJECT LENGTH**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Amended Project Authorization</u>	<u>Original Project Authorization</u>
<b>REVENUES</b>					
Intergovernmental - SPLOST	\$16,047,073	\$ 1,724,920	\$17,771,993	\$ 24,236,500	\$ 22,962,500
Intergovernmental - LMIG	451,959	242,978	694,937	-	-
Interest	132,550	61,448	193,998	-	-
Total Revenues	<u>16,631,582</u>	<u>2,029,346</u>	<u>18,660,928</u>	<u>24,236,500</u>	<u>22,962,500</u>
<b>EXPENDITURES</b>					
Capital Outlay					
Cultural, historic & recreation facilities	807,871	799,253	1,607,124	5,000,000	4,000,000
Public safety facilities and equipment	2,306,614	-	2,306,614	2,424,000	2,424,000
Roads, bridges, sidewalks & facilities	4,038,236	2,027,732	6,065,968	10,673,500	10,673,500
Community development facilities	1,001,355	-	1,001,355	1,774,000	1,500,000
Parks and recreation	1,848,800	1,382,729	3,231,529	4,365,000	4,365,000
Total Expenditures	<u>10,002,876</u>	<u>4,209,714</u>	<u>14,212,590</u>	<u>24,236,500</u>	<u>22,962,500</u>
Excess Revenues Over (Under) Expenditures	<u>6,628,706</u>	<u>(2,180,368)</u>	<u>4,448,338</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	-	-	-	-
Transfers	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 6,628,706</u>	<u>(2,180,368)</u>	<u>\$ 4,448,338</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>6,628,706</u>			
Fund Balance - End of Year		<u>\$ 4,448,338</u>			

**CITY OF McDONOUGH, GEORGIA  
DEVELOPMENT IMPACT FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019			2018
	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Impact fees	\$ 260,000	\$ 602,189	\$ 342,189	\$ 437,932
Interest	<u>650</u>	<u>6,005</u>	<u>5,355</u>	<u>3,458</u>
Total Revenues	<u>260,650</u>	<u>608,194</u>	<u>347,544</u>	<u>441,390</u>
<b>EXPENDITURES</b>				
Current				
Administration	32,000	31,870	130	25,318
Capital outlay				
Public Safety				
Police	25,000	24,911	89	69,265
Fire	13,000	12,644	356	620,018
Parks	161,000	160,351	649	-
Debt service - Parks				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>231,000</u>	<u>229,776</u>	<u>1,224</u>	<u>714,601</u>
Excess Revenues Over (Under)				
Expenditures	29,650	378,418	348,768	(273,211)
Other Financing Sources (Uses)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	29,650	378,418	348,768	(273,211)
Fund Balance - Beginning of Year	<u>961,604</u>	<u>961,604</u>	<u>-</u>	<u>1,234,815</u>
Fund Balance - End of Year	<u>\$ 991,254</u>	<u>\$ 1,340,022</u>	<u>\$ 348,768</u>	<u>\$ 961,604</u>



**CITY OF McDONOUGH, GEORGIA  
URBAN REDEVELOPMENT AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - PROJECT LENGTH  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total Revenues	-	-	-	-
<b>EXPENDITURES</b>				
Current				
Administration	500	806	1,306	-
Capital Outlay				
Municipal court facilities	4,955,351	-	4,955,351	4,808,082
Debt Service				
Principal	255,000	145,000	400,000	-
Interest	368,064	131,988	500,052	-
Debt issuance cost	106,345	-	106,345	112,050
Total Expenditures	5,685,260	277,794	5,963,054	4,920,132
Excess Revenues Over (Under)				
Expenditures	(5,685,260)	(277,794)	(5,963,054)	(4,920,132)
Other Financing Sources (Uses)				
Proceeds from bond issuance	4,420,132	-	4,420,132	4,420,132
Transfers	1,305,983	236,939	1,542,922	500,000
Total Other Financing Sources (Uses)	5,726,115	236,939	5,963,054	4,920,132
Net Change in Fund Balance	\$ 40,855	(40,855)	\$ -	\$ -
Fund Balance - Beginning of Year		40,855		
Fund Balance - End of Year		\$ -		

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