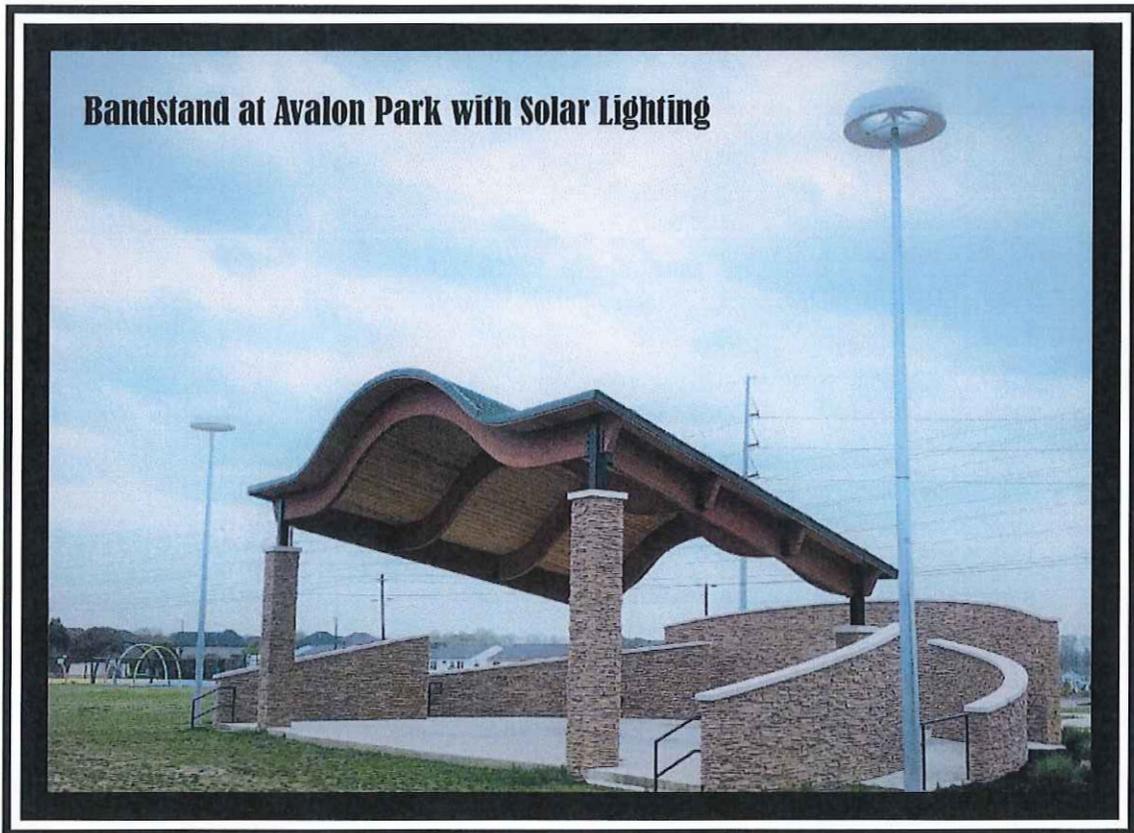


City of McDonough
The Geranium City



MCDONOUGH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

**CITY OF McDONOUGH, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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**CITY OF McDONOUGH, GEORGIA
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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, 2020, 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, 2020 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 March 30, 2021 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.

James L. Whitaker, I. C.

Snellville, Georgia
March 30, 2021

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, 2020, (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, 2020 by \$76,600,920. Of this amount unrestricted net position of \$9,849,564 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position of the Primary Government increased by \$1,607,622. Of this amount, a net increase of \$723,158 was associated with governmental activities and an increase of \$884,464 was associated with business-type activities.
- The total net position of the Downtown Development Authority (Component Unit) of \$149,049 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 \$16,161,536, a decrease of \$356,985 in comparison with the prior period. Of this amount \$6,001,227 is unassigned, \$6,054,374 is restricted for capital projects and other specific future uses, \$1,843,103 is assigned for the FY 2020 budget, \$640,546 is nonspendable for such amounts as prepaid items of \$466,946, and the cemetery trust corpus of \$173,600, \$27,919 is restricted for the Cemetery, \$35,519 for police activities, and \$1,558,848 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 \$6,353,668 or 39.94 percent of total general fund expenditures.
- The millage rate decreased to 3.806, a 6.78 percent decrease from Fiscal Year 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 2020 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, 2020, the City’s net position amounted to \$76,600,920. The City’s net position reflects its investment in capital assets \$60,107,046 (78.47 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, \$6,644,310 (8.67 percent) is restricted for capital projects and other specified activities and 9,849,564 (12.86 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, 2020 and June 30, 2019 is as follows:

City of McDonough's Net Position

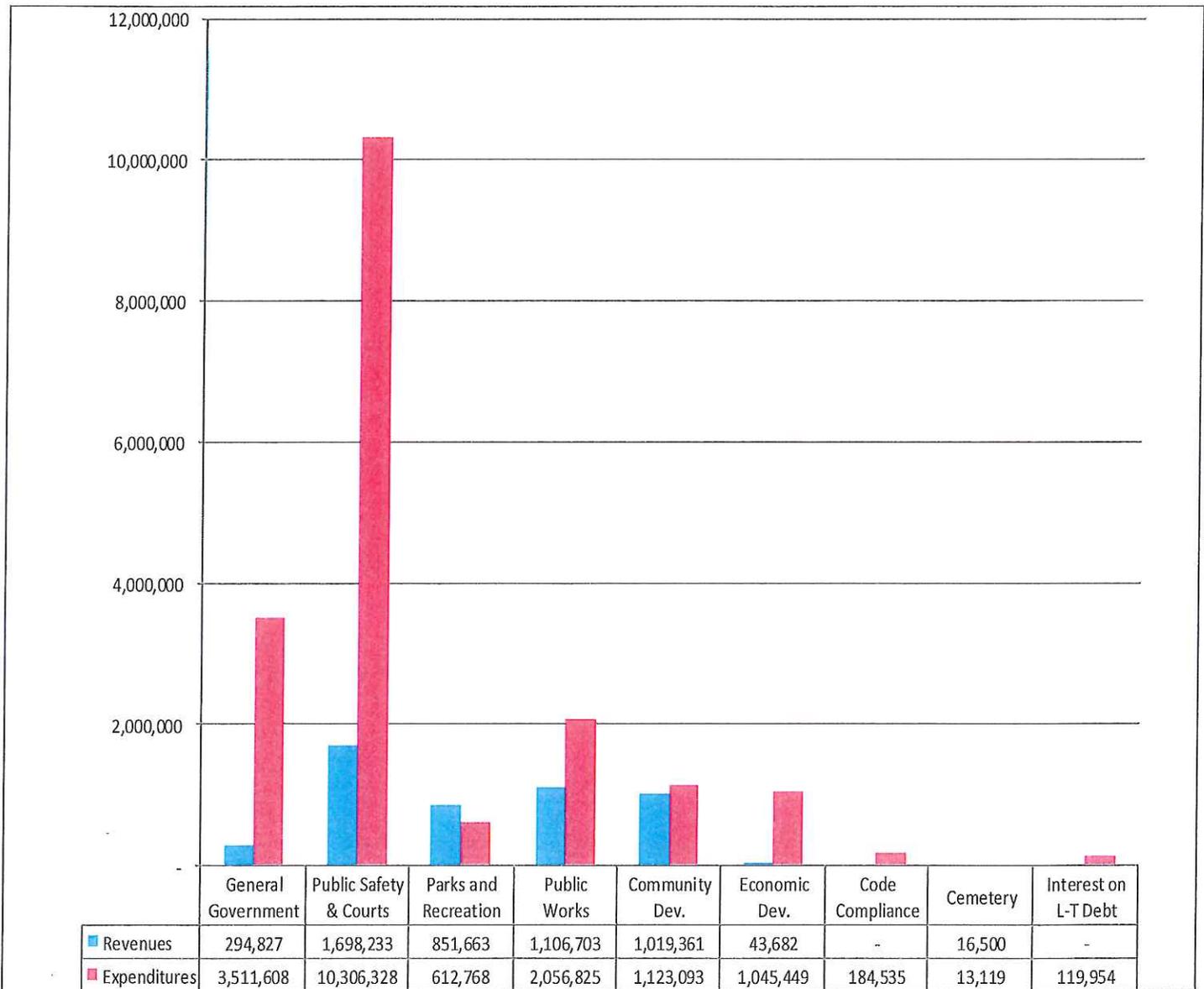
	Governmental Activities		Business-type Activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Current and other assets	\$ 17,026,080	\$ 17,790,304	\$ 7,527,148	\$ 7,115,172	\$ 24,553,228	\$ 24,905,476
Deferred outflows	2,117,930	1,047,920	529,482	261,980	2,647,412	1,309,900
Capital assets	44,628,072	43,555,824	23,217,443	22,958,865	67,845,515	66,514,689
Total assets and deferred outflows	63,772,082	62,394,048	31,274,073	30,336,017	95,046,155	92,730,065
Current liabilities	727,716	1,147,134	1,356,506	1,157,749	2,084,222	2,304,883
Deferred inflows	437,045	948,244	109,261	237,060	546,306	1,185,304
Long-term liabilities	10,760,836	9,175,343	5,053,871	5,071,237	15,814,707	14,246,580
Total liabilities	11,925,597	11,270,721	6,519,638	6,466,046	18,445,235	17,736,767
Net position:						
Net investment in capital assets	40,759,379	39,455,861	19,347,667	18,950,650	60,107,046	58,406,511
Restricted	6,291,412	6,604,872	352,898	352,898	6,644,310	6,957,770
Unrestricted	4,795,694	5,062,594	5,053,870	4,566,423	9,849,564	9,629,017
Total net position	\$ 51,846,485	\$ 51,123,327	\$ 24,754,435	\$ 23,869,971	\$ 76,600,920	\$ 74,993,298

	Governmental Activities		Business-type Activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues:						
Program Revenues -						
Charges for services	\$ 2,587,618	\$ 3,026,309	\$ 8,975,046	\$ 8,346,861	\$ 11,562,664	\$ 11,373,170
Operating grants and contributions	26,037	33,410	-	-	26,037	33,410
Capital grants and contributions	2,417,314	2,737,826	453,262	456,503	2,870,576	3,194,329
General Revenues -						
Property taxes	4,422,770	4,054,094	-	-	4,422,770	4,054,094
Sales taxes	4,023,219	3,806,578	-	-	4,023,219	3,806,578
Other taxes	5,769,524	5,680,376	-	-	5,769,524	5,680,376
Interest	94,988	150,608	95,134	125,223	190,122	275,831
Gain (Loss) on disposal of assets	-	-	-	-	-	-
Other	39,617	32,560	-	-	39,617	32,560
	<u>19,381,087</u>	<u>19,521,761</u>	<u>9,523,442</u>	<u>8,928,587</u>	<u>28,904,529</u>	<u>28,450,348</u>
Expenses:						
General government	3,511,608	3,313,737	-	-	3,511,608	3,313,737
Public safety and courts	10,306,328	10,457,479	-	-	10,306,328	10,457,479
Public works	2,056,825	3,235,921	-	-	2,056,825	3,235,921
Cemetery	13,119	33,896	-	-	13,119	33,896
Parks and recreation	612,768	539,014	-	-	612,768	539,014
Community development	1,123,093	666,528	-	-	1,123,093	666,528
Economic development	1,045,449	976,420	-	-	1,045,449	976,420
Code compliance	184,535	227,392	-	-	184,535	227,392
Interest on long-term debt	119,954	124,618	-	-	119,954	124,618
Bond issuance costs and fees	-	-	-	-	-	-
Water	-	-	3,267,163	2,777,218	3,267,163	2,777,218
Sewer	-	-	1,406,629	1,624,613	1,406,629	1,624,613
Solid waste	-	-	2,637,384	2,274,328	2,637,384	2,274,328
Storm Water	-	-	1,012,052	993,756	1,012,052	993,756
	<u>18,973,679</u>	<u>19,575,005</u>	<u>8,323,228</u>	<u>7,669,915</u>	<u>27,296,907</u>	<u>27,244,920</u>
Increase (decrease) in net position before transfers	407,408	(53,244)	1,200,214	1,258,672	1,607,622	1,205,428
Transfers	<u>315,750</u>	<u>421,989</u>	<u>(315,750)</u>	<u>(421,989)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	723,158	368,745	884,464	836,683	1,607,622	1,205,428
Net position - beginning of year, adjusted	<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>
Net position - end of year	<u>\$ 51,846,485</u>	<u>\$ 51,123,327</u>	<u>\$ 24,754,435</u>	<u>\$ 23,869,971</u>	<u>\$ 76,600,920</u>	<u>\$ 74,993,298</u>

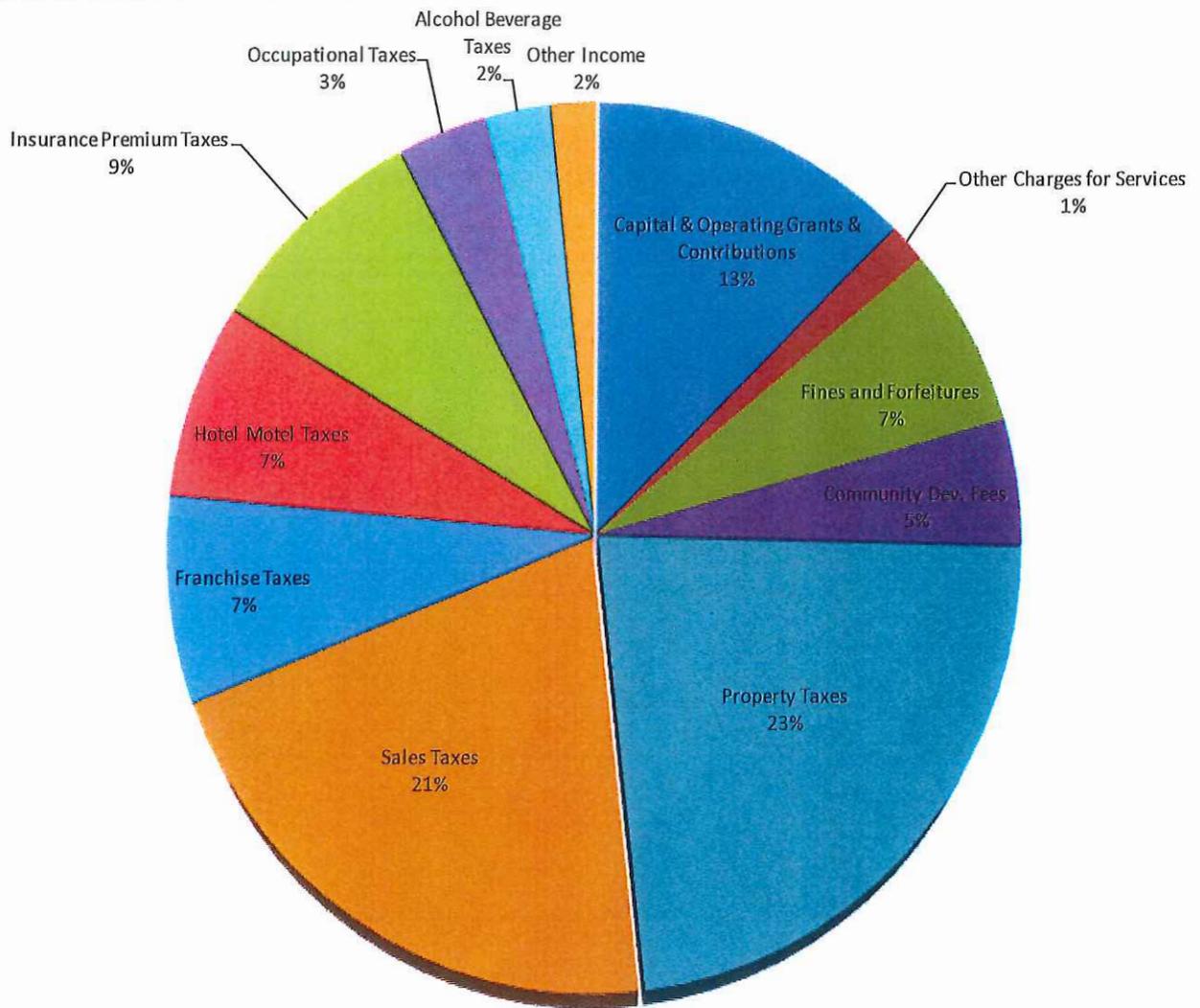
**City of McDonough
Governmental Activities:**

For the year ended June 30, 2020, an increase in net position of \$723,158 was reported in Governmental Activities when compared to period ending June 30, 2019. General revenues increased from \$13,724,216 in 2019 to \$14,350,118 for the fiscal year ended June 30, 2020. The increase of \$625,902 is attributed to increases in collections of property taxes, local option sales taxes, occupational taxes, and insurance premium taxes.

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



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



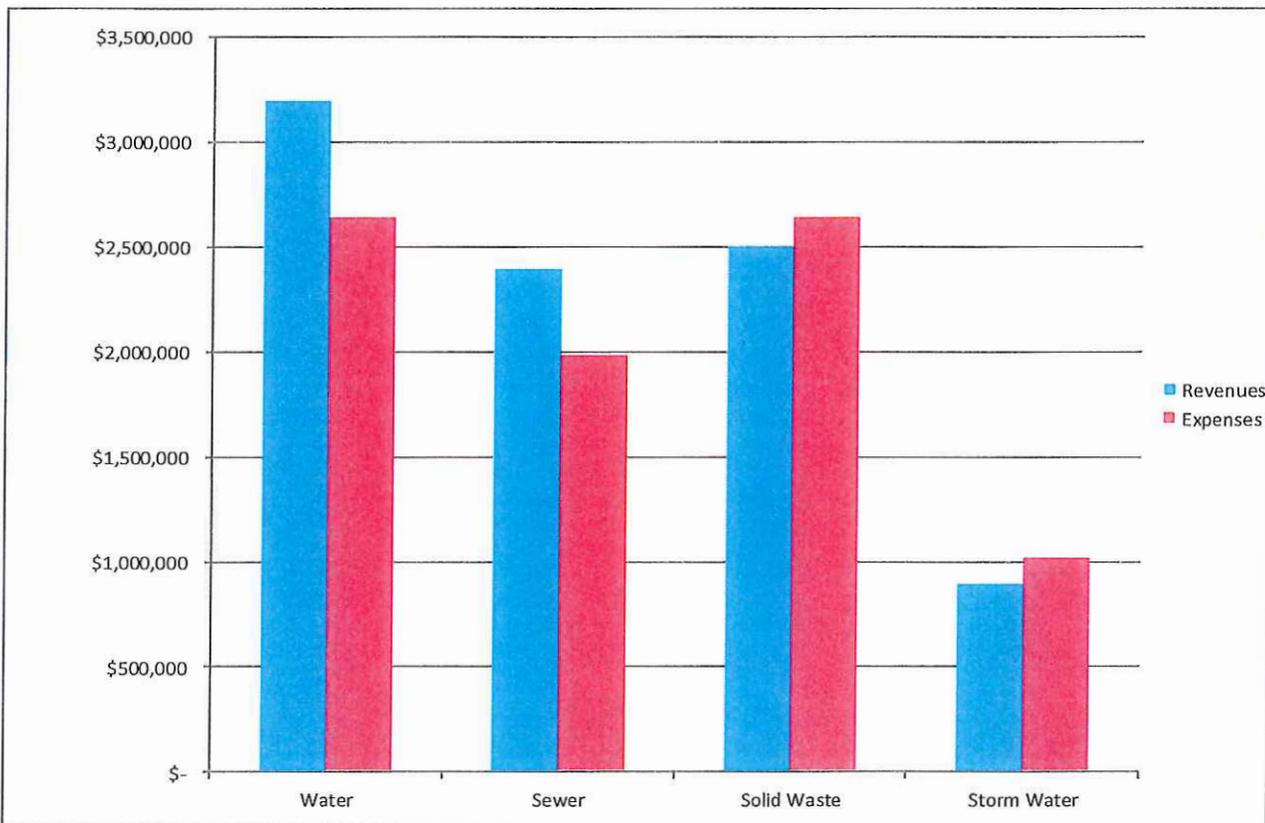
City of McDonough

Business-type activities. Business-type activities increased the City’s net position by \$884,464 of which an increase of \$972,618 was from Water and Sewer activities, an increase of \$20,683 was from Solid Waste Management Activities, and a decrease of (\$108,837) 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 increase in net position for the year of 20,683 increasing net position at the end of the year to a deficit of \$21,553

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, 2020, the city's governmental funds reported combined ending fund balances of \$16,161,536, a decrease of \$356,985 in comparison to the prior period. Of this amount, \$6,001,227 (37.13 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 (\$6,054,374), 2) for Perpetual Care of the City's cemetery (\$25,969), and 3) for police activities. The remainder of fund balance is nonspendable for such items as prepaid items of \$466,946, cemetery trust corpus of \$173,600, budget appropriation for fiscal year 2020 of \$1,843,103, and the stabilization reserve of \$1,558,848.

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 \$6,353,668 while the total fund balance amounted to \$10,222,565. 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 39.94 percent of the total general fund expenditures, while total fund balance represents 64.26 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$308,916. The increase was primarily the result of an increase in taxes and building permits.

The City of McDonough received \$1,767,686 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. In November 2019, the SPLOST V referendum was approved by the voters and became effective on April 1, 2020. Projects approved by voters in the SPLOST referendums 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 2020 the City spent \$976,758 for roads, bridges and sidewalks; \$287,697 for parks and recreation, \$166,939 for cultural, historic & recreation facilities, \$500,000 for community development, and \$352,441 for public safety facilities and equipment.

The City also received Development Impact Fees during the year totaling \$317,766. 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 2020 this fund expended \$771,879 for public safety, \$55,734 for parks, and \$10,236 for administrative purposes. The fund balance of this fund at June 30, 2020 amounted to \$823,949.

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 \$278,369 from the General Fund during FY 2020. The URA paid \$150,000 of bond principal and \$127,563 of bond interest during the year ended June 30, 2020.

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 \$5,053,870 of which the Water and Sewer Fund had \$2,946,944, Solid Waste Management Fund had (\$97,012), the Storm Water Management Fund had \$2,203,938, 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 \$17,733,833 were amended to a total of \$18,928,886 or 106.7 percent of the original budget. Budget amendments were made mainly for the increase in costs of capital outlays, community grants, beautification projects, and other contracts and fees.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2020, amounted to \$67,845,515, 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 Activities:

Parking Lot Construction	\$ 275,000	
Sidewalk Connectivity Construction	8,500	
C.O. Polk Museum Improvements	166,940	
Avalon Park - Bandstand	144,885	
Police Precinct Construction	650,178	
Water Treatment Plant-Automated Controls	344,820	
Less: Projects Completed During the Year	<u>(2,427,002)</u>	\$ (836,679)

Property Plant & Equipment:

Governmental Activities:

Park Improvements, Furniture & Equipment	1,612,320	
Street and Parking Lot Improvements	688,380	
Public Works Vehicle	33,280	
Public Works Machinery and Equipment	59,492	
Public Safety Vehicles & Equipment	518,003	
Public Safety - New Precinct	704,453	
Public Safety Furniture and Equipment	57,245	
Technology Upgrades	123,651	
Government Building Improvements	<u>32,356</u>	3,829,180

Business-Type Activities:

Water Plant Equipment	69,723	
Stormwater - Infrastructure Improvements	497,482	
Stormwater - Vacuum Sweeper	271,500	
Technology Upgrades	19,977	
Pump Station Upgrades	104,838	
Kubota Track Bucket Loader	<u>52,000</u>	1,015,520

Total Capital Asset Events \$ 4,008,021

Additional information on the City's capital assets can be found in note 7.

City of McDonough

Long-term debt. As of June 30, 20120, the City had \$8,084,674 in outstanding debt consisting of the following:

Governmental Activities:	
Accrued Compensated Absences	\$ 309,779
Series 2015 Revenue Bonds	3,685,000
Bond Premium	147,264
Unearned Rental Income (Obligation)	<u>72,855</u>
Total Government Activities	<u>4,214,898</u>
Business-Type Activities:	
Series 2014 Revenue Bonds	1,543,000
GEFA Notes Payable	<u>2,326,776</u>
Total Business-Type Activities	<u>3,869,776</u>
Total Long-Term Debt	<u>\$ 8,084,674</u>

The City's total long-term debt decreased by a net of \$293,041 during the year ended June 30, 2020.

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 \$111,600,000 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 3.8 percent which is consistent with the U.S. average of 3.7%. 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 for commercial construction increased during the year ended June 30, 2020. Building permits for residential construction showed a decrease, however, the housing market continued to be strong during this period.
- Receipts from taxes continued meet budgeted expectations. Taxes from tourism decreased as a result of COVID -19.

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Downtown Development Authority
Assets and Deferred Outflows				
Assets				
Cash and cash equivalents	\$ 1,369,807	\$ 1,066,223	\$ 2,436,030	\$ 17,474
Investments	7,950,220	4,703,636	12,653,856	-
Receivables, net				
Taxes	806,217	-	806,217	-
Fines	99,259	-	99,259	-
Accounts	-	1,368,536	1,368,536	-
Intergovernmental	-	-	-	-
Other	2,803	-	2,803	134,500
Internal balances	-	-	-	-
Prepaid items	466,946	35,855	502,801	-
Restricted assets				
Cash	5,859,712	352,898	6,212,610	-
Investments	471,116	-	471,116	-
Non-depreciable capital assets	14,627,997	5,790,414	20,418,411	-
Depreciable capital assets, net	30,000,075	17,427,029	47,427,104	-
Total Assets	<u>61,654,152</u>	<u>30,744,591</u>	<u>92,398,743</u>	<u>151,974</u>
Deferred Outflows				
Deferred pension and OPEB outflows	2,117,930	529,482	2,647,412	-
Total Assets and Deferred Outflows	<u>63,772,082</u>	<u>31,274,073</u>	<u>95,046,155</u>	<u>151,974</u>

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Downtown Development Authority
LIABILITIES AND DEFERRED INFLOWS				
Liabilities				
Accounts payable				
Trade	\$ 410,123	\$ 454,492	\$ 864,615	\$ 2,925
Construction	-	-	-	-
Accrued liabilities				
Salaries	128,576	-	128,576	-
Compensated absences	-	60,619	60,619	-
Customer deposits	-	373,561	373,561	-
Other	170,718	-	170,718	-
Unearned revenues	2,072	-	2,072	-
Liabilities payable from restricted assets				
Revenue bonds	-	312,000	312,000	-
Notes payable	-	140,389	140,389	-
Accrued interest	-	15,445	15,445	-
Accounts payable	16,227	-	16,227	-
Long-term liabilities				
Debt due within one year	241,429	-	241,429	-
Debt due in more than one year	3,973,469	3,417,387	7,390,856	-
Net pension liability	5,858,010	1,464,502	7,322,512	-
Net Opeb liability	687,928	171,982	859,910	-
Total Liabilities	11,488,552	6,410,377	17,898,929	2,925
Deferred Inflows				
Deferred pension and OPEB inflows	437,045	109,261	546,306	-
Total Liabilities and Deferred Inflows	11,925,597	6,519,638	18,445,235	2,925
NET POSITION				
Net investment in capital assets	40,759,379	19,347,667	60,107,046	-
Restricted for				
Perpetual care				
Expendable	27,919	-	27,919	-
Nonexpendable	173,600	-	173,600	-
Police activities	35,519	-	35,519	-
Capital projects	6,054,374	-	6,054,374	-
Promotional activities	-	-	-	-
Debt covenants	-	352,898	352,898	-
Unrestricted	4,795,694	5,053,870	9,849,564	149,049
Total Net Position	\$ 51,846,485	\$ 24,754,435	\$ 76,600,920	\$ 149,049

See accompanying notes to the basic financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

<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>
Governmental Activities				
General Government	\$ 3,511,608	\$ 285,003	\$ -	\$ 9,824
Public Safety and Courts	10,306,328	1,300,184	25,639	372,410
Public Works	2,056,825	53,363	-	1,053,340
Cemetery	13,119	16,500	-	-
Parks and Recreation	612,768	-	-	851,663
Community Development	1,123,093	889,284	-	130,077
Economic Development	1,045,449	43,284	398	-
Code Enforcement	184,535	-	-	-
Interest	119,954	-	-	-
Bond issuance costs and fees	-	-	-	-
Total Governmental Activities	<u>18,973,679</u>	<u>2,587,618</u>	<u>26,037</u>	<u>2,417,314</u>
Business-Type Activities				
Water	3,267,163	3,087,604	-	242,543
Sewer	1,406,629	2,503,635	-	210,719
Cemetery Enterprise	-	-	-	-
Solid Waste Management	2,637,384	2,498,817	-	-
Storm Water Management	1,012,052	884,990	-	-
Total Business-Type Activities	<u>8,323,228</u>	<u>8,975,046</u>	<u>-</u>	<u>453,262</u>
Total Government	<u>\$ 27,296,907</u>	<u>\$ 11,562,664</u>	<u>\$ 26,037</u>	<u>\$ 2,870,576</u>
Component Unit:				
Downtown Development Authority	\$ 13,052	\$ -	\$ 147,228	\$ -

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
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
\$ (3,216,781)	\$ -	\$ (3,216,781)	\$ -
(8,608,095)	-	(8,608,095)	-
(950,122)	-	(950,122)	-
3,381	-	3,381	-
238,895	-	238,895	-
(103,732)	-	(103,732)	-
(1,001,767)	-	(1,001,767)	-
(184,535)	-	(184,535)	-
(119,954)	-	(119,954)	-
-	-	-	-
<u>(13,942,710)</u>	<u>-</u>	<u>(13,942,710)</u>	<u>-</u>
-	62,984	62,984	-
-	1,307,725	1,307,725	-
-	-	-	-
-	(138,567)	(138,567)	-
-	(127,062)	(127,062)	-
-	1,105,080	1,105,080	-
<u>(13,942,710)</u>	<u>1,105,080</u>	<u>(12,837,630)</u>	<u>-</u>
-	-	-	134,176
4,422,770	-	4,422,770	-
1,439,848	-	1,439,848	-
4,023,219	-	4,023,219	-
669,312	-	669,312	-
1,675,574	-	1,675,574	-
499,839	-	499,839	-
1,382,338	-	1,382,338	-
102,613	-	102,613	-
94,988	95,134	190,122	9
39,617	-	39,617	-
14,350,118	95,134	14,445,252	9
315,750	(315,750)	-	-
<u>14,665,868</u>	<u>(220,616)</u>	<u>14,445,252</u>	<u>9</u>
723,158	884,464	1,607,622	134,185
51,123,327	23,869,971	74,993,298	14,864
<u>\$ 51,846,485</u>	<u>\$ 24,754,435</u>	<u>\$ 76,600,920</u>	<u>\$ 149,049</u>

CITY OF McDONOUGH, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
ASSETS			
Cash and cash equivalents	\$ 1,369,807	\$ 552,342	\$ 4,689,943
Investments	7,950,220	-	-
Receivables			
Taxes	538,252	-	-
Intergovernmental	-	-	-
Fines	99,259	-	-
Other	2,803	-	-
Due from other funds	517,150	-	-
Prepaid items	466,946	-	-
Total Assets	<u>\$ 10,944,437</u>	<u>\$ 552,342</u>	<u>\$ 4,689,943</u>
LIABILITIES			
Accounts payable			
Trade	\$ 279,357	\$ -	\$ -
Construction	-	5,960	5,900
Accrued expenditures			
Payroll	128,576	-	-
Court Bonds	73,875	-	-
Other	96,843	-	-
Unearned revenues	2,026	-	-
Due to other funds	4,367	-	-
Total Liabilities	<u>585,044</u>	<u>5,960</u>	<u>5,900</u>
DEFERRED INFLOWS			
Unavailable revenues	<u>136,828</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable -			
Prepaid items	466,946	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	546,382	4,684,043
Cemetery	-	-	-
Police activities	-	-	-
Committed -			
Stabilization reserve	1,558,848	-	-
Assigned -			
Appropriated for next year's budget	1,843,103	-	-
Unassigned	6,353,668	-	-
Total Fund Balance	<u>10,222,565</u>	<u>546,382</u>	<u>4,684,043</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 10,944,437</u>	 <u>\$ 552,342</u>	 <u>\$ 4,689,943</u>

See accompanying notes to the financial statements.

SPLOST V	DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 552,503	\$ -	\$ 64,924	\$ 7,229,519
-	271,446	-	199,670	8,421,336
-	-	-	267,965	806,217
-	-	-	-	-
-	-	-	-	99,259
-	-	-	-	2,803
-	-	4,367	-	521,517
-	-	-	-	466,946
<u>\$ -</u>	<u>\$ 823,949</u>	<u>\$ 4,367</u>	<u>\$ 532,559</u>	<u>\$ 17,547,597</u>
\$ -	\$ -	\$ -	\$ 130,766	\$ 410,123
-	-	4,367	-	16,227
-	-	-	-	128,576
-	-	-	-	73,875
-	-	-	-	96,843
-	-	-	46	2,072
352,441	-	-	164,709	521,517
<u>352,441</u>	<u>-</u>	<u>4,367</u>	<u>295,521</u>	<u>1,249,233</u>
-	-	-	-	136,828
-	-	-	-	466,946
-	-	-	173,600	173,600
-	823,949	-	-	6,054,374
-	-	-	27,919	27,919
-	-	-	35,519	35,519
-	-	-	-	1,558,848
-	-	-	-	1,843,103
(352,441)	-	-	-	6,001,227
<u>(352,441)</u>	<u>823,949</u>	<u>-</u>	<u>237,038</u>	<u>16,161,536</u>
<u>\$ -</u>	<u>\$ 823,949</u>	<u>\$ 4,367</u>	<u>\$ 532,559</u>	<u>\$ 17,547,597</u>

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

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

Total fund balances -- total governmental funds	\$ 16,161,536
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,628,072
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	136,828
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:	
Deferred outflows	2,117,930
Deferred inflows	(437,045)
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	(309,779)
Bonds payable	(3,685,000)
Unamortized bond premium	(147,264)
Unearned rental revenue (obligation)	(72,855)
Accrued interest	-
Net pension liability	(5,858,010)
Net OPEB liability	<u>(687,928)</u>
Net position of governmental activities.	<u>\$ 51,846,485</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, 2020

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
REVENUES			
Taxes	\$ 12,890,234	\$ -	\$ -
Licenses and permits			
Business license	213,156	-	-
Building permits and fees	714,685	-	-
Intergovernmental	25,639	-	2,086,098
Charges for services	195,717	-	-
Fines and forfeitures	1,118,311	-	-
Interest	92,038	-	9,440
Miscellaneous	167,455	-	-
	<u>15,417,235</u>	<u>-</u>	<u>2,095,538</u>
EXPENDITURES			
Current			
Governing Body	277,780	-	-
General Administration	3,033,135	-	-
Municipal Court	863,115	-	-
Probation	234,515	-	-
Public Safety	8,277,574	-	-
Highways & Streets	1,335,806	-	-
Cemetery	8,395	-	-
Parks and Recreation	318,687	-	-
Community Development	608,470	-	-
Economic Development	420,390	-	-
Code Enforcement	182,880	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	346,318	71,561	1,859,833
	<u>15,907,065</u>	<u>71,561</u>	<u>1,859,833</u>

See accompanying notes to the financial statements.

SPLOST V	DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ -	\$ -	\$ 1,382,338	\$ 14,272,572
-	-	-	-	213,156
-	-	-	-	714,685
-	-	-	-	2,111,737
-	317,766	-	-	513,483
-	-	-	170,129	1,288,440
-	4,010	-	2,950	108,438
-	-	-	-	167,455
-	321,776	-	1,555,417	19,389,966
-	-	-	-	277,780
-	10,236	806	-	3,044,177
-	-	-	-	863,115
-	-	-	-	234,515
-	-	-	-	8,277,574
-	-	-	-	1,335,806
-	-	-	-	8,395
-	-	-	-	318,687
-	-	-	-	608,470
-	-	-	620,973	1,041,363
-	-	-	-	182,880
-	-	150,000	-	150,000
-	-	127,563	-	127,563
352,441	827,613	-	134,610	3,592,376
352,441	837,849	278,369	755,583	20,062,701

Continued

CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2020

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ (489,830)	\$ (71,561)	\$ 235,705
Other Financing Sources (Uses)			
Proceeds from debt issue	-	-	-
Proceeds from disposition of capital asset	-	-	-
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers	<u>798,746</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>798,746</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	308,916	(71,561)	235,705
Fund Balance - Beginning of Year	<u>9,913,649</u>	<u>617,943</u>	<u>4,448,338</u>
Fund Balance - End of Year	<u>\$ 10,222,565</u>	<u>\$ 546,382</u>	<u>\$ 4,684,043</u>

See accompanying notes to the financial statements.

<u>SPLOST V</u>	<u>DEVELOPMENT IMPACT FEE</u>	<u>URBAN REDEVELOPMENT FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ (352,441)	\$ (516,073)	\$ (278,369)	\$ 799,834	\$ (672,735)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	278,369	(761,365)	315,750
-	-	278,369	(761,365)	315,750
(352,441)	(516,073)	-	38,469	(356,985)
-	1,340,022	-	198,569	16,518,521
<u>\$ (352,441)</u>	<u>\$ 823,949</u>	<u>\$ -</u>	<u>\$ 237,038</u>	<u>\$ 16,161,536</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, 2020

Net change in fund balances -- total governmental funds \$ (356,985)

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	2,647,680
Depreciation	(1,575,433)

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.

12,180

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	150,000
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	(83,621)
Change in net pension liability and related deferred items	(75,266)
Change in unearned rental income (obligation)	36,429
Change in accrued interest	-
Amortization of bond premium	8,415
Change in long-term portion of accrued compensated absences	<u>(40,241)</u>

Change in net position of governmental activities. \$ 723,158

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, 2020

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 11,859,500	\$ 11,859,600	\$ 12,890,234	\$ 1,030,634
Licenses and permits				
Business license	205,500	205,500	213,156	7,656
Building permits and fees	768,500	770,700	714,685	(56,015)
Intergovernmental	346,000	346,000	25,639	(320,361)
Charges for services	128,600	138,600	195,717	57,117
Fines and forfeitures	1,610,000	1,610,000	1,118,311	(491,689)
Interest	156,000	156,000	92,038	(63,962)
Administration fees *	362,400	362,400	362,400	-
Miscellaneous	597,272	597,272	167,455	(429,817)
Total Revenues	<u>16,033,772</u>	<u>16,046,072</u>	<u>15,779,635</u>	<u>(266,437)</u>
EXPENDITURES				
Current				
Governing Body	398,921	398,921	277,780	121,141
General Government -				
City Administrator	677,530	847,155	584,544	262,611
City Clerk	1,134,605	1,195,055	1,108,541	86,514
Finance	362,068	455,618	455,584	34
Legal	125,000	125,950	121,542	4,408
IT	926,327	969,323	902,596	66,727
Human Resources	247,680	247,680	222,728	24,952
Municipal Court	1,161,430	1,161,430	863,115	298,315
Probation	273,656	273,656	234,515	39,141
Public Safety -				
Police	5,649,556	6,008,286	5,226,879	781,407
Fire	3,139,187	3,182,087	3,063,782	118,305
Highways & Streets	1,489,751	1,643,751	1,643,686	65
Cemetery	32,421	32,671	8,395	24,276
Parks and Recreation	433,464	433,464	339,458	94,006
Community Development				
Planning and Zoning	566,205	647,405	355,710	291,695
Building Inspection	304,468	305,470	257,340	48,130
Economic Development				
Main Street	290,290	329,690	273,162	56,528
Business Development	18,000	168,000	147,228	20,772
Code Enforcement	223,274	223,274	182,880	40,394
Debt Service**	280,000	280,000	-	280,000
Capital outlay **	-	-	-	-
Total Expenditures	<u>17,733,833</u>	<u>18,928,886</u>	<u>16,269,465</u>	<u>2,659,421</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, 2020**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>\$ (1,700,061)</u>	<u>\$ (2,882,814)</u>	<u>\$ (489,830)</u>	<u>\$ 2,392,984</u>
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from disposition of assets	14,000	14,000	-	(14,000)
Transfers	<u>1,294,545</u>	<u>1,294,545</u>	<u>798,746</u>	<u>(495,799)</u>
Total Other Financing Sources (Uses)	<u>1,308,545</u>	<u>1,308,545</u>	<u>798,746</u>	<u>(509,799)</u>
Net Change in Fund Balance	(391,516)	(1,574,269)	308,916	1,883,185
Fund Balance - Beginning of Year	<u>9,913,649</u>	<u>9,913,649</u>	<u>9,913,649</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 9,522,133</u>	<u>\$ 8,339,380</u>	<u>\$ 10,222,565</u>	<u>\$ 1,883,185</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, 2020

ASSETS AND DEFERRED OUTFLOWS	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Current Assets			
Cash	\$ 130,854	\$ -	\$ 935,369
Investments	3,764,450	-	939,186
Receivables			
Accounts (net)	694,207	179,513	494,816
Other	-	-	-
Due from other funds	3,782	-	-
Due from other government	-	-	-
Prepaid expenses	30,586	2,953	2,316
Restricted Assets			
Cash	352,898	-	-
Total Current Assets	<u>4,976,777</u>	<u>182,466</u>	<u>2,371,687</u>
Noncurrent Assets			
Capital assets			
Land	4,397,398	-	222,162
Buildings	953,543	-	166,141
Improvements other than buildings	26,781,052	-	2,934,170
Machinery and equipment	1,915,625	96,567	685,843
Autos and trucks	698,324	155,574	676,798
Construction in progress	344,820	-	-
Accumulated depreciation	<u>(16,402,759)</u>	<u>(176,682)</u>	<u>(1,094,186)</u>
Capital assets (net of depreciation)	<u>18,688,003</u>	<u>75,459</u>	<u>3,590,928</u>
Total Assets	<u>23,664,780</u>	<u>257,925</u>	<u>5,962,615</u>
Deferred Outflows			
Deferred pension and OPEB outflows	<u>450,060</u>	<u>26,474</u>	<u>52,948</u>
Total Assets and Deferred Outflows	<u>24,114,840</u>	<u>284,399</u>	<u>6,015,563</u>

See accompanying notes to the basic financial statements.

Continued

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 1,066,223
-	4,703,636
-	1,368,536
-	-
-	3,782
-	-
-	35,855
-	<u>352,898</u>
<u>-</u>	<u>7,530,930</u>
826,034	5,445,594
-	1,119,684
37,019	29,752,241
-	2,698,035
-	1,530,696
-	344,820
-	<u>(17,673,627)</u>
<u>863,053</u>	<u>23,217,443</u>
<u>863,053</u>	<u>30,748,373</u>
-	<u>529,482</u>
<u>863,053</u>	<u>31,277,855</u>

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Water and Sewer	Solid Waste Management	Storm Water Management
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities			
Accounts payable			
Trade	\$ 203,543	\$ 211,032	\$ 39,917
Construction	-	-	-
Accrued liabilities			
Deposits	373,561	-	-
Accrued compensated absences	50,562	3,851	6,206
Accrued salaries	-	-	-
Due to other funds	-	3,782	-
Current liabilities payable from restricted assets			
Revenue bonds	312,000	-	-
Notes payable	140,389	-	-
Accrued interest	15,445	-	-
Total Current Liabilities	1,095,500	218,665	46,123
Noncurrent Liabilities			
Revenue bonds	1,231,000	-	-
Notes payable	2,186,387	-	-
Net pension liability	1,244,827	73,225	146,450
Net OPEB liability	146,185	8,599	17,198
Total Noncurrent Liabilities	4,808,399	81,824	163,648
Total Liabilities	5,903,899	300,489	209,771
Deferred Inflows			
Deferred pension and OPEB inflows	92,872	5,463	10,926
Total Liabilities and Deferred Inflows	5,996,771	305,952	220,697
NET POSITION			
Net investment in capital assets	14,818,227	75,459	3,590,928
Restricted under debt ordinance	352,898	-	-
Unrestricted	2,946,944	(97,012)	2,203,938
Total Net Position	\$ 18,118,069	\$ (21,553)	\$ 5,794,866

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 454,492
-	-
-	373,561
-	60,619
-	-
-	3,782
-	312,000
-	140,389
-	15,445
<u>-</u>	<u>1,360,288</u>
-	1,231,000
-	2,186,387
-	1,464,502
-	171,982
<u>-</u>	<u>5,053,871</u>
<u>-</u>	<u>6,414,159</u>
-	109,261
<u>-</u>	<u>6,523,420</u>
863,053	19,347,667
-	352,898
<u>-</u>	<u>5,053,870</u>
<u>\$ 863,053</u>	<u>\$ 24,754,435</u>

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
OPERATING REVENUES			
Charges for services			
Water sales	\$ 2,950,016	\$ -	\$ -
Sewer charges	2,395,627	-	-
Sanitation fees	-	2,498,817	-
Storm water fees	-	-	884,990
Connection fees	-	-	-
Water	29,580	-	-
Sewer	-	-	-
Penalties and reconnect fees	168,753	-	-
Miscellaneous	47,263	-	-
Total Operating Revenues	<u>5,591,239</u>	<u>2,498,817</u>	<u>884,990</u>
OPERATING EXPENSES			
Purchased products / services	204,642	2,350,761	-
Personal services and benefits	1,938,472	119,186	301,061
Purchased / contracted services	704,734	40,517	322,450
Supplies	598,687	15,382	79,918
Cost allocations	210,145	64,032	39,823
Depreciation and amortization	844,124	23,838	233,800
Other	114,063	23,668	35,000
Total Operating Expenses	<u>4,614,867</u>	<u>2,637,384</u>	<u>1,012,052</u>
Operating Income (Loss)	<u>976,372</u>	<u>(138,567)</u>	<u>(127,062)</u>
NON-OPERATING INCOME (EXPENSE)			
Interest earned	76,909	-	18,225
Interest expense	(58,925)	-	-
Gain (Loss) on disposition of capital assets	-	-	-
Total Non-Operating Income (Expense)	<u>17,984</u>	<u>-</u>	<u>18,225</u>
Net Income before Transfers and Capital Contributions	994,356	(138,567)	(108,837)
Capital Contributions			
Water	242,543	-	-
Sewer	210,719	-	-
Cemetery	-	-	-
Transfers	<u>(475,000)</u>	<u>159,250</u>	<u>-</u>
Change in Net Position	972,618	20,683	(108,837)
Net Position - Beginning of Year (Adjusted)	<u>17,145,451</u>	<u>(42,236)</u>	<u>5,903,703</u>
Net Position - End of Year	<u>\$ 18,118,069</u>	<u>\$ (21,553)</u>	<u>\$ 5,794,866</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 2,950,016
-	2,395,627
-	2,498,817
-	884,990
-	-
-	29,580
-	-
-	168,753
-	47,263
-	8,975,046
-	2,555,403
-	2,358,719
-	1,067,701
-	693,987
-	314,000
-	1,101,762
-	172,731
-	8,264,303
-	710,743
-	95,134
-	(58,925)
-	-
-	36,209
-	746,952
-	242,543
-	210,719
-	-
-	(315,750)
-	884,464
863,053	23,869,971
\$ 863,053	\$ 24,754,435

**CITY OF McDONOUGH, GEORGIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020**

	<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	\$ 5,749,606	\$ 2,435,026	\$ 900,749
Cash paid to suppliers for goods	(3,082,867)	(2,550,158)	(583,551)
Cash paid to employees	(1,279,170)	(69,651)	(199,223)
Net Cash Flows from Operating Activities	<u>1,387,569</u>	<u>(184,783)</u>	<u>117,975</u>
Cash flows from investing activities:			
Interest received	76,909	-	18,225
(Purchase) / redemption of investments	(1,032,847)	-	237,884
Net Cash Flows from Investing Activities	<u>(955,938)</u>	<u>-</u>	<u>256,109</u>
Cash flows from non-capital financing activities:			
Transfers	(475,000)	159,250	-
Change in due to/from other funds	(3,782)	3,782	-
Net Cash Flows from Non-Capital Financing Activities	<u>(478,782)</u>	<u>163,032</u>	<u>-</u>
Cash flows from capital financing activities:			
Purchases / construction of capital assets	(591,354)	-	(768,984)
Capital contributions	453,262	-	-
Principal payments on long-term debt	(138,439)	-	-
Change in net pension liability	344,589	20,270	40,540
Change in net OPEB liability	25,181	1,481	2,962
Proceeds from disposition of capital assets	-	-	-
Interest paid	(46,357)	-	-
Net Cash Flows from Capital Financing Activities	<u>46,882</u>	<u>21,751</u>	<u>(725,482)</u>
Net Change in Cash and Cash Equivalents	(269)	-	(351,398)
Cash and Cash Equivalents - Beginning	<u>484,021</u>	<u>-</u>	<u>1,286,767</u>
Cash and Cash Equivalents - Ending	<u>\$ 483,752</u>	<u>\$ -</u>	<u>\$ 935,369</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 9,085,381
-	(6,216,576)
-	(1,548,044)
<u>-</u>	<u>1,320,761</u>
-	95,134
-	(794,963)
<u>-</u>	<u>(699,829)</u>
-	(315,750)
<u>-</u>	<u>-</u>
-	(315,750)
-	(1,360,338)
-	453,262
-	(138,439)
-	405,399
-	29,624
-	-
<u>-</u>	<u>(46,357)</u>
-	(656,849)
-	(351,667)
<u>-</u>	<u>1,770,788</u>
<u>\$ -</u>	<u>\$ 1,419,121</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)	\$ 976,372	\$ (138,567)	\$ (127,062)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	844,124	23,838	233,800
(Increase) decrease in -			
Accounts receivable	80,189	(63,791)	15,759
Prepaid expense	(792)	(21)	(25)
Deferred outflows	(227,377)	(13,375)	(26,750)
Increase (decrease) in -			
Accounts payable	(265,535)	12,355	33,339
Deposits	78,178	-	-
Deferred inflows	(108,629)	(6,390)	(12,780)
Accrued liabilities	11,039	1,168	1,694
 Total Adjustments	 <u>411,197</u>	 <u>(46,216)</u>	 <u>245,037</u>
 Net Cash Flows from Operating Activities	 <u>\$ 1,387,569</u>	 <u>\$ (184,783)</u>	 <u>\$ 117,975</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>
\$ -	\$ 710,743
-	1,101,762
-	32,157
-	(838)
-	(267,502)
-	(219,841)
-	78,178
-	(127,799)
-	<u>13,901</u>
-	<u>610,018</u>
<u>\$ -</u>	<u>\$ 1,320,761</u>
<u>\$ -</u>	<u>\$ -</u>

CITY OF McDONOUGH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 25,000 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, 2020:

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, 2020 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, 2020. 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, 2020 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 \$6,644,310 of restricted net position, of which \$6,089,893 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, 2020, 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, 2020, fund balances are composed of the following:

	General	SPLOST Funds	Development Impact Fee	Urban Redevelopment Authority	Other Governmental Funds	Total
Nonspendable						
Prepays	\$ 466,946	\$ -	\$ -	\$ -	\$ -	\$ 466,946
Cemetery Trust Corpus	-	-	-	-	173,600	173,600
Restricted -						
Capital projects	-	5,230,425	823,949	-	-	6,054,374
Cemetery	-	-	-	-	27,919	27,919
Police activities	-	-	-	-	35,519	35,519
Committed -						
Stabilization reserve	1,558,848	-	-	-	-	1,558,848
Assigned -						
Appropriated for 2021 budget	1,843,103	-	-	-	-	1,843,103
Unassigned	6,353,668	(352,441)	-	-	-	6,001,227
Total Fund Balances	\$ 10,222,565	\$ 4,877,984	\$ 823,949	\$ -	\$ 237,038	\$ 16,161,536

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 January 2021. 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, 2020, \$7,949,976 of the government’s bank balance of \$8,717,451 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent	<u>7,949,976</u>
Total	<u>\$ 7,949,976</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, 2020:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Organization</u>
All Funds With Investments -				
Georgia Fund 1	\$ 13,124,972	38 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, 2019 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, 2020 amounted to \$ 76,767.

4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables reported in the governmental fund financial statements for the year ended June 30, 2020 consist of the following:

	<u>Receivable</u>	<u>Revenues</u>
General Fund		
GMA Safety and Liability Grant	\$ -	\$ 11,264
DOJ Vest Grant	-	4,375
Other	-	10,000
SPLOST Funds		
Henry County - SPLOST	-	1,767,686
Henry County - Parks	-	47,700
GA. Department of Transportation	-	270,712
	<u>\$ -</u>	<u>\$ 2,111,737</u>

5. RECEIVABLES

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

Governmental Funds	<u>General</u>	<u>SPLOST</u>	<u>Non-Major</u>	<u>Total</u>
Taxes	\$ 538,252	\$ -	\$ 267,965	\$ 806,217
Fines	198,518	-	-	198,518
Other	<u>2,803</u>	<u>-</u>	<u>-</u>	<u>2,803</u>
Gross receivables	739,573	-	267,965	1,007,538
Less allowance for bad debt	<u>(99,259)</u>	<u>-</u>	<u>-</u>	<u>(99,259)</u>
Net Total Receivables	<u>\$ 640,314</u>	<u>\$ -</u>	<u>\$ 267,965</u>	<u>\$ 908,279</u>
Proprietary Funds	<u>Water/Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Total</u>
Accounts	\$ 1,264,207	\$ 359,513	\$ 874,816	\$ 2,498,536
Less allowance for bad debt	<u>(570,000)</u>	<u>(180,000)</u>	<u>(380,000)</u>	<u>(1,130,000)</u>
Net Total Receivable	<u>\$ 694,207</u>	<u>\$ 179,513</u>	<u>\$ 494,816</u>	<u>\$ 1,368,536</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, 2020 were as follows:

Payable From	Payable To			Total
	General Fund	Water & Sewer	Urban Redevelopment	
General	\$ -	\$ -	\$ 4,367	\$ 4,367
SPLOST V	352,441	-	-	352,441
Sanitation	-	3,782	-	3,782
Non-Major	164,709	-	-	164,709
Totals	<u>\$ 517,150</u>	<u>\$ 3,782</u>	<u>\$ 4,367</u>	<u>\$ 525,299</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 Sanitation Fund to the Water and Sewer Fund of \$3,782 is for expenses paid by the Water and Sewer Fund which the Sanitation Fund has not yet repaid. The SPLOST V Fund owed the General Fund \$352,441 for expenditures paid by the General Fund and not reimbursed by the SPLOSTV Fund as of June 30, 2020. 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, 2020 were as follows:

Transfer To	Transfer From			Totals
	General	Non- Major	Water & Sewer	
General	\$ -	\$ 761,365	\$ 475,000	\$ 1,236,365
Cemetery	-	-	-	-
Urban Redevelopment Authority	278,369	-	-	278,369
Solid Waste	159,250	-	-	159,250
	<u>\$ 437,619</u>	<u>\$ 761,365</u>	<u>\$ 475,000</u>	<u>\$ 1,673,984</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, 2020 the Hotel / Motel Tax Fund transferred \$761,365 to the General Fund and as of June 30, 2020 the Hotel / Motel Tax Fund owed the General Fund \$164,709 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 \$278,369 to the Urban Redevelopment Fund to finance debt service on the URA revenue bonds. The General fund also transferred \$159,250 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, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,892,973	\$ -	\$ -	\$ 12,892,973
Construction in progress	2,916,523	1,245,503	(2,427,002)	1,735,024
Total	<u>15,809,496</u>	<u>1,245,503</u>	<u>(2,427,002)</u>	<u>14,627,997</u>
Capital assets being depreciated:				
Buildings	18,409,330	725,005	-	19,134,335
Improvements other than buildings	13,788,955	1,957,940	-	15,746,895
Vehicles, including related equipment	6,016,139	551,284	-	6,567,423
Machinery and equipment	4,949,250	546,753	-	5,496,003
Furniture and fixtures	620,521	48,198	-	668,719
Total capital assets being depreciated	<u>43,784,195</u>	<u>3,829,180</u>	<u>-</u>	<u>47,613,375</u>
Less accumulated depreciation for:				
Buildings	4,697,653	456,586	-	5,154,239
Improvements other than buildings	3,397,102	415,571	-	3,812,673
Vehicles, including related equipment	4,201,507	356,096	-	4,557,603
Machinery and equipment	3,401,191	322,585	-	3,723,776
Furniture and fixtures	340,414	24,595	-	365,009
Total accumulated depreciation	<u>16,037,867</u>	<u>1,575,433</u>	<u>-</u>	<u>17,613,300</u>
Total capital assets being depreciated, net	<u>27,746,328</u>	<u>2,253,747</u>	<u>-</u>	<u>30,000,075</u>
Governmental capital assets, net	<u>\$ 43,555,824</u>	<u>\$ 3,499,250</u>	<u>\$(2,427,002)</u>	<u>\$ 44,628,072</u>

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

Administrative	\$ 204,074
Public Safety and Courts	850,047
Highways and Streets	232,666
Cemetery	4,543
Parks and Recreation	264,517
Community Development	10,365
Economic Development	9,221
Total depreciation expense	<u>\$ 1,575,433</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
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 5,445,594	\$ -	\$ -	\$ 5,445,594
Construction in progress	-	344,820	-	344,820
Total	<u>5,445,594</u>	<u>344,820</u>	<u>-</u>	<u>5,790,414</u>
Capital assets being depreciated:				
Buildings	1,119,684	-	-	1,119,684
Improvements other than buildings	29,254,758	497,483	-	29,752,241
Machinery and equipment	2,451,498	246,537	-	2,698,035
Vehicles	1,259,196	271,500	-	1,530,696
Total capital assets being depreciated	<u>34,085,136</u>	<u>1,015,520</u>	<u>-</u>	<u>35,100,656</u>
Less accumulated depreciation for:				
Buildings	864,710	12,352	-	877,062
Improvements other than buildings	13,244,755	765,669	-	14,010,424
Machinery and equipment	1,657,421	179,612	-	1,837,033
Vehicles	804,979	144,129	-	949,108
Total capital assets being depreciated	<u>16,571,865</u>	<u>1,101,762</u>	<u>-</u>	<u>17,673,627</u>
Total capital assets being depreciated, net	<u>17,513,271</u>	<u>(86,242)</u>	<u>-</u>	<u>17,427,029</u>
Business-Type Activities capital assets, net	<u>\$ 22,958,865</u>	<u>\$ 258,578</u>	<u>\$ -</u>	<u>\$ 23,217,443</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 348,548
Sewer	495,576
Storm Water	233,800
Solid Waste Management	<u>23,838</u>
Total depreciation expense	<u>\$ 1,101,762</u>

(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, 2020 consist of the following:

McDonough Urban Redevelopment Authority (Direct Borrowings/Placements)

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 building is collateral for the bond issue. 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. \$3,685,000

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

Year Ending 6/30	REVENUE BONDS		
	Principal	Interest	Total
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	<u>270,000</u>	<u>9,450</u>	<u>279,450</u>
Totals	<u>\$ 3,685,000</u>	<u>\$ 1,346,061</u>	<u>\$ 5,031,061</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 (Direct Borrowings/Placements)

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>\$2,326,776</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	
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>\$ 2,326,776</u>	<u>\$ 254,214</u>	<u>\$ 1,543,000</u>	<u>\$ 83,680</u>	<u>\$ 4,207,670</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 (Direct Borrowings/Placements) – 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. 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, 2020:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 1,382,338	100.00%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 604,773	43.75%
Product development	\$ 259,188	18.75%

(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)	\$46,950,898
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, 2020, 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, 2020. No provisions have been made in the financial statements for the year ended June 30, 2020 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)

8. UNAVAILABLE REVENUES

Deferred revenues as of June 30, 2020, 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	\$ 69,749
Property taxes	<u>67,079</u>
Total unavailable revenues - Governmental Funds	<u>\$ 136,828</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, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Accrued Compensated Absences	\$ 269,538	\$ 408,865	\$ (368,624)	\$ 309,779	\$ 50,000
Revenue bonds	3,835,000	-	(150,000)	3,685,000	155,000
Bond premium	155,678	-	(8,414)	147,264	-
Capital Leases	-	-	-	-	-
Unearned Rental Income (Obligation)	<u>109,284</u>	<u>-</u>	<u>(36,429)</u>	<u>72,855</u>	<u>36,429</u>
Total Governmental Activity					
Long-Term Debt	<u>\$4,369,500</u>	<u>\$ 408,865</u>	<u>\$ (563,467)</u>	<u>\$4,214,898</u>	<u>\$ 241,429</u>
Business-Type Activities					
Revenue Bonds	\$1,543,000	\$ -	\$ -	\$ 1,543,000	\$ 312,000
GEFA Notes Payable	<u>2,465,215</u>	<u>-</u>	<u>(138,439)</u>	<u>2,326,776</u>	<u>140,389</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$4,008,215</u>	<u>\$ -</u>	<u>\$ (138,439)</u>	<u>\$3,869,776</u>	<u>\$ 452,389</u>

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 and OPEB obligations.

(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. 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)

13. 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

14. 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, 2020, the developer had actually used approximately \$3,317,321 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$3,495,086. The City recognizes impact fees as revenues when received.

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. As of June 30, 2020, the revenue bonds were paid in full.

(See Independent Auditor's Report)

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

15. 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, 2020 amounted to \$59,181.

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, 2020, 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, 2020 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)

15. 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, 2020, the date of the most recent actuarial valuation, there were 244 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	33
Terminated vested participants not yet receiving benefits	43
Active employees - vested	101
Active employees - nonvested	<u>67</u>
 Total	 <u>244</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 2020, the actuarially determined contribution rate was 14.25% of covered payroll.

For fiscal year ended June 30, 2020, the City’s recommended and actual contribution was \$1,102,098 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, 2020 and the Statements of Net Position for the fiscal year ended June 30, 2020 amounted to \$1,272,290.

(See Independent Auditor’s Report)

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

15. 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, 2020, the City reported a liability of \$7,322,513 for its net pension liability. The net pension liability was measured as of September 30, 2019 and was determined by an actuarial valuation as of January 1, 2020. The changes in the Net Pension Liability for the year ended September 30, 2019 (the measurement date) were as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning	\$ 16,012,899	\$ 10,717,383	\$ 5,295,516
Changes for the year-			
Service cost	467,965	-	467,965
Interest	1,213,570	-	1,213,570
Differences between expected and actual experience	276,012	-	276,012
Contributions - Employer	-	1,037,355	(1,037,355)
Net investment income	-	346,823	(346,823)
Benefit payments, including refunds of employee contributions	(599,866)	(599,866)	-
Administrative expense	-	(24,457)	24,457
Other	1,429,171	-	1,429,171
Net Changes	<u>2,786,852</u>	<u>759,855</u>	<u>2,026,997</u>
Balance, ending	<u>\$ 18,799,751</u>	<u>\$ 11,477,238</u>	<u>\$ 7,322,513</u>

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, 2020, the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	\$ 467,965
Interest on The Pension Liability (TPL)	1,213,570
Administrative expenses	24,457
Expected return on assets	(819,292)
Expensed portion of current year period differences between expected and actual experience in TPL	46,002
Current year recognition of deferred inflows and outflows established in prior years	6,899
Current year plan changes	238,196
Expensed portion of current year period differences between projected and actual investment earnings	<u>94,493</u>
Total expense	<u>\$ 1,272,290</u>

(See Independent Auditor's Report)

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

15. 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**

\$826,500 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, 2020. 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
2021	\$ 425,376	\$ (131,768)	\$ 293,608
2022	404,012	(83,714)	320,298
2023	371,680	47,418	419,098
2024	313,324	94,494	407,818
2025	284,197	-	284,197
2026 and thereafter	-	-	-
	<u>\$ 1,798,589</u>	<u>\$ (73,570)</u>	<u>\$ 1,725,019</u>

Outstanding balances of deferred outflows/inflows of resources related to pensions as of June 30, 2020 are as follow:

	<u>Outflows</u>	<u>Inflows</u>
Contributions subsequent to measurement date	\$ 826,500	\$ -
Demographic	490,856	(23,688)
Investment	-	(49,882)
Assumption change	<u>1,307,733</u>	<u>-</u>
Total	<u>\$ 2,625,089</u>	<u>\$ (73,570)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:

Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% 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)

15. EMPLOYEE BENEFIT PENSION PLANS – Continued

Defined Benefit Plan – GMA Administered, continued

Actuarial Assumptions, continued

The actuarial assumptions used in the January 1, 2020 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, 2019 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%	6.41%
International equity	20.00%	6.96%
Real estate	10.00%	4.76%
Global fixed income	5.00%	3.06%
Domestic fixed income	20.00%	1.96%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.375 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 7.375 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:

	1% Decrease	Current Rate	1% Increase
Net Pension Liability	\$ 10,008,615	\$ 7,322,513	\$ 5,104,131

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)

16. 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, 2020, the date of the latest actuarial valuation:

Active employees	151
Retirees and dependents	-
	<hr/>
	151
	<hr/>

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, 2020, the City contributed \$2,338 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, 2020 and was determined by an actuarial valuation as of July 1, 2018 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:	2.66%
Healthcare Cost Trend Rate:	7.0% for 2019/19 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 2.66%. 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)

16. 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, 2020, were as follows:

	<u>Total OPEB Liability</u>
Balances - Beginning of year	\$ 711,787
Plus OPEB expense for the fiscal year	104,526
Minus employer contribution for the fiscal year	-
Plus change in balance of deferred outflows of resources	8,837
Minus change in balance of deferred inflows of resources	<u>34,760</u>
Balance - End of year	<u>\$ 859,910</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:

	<u>1.0% Decrease</u>	<u>Current Rate</u>	<u>1.0% Increase</u>
Total OPEB Liability	\$ 960,050	\$ 859,910	\$ 769,357

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, 2020 and the current sharing pattern of costs between employer and inactive employees.

For the year ended June 30, 2020, the City recognized OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Service cost	\$ 117,719
Expected interest growth	22,034
Demographic gains / loss	(30,189)
Benefit payments & refunds	(2,338)
Assumption changes	<u>(2,700)</u>
OPEB expense	<u>\$ 104,526</u>

(See Independent Auditor’s Report)

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

16. 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, 2020, the City recognized OPEB expense of \$104,526. At June 30, 2020, the City reported deferred outflows of resources of \$22,323 and deferred inflows of resources of \$472,737 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
2021	\$ 1,872	\$ (34,760)	\$ (32,888)
2022	1,872	(34,760)	(32,888)
2023	1,872	(34,760)	(32,888)
2024	1,872	(34,760)	(32,888)
2025	1,872	(34,760)	(32,888)
2026 and thereafter	<u>12,963</u>	<u>(298,937)</u>	<u>(285,974)</u>
	<u>\$ 22,323</u>	<u>\$ (472,737)</u>	<u>\$ (450,414)</u>

Outstanding balances of deferred outflows/inflows of resources related to OPEB as of June 30, 2020 are as follow:

	Outflows	Inflows
Contributions subsequent to measurement date	\$ -	\$ -
Demographic	-	410,575
Investment	-	-
Assumption change	<u>22,323</u>	<u>62,162</u>
Total	<u>\$ 22,323</u>	<u>\$ 472,737</u>

(See Independent Auditor's Report)

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

17. 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, 2020 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 352,898
Confiscated assets fund	63,075
Capital projects-	
Special purpose local option sales funds	5,242,285
Development impact fee funds	823,949
Cemetery perpetual care funds	<u>201,519</u>
	<u>\$ 6,683,726</u>

18. 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, 2020 is \$72,855.

19. CONDUIT DEBT OBLIGATION

As of June 2020, the Downtown Development Authority of the City of McDonough, Georgia had issued \$1,088,000 in principal loan amounts from the Georgia Department of Community Affairs and from the Georgia Cities Foundation. Proceeds from the loans were loaned to various businesses located inside the City of McDonough in accordance with the terms of the loan agreements. The proceeds will be used for the purpose of helping to finance building acquisitions, renovations of buildings and to acquire furniture, fixtures and equipment. 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, 2020, the following is a list of businesses and related loan information that have the conduit debt obligations:

<u>Business</u>	<u>Purpose</u>	<u>Loan</u>	
		<u>Original Amount</u>	<u>Balance at June 30, 2020</u>
19 Griffin Street, LLC	Renovations	\$ 500,000	\$ 481,599
Southern Investment Group, LLC	Construction, furniture, equip	\$ 450,000	\$ 415,081
KCRT Restaurant Corporation	Building acquisition	\$ 138,000	\$ 132,048

(See Independent Auditor's Report)

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

20. 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, 2020, the SPLOST V Fund had a deficit fund balance of \$352,441 and the Sanitation Fund had a deficit net position of \$21,553. Management expects to cure this situation through additional revenues or General Fund transfers.
- B) Excess expenditures over budget – Two 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) as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Confiscated Assets Fund			
Police capital outlay	\$ 46,000	\$ 134,610	\$ (88,610)
Development Impact Fee Fund			
Administrative	\$ -	\$ 10,236	\$ (10,236)

21. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the City entered into a grant agreement with the State of Georgia under the Cares Act Coronavirus Relief Fund. Under the agreement the City will be able to receive reimbursement for eligible expenditures incurred between the dates beginning March 1, 2020 and ending December 31, 2020. Although the City believes it incurred eligible expenditures through June 30, 2020, no revenues have been recognized under the grant agreement as of June 30, 2020 since the agreement was not in effect until after June 30, 2020. The City is eligible to receive a total of \$1,401,243 under the grant agreement.

(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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service cost	\$ 467,965	\$ 395,007	\$ 412,374	\$ 392,336	\$ 381,005	\$ 374,655				
Interest	1,213,570	1,049,972	964,619	890,810	840,753	777,801				
Differences between expected and actual experience	276,012	174,761	121,141	193,990	(82,909)	133,731	(Historical information prior to implementation			
Change in plan benefit terms	-	1,082,629	-	-	-	-				
Changes of assumptions	1,429,171	-	228,995	-	-	15,821	of GASB 67/68 is not required)			
Benefit payments	(599,866)	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)				
Net changes in total pension liability	2,786,852	2,114,197	1,176,887	977,845	652,243	809,164				
Total pension liability - beginning	16,012,899	13,898,702	12,721,815	11,743,970	11,091,727	10,282,563				
Total pension liability - ending	<u>\$ 18,799,751</u>	<u>\$ 16,012,899</u>	<u>\$ 13,898,702</u>	<u>\$ 12,721,815</u>	<u>\$ 11,743,970</u>	<u>\$ 11,091,727</u>				
Plan Fiduciary Net Position										
Contributions - employer	\$ 1,037,355	\$ 806,729	\$ 850,523	\$ 827,632	\$ 813,118	\$ 800,328				
Net investment income	346,823	959,943	1,231,717	791,561	62,378	651,380				
Benefit payments	(599,866)	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)	(Historical information prior to implementation			
Administrative expense	(24,457)	(25,422)	(29,411)	(14,925)	(16,223)	(12,347)				
Other	-	-	-	-	-	-	of GASB 67/68 is not required)			
Net change in fiduciary net position	759,855	1,153,078	1,502,587	1,104,977	372,667	946,517				
Plan fiduciary net position - beginning	10,717,383	9,564,305	8,061,718	6,956,741	6,584,074	5,637,557				
Plan fiduciary net position - ending	<u>\$ 11,477,238</u>	<u>\$ 10,717,383</u>	<u>\$ 9,564,305</u>	<u>\$ 8,061,718</u>	<u>\$ 6,956,741</u>	<u>\$ 6,584,074</u>				
Net Pension Liability										
Net pension liability	\$ 7,322,513	\$ 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	61.05%	66.93%	68.81%	63.37%	59.24%	59.36%	(Historical information prior to implementation			
Covered-employee payroll	\$ 8,102,836	\$ 7,627,559	\$ 7,063,470	\$ 7,025,189	\$ 6,598,557	\$ 6,384,685				
Net pension liability as a percentage of covered payroll	90.37%	69.43%	61.36%	66.33%	72.55%	70.60%	of GASB 67/68 is not required)			

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

	Fiscal Year End									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 1,102,098	\$ 914,197	\$ 869,950	\$ 841,514	\$ 823,005	\$ 809,822				
Contributions in relation to the actuarially determined contribution	\$ (1,102,098)	\$ (914,197)	\$ (869,950)	\$ (841,514)	\$ (823,005)	\$ (809,822)				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
							(Historical information prior to implementation 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	\$ 5,752,771				
Contributions as a percentage of covered- employee payroll	14.45%	12.94%	12.19%	12.55%	12.89%	14.08%				

CITY OF MCDONOUGH, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Note 1

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

Methods and assumptions used to determine contribution rates:

<p>Actuarial Cost Method Amortization Method Remaining Amortization Period Asset Valuation Method</p>	<p>Projected Unit Credit Closed level dollar for remaining unfunded liability Remaining amortization period varies for the bases, with a net effective amortization period of 22 years. 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.</p>
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Actuarial Assumptions:

<p>Net Investment Rate of Return Projected Salary Increases Cost of Living Adjustments Mortality Rates - Healthy Disabled Plan Termination Basis</p>	<p>7.375% 2.25% plus service based merit increases 0.00% RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females RP-2000 Disabled Retiree Mortality Table - unisex rates 1994 Group Annuity Reserving Unisex Table</p>
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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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 104,526	\$ 111,862	\$ 80,665							
Expected interest growth	-	-	29,882							
Assumption changes	-	-	-							
Change in deferred outflows of resources	8,837	(1,138)	-							
Changes in deferred inflows of resources	34,760	(507,497)	-							
Benefit payments	-	-	(3,455)							
Net changes in total OPEB liability	148,123	(396,773)	107,092							
Total OPEB liability - beginning	711,787	1,108,560	875,753							
Total OPEB liability - ending	<u>\$ 859,910</u>	<u>\$ 711,787</u>	<u>\$ 982,845</u>							
										(Historical information prior to implementation of GASB 75 is not required)
Covered-employee payroll	\$ 7,121,821	\$ 7,121,821	\$ 6,088,242							
Total OPEB liability as a percentage of covered payroll	12.07%	9.99%	16.14%							

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

	Fiscal Year End									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	-	-	-							
Contributions in relation to the actuarially determined contribution	-	-	-							
Contribution deficiency (excess)	-	-	-							
										(Historical information prior to implementation of GASB 75 is not required)
Covered-employee payroll	7,121,821	7,121,821	6,088,242							
Contributions as a percentage of covered- employee payroll	N/A	N/A	N/A							

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, 2020

Note 1

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

Employer's reporting date:	September 23, 2020
Measurement date:	June 30, 2020
Actuarial valuation date:	July 1, 2018

ACTUARIAL ASSUMPTIONS -

Discount rate:	2.66% 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, 2020**

	<u>Special Revenue Fund Hotel/ Motel Tax Fund</u>	<u>Special Revenue Fund Confiscated Assets Fund</u>	<u>Permanent Fund Cemetery Perpetual Care Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS				
Cash	\$ -	\$ 63,075	\$ 1,849	\$ 64,924
Investments	-	-	199,670	199,670
Receivables				
Taxes	267,965	-	-	267,965
Accounts	-	-	-	-
Due from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 267,965</u>	<u>\$ 63,075</u>	<u>\$ 201,519</u>	<u>\$ 532,559</u>
 LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 117,780	\$ 12,986	\$ -	\$ 130,766
Due to other funds	150,185	14,524	-	164,709
Unearned revenues	-	46	-	46
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>267,965</u>	<u>27,556</u>	<u>-</u>	<u>295,521</u>
 Fund Balance				
Nonspendable -				
Cemetery corpus	-	-	173,600	173,600
Restricted for specified purposes	-	35,519	27,919	63,438
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>-</u>	<u>35,519</u>	<u>201,519</u>	<u>237,038</u>
Total Liabilities and Fund Balance	<u>\$ 267,965</u>	<u>\$ 63,075</u>	<u>\$ 201,519</u>	<u>\$ 532,559</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, 2020

	Special Revenue Fund	Special Revenue Fund	Permanent Fund	Total Non-Major Governmental Funds
	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Cemetery Perpetual Care Fund	
REVENUES				
Taxes	\$ 1,382,338	\$ -	\$ -	\$ 1,382,338
Forfeitures	-	170,129	-	170,129
Intergovernmental	-	-	-	-
Interest	-	-	2,950	2,950
Miscellaneous	-	-	-	-
Total Revenues	<u>1,382,338</u>	<u>170,129</u>	<u>2,950</u>	<u>1,555,417</u>
EXPENDITURES				
Current				
Purchased / contracted services	16,200	-	-	16,200
Supplies	-	-	-	-
Payments to others	604,773	-	-	604,773
Capital outlay	-	134,610	-	134,610
Total Expenditures	<u>620,973</u>	<u>134,610</u>	<u>-</u>	<u>755,583</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>761,365</u>	<u>35,519</u>	<u>2,950</u>	<u>799,834</u>
Other Financing Sources (Uses) Transfers	<u>(761,365)</u>	<u>-</u>	<u>-</u>	<u>(761,365)</u>
Total Other Financing Sources (Uses)	<u>(761,365)</u>	<u>-</u>	<u>-</u>	<u>(761,365)</u>
Excess Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	35,519	2,950	38,469
Fund Balance - Beginning of Year	-	-	198,569	198,569
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 35,519</u>	<u>\$ 201,519</u>	<u>\$ 237,038</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, 2020

	2020			2019 Actual
	Final Budget	Actual	Variance	
REVENUES				
Taxes	\$ 1,450,000	\$ 1,382,338	\$ (67,662)	\$ 1,525,914
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenue	<u>1,450,000</u>	<u>1,382,338</u>	<u>(67,662)</u>	<u>1,525,914</u>
EXPENDITURES				
Current				
Contracted Services	16,000	16,200	(200)	14,850
Tourism and Hospitality	634,375	604,773	29,602	667,587
Capital				
Tourism Product	-	-	-	-
Total Expenditures	<u>650,375</u>	<u>620,973</u>	<u>29,402</u>	<u>682,437</u>
Excess Revenues Over (Under) Expenditures	799,625	761,365	(38,260)	843,477
Other Financing Sources (Uses) Transfers	<u>(799,625)</u>	<u>(761,365)</u>	<u>38,260</u>	<u>(843,477)</u>
Total Other Financing Sources (Uses)	<u>(799,625)</u>	<u>(761,365)</u>	<u>38,260</u>	<u>(843,477)</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
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
CONFISCATED ASSETS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	2020			2019 Actual
	Final Budget	Actual	Variance	
REVENUES				
Forfeitures	\$ 46,000	\$ 170,129	\$ 124,129	\$ -
Sales of confiscated property	-	-	-	-
Interest	-	-	-	-
Contributions	-	-	-	-
Total Revenue	<u>46,000</u>	<u>170,129</u>	<u>124,129</u>	<u>-</u>
EXPENDITURES				
Current				
Purchased / contracted services	-	-	-	-
Supplies	-	-	-	-
Miscellaneous	-	-	-	-
Capital Outlay	<u>46,000</u>	<u>134,610</u>	<u>(88,610)</u>	<u>-</u>
Total Expenditures	<u>46,000</u>	<u>134,610</u>	<u>(88,610)</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>35,519</u>	<u>35,519</u>	<u>-</u>
Other Financing Sources (Uses) Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	35,519	35,519	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 35,519</u>	<u>\$ 35,519</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, 2020**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ 7,368,585	\$ -	\$ 7,368,585	\$ 26,842,500
Interest	<u>79,947</u>	<u>-</u>	<u>79,947</u>	<u>-</u>
Total Revenues	<u>7,448,532</u>	<u>-</u>	<u>7,448,532</u>	<u>26,842,500</u>
EXPENDITURES				
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	3,369,531	71,561	3,441,092	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>14,155,589</u>	<u>71,561</u>	<u>14,227,150</u>	<u>26,842,500</u>
Excess Revenues Over (Under) Expenditures	<u>(6,707,057)</u>	<u>(71,561)</u>	<u>(6,778,618)</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>\$ 617,943</u>	<u>(71,561)</u>	<u>\$ 546,382</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>617,943</u>		
Fund Balance - End of Year		<u>\$ 546,382</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, 2020

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Amended Project Authorization</u>	<u>Original Project Authorization</u>
REVENUES					
Intergovernmental - SPLOST	\$ 17,771,993	\$ 1,767,686	\$ 19,539,679	\$ 24,236,500	\$ 22,962,500
Intergovernmental - Other	694,937	318,412	1,013,349	-	-
Interest	193,998	9,440	203,438	-	-
 Total Revenues	 <u>18,660,928</u>	 <u>2,095,538</u>	 <u>20,756,466</u>	 <u>24,236,500</u>	 <u>22,962,500</u>
EXPENDITURES					
Capital Outlay					
Cultural, historic & recreation facilities	1,607,124	166,939	1,774,063	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	6,065,968	976,758	7,042,726	10,673,500	10,673,500
Community development facilities	1,001,355	500,000	1,501,355	1,774,000	1,500,000
Parks and recreation	3,231,529	216,136	3,447,665	4,365,000	4,365,000
 Total Expenditures	 <u>14,212,590</u>	 <u>1,859,833</u>	 <u>16,072,423</u>	 <u>24,236,500</u>	 <u>22,962,500</u>
Excess Revenues Over (Under) Expenditures	 <u>4,448,338</u>	 <u>235,705</u>	 <u>4,684,043</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>\$ 4,448,338</u>	 235,705	 <u>\$ 4,684,043</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Fund Balance - Beginning of Year		 <u>4,448,338</u>			
 Fund Balance - End of Year		 <u>\$ 4,684,043</u>			

**CITY OF MCDONOUGH, GEORGIA
 SPLOST V 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, 2020**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ -	\$ -	\$ -	\$ 18,480,000
Interest	-	-	-	-
 Total Revenues	 -	 -	 -	 18,480,000
EXPENDITURES				
Current	-	-	-	-
Capital Outlay				
Community development facilities				
Cultural, Rec & Historic Facilities	-	-	-	600,000
Community Center	-	-	-	1,500,000
Public Properties	-	-	-	350,000
Parks & Recreation				
Big Springs Lot Improvements	-	-	-	150,000
Replace Playground Equipment	-	-	-	150,000
Replace Tennis Courts	-	-	-	260,000
Redo 6 Tennis Courts	-	-	-	120,000
Pickleball Courts	-	-	-	150,000
Public Safety Facilities & Equipment				
Fire Station & Equip - McD PKWY	-	-	-	2,600,000
Fire Trucks	-	-	-	800,000
IT Infrastructure	-	-	-	700,000
Police Cars	-	352,441	352,441	750,000
Roads, bridges, sidewalks & facilities				
Sidewalks	-	-	-	1,100,000
Road Improvements	-	-	-	4,000,000
Racetrack Rd. & Iris Lane Intersect	-	-	-	800,000
McDonough Pkwy North	-	-	-	-
Bridges Rd & McD Pkwy intersect	-	-	-	1,200,000
Bridges Rd & Simpson St alignment	-	-	-	1,500,000
Travis Rd Improvements	-	-	-	300,000
City Entrance Signs	-	-	-	300,000
Sidewalk Art Circles	-	-	-	600,000
Intersection Improvements	-	-	-	300,000
 Page Sub-total	 -	 352,441	 352,441	 18,230,000

**CITY OF MCDONOUGH, GEORGIA
 SPLOST V 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, 2020**

	Prior Years	Current Year	Total to Date	Project Authorization
EXPENDITURES, Continued				
Sub-total from previous page	-	352,441	352,441	18,230,000
Public Works Facilities and Equipment Additional Storage Bays & Security Upgrades	-	-	-	250,000
Total Expenditures	-	352,441	352,441	18,480,000
Excess Revenues Over (Under) Expenditures	-	(352,441)	(352,441)	-
Other Financing Sources (Uses) Proceeds from bond issuance Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>(352,441)</u>	<u>\$ (352,441)</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		-		
Fund Balance - End of Year		<u>\$ (352,441)</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, 2020**

	2020			2019 Actual
	Final Budget	Actual	Variance	
REVENUES				
Impact fees	\$ 430,000	\$ 317,766	\$ (112,234)	\$ 602,189
Interest	400	4,010	3,610	6,005
Total Revenues	<u>430,400</u>	<u>321,776</u>	<u>(108,624)</u>	<u>608,194</u>
EXPENDITURES				
Current				
Administration	-	10,236	(10,236)	31,870
Capital outlay				
Public Safety				
Police	695,750	695,719	31	24,911
Fire	76,200	76,160	40	12,644
Parks	200,000	55,734	144,266	160,351
Debt service - Parks				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>971,950</u>	<u>837,849</u>	<u>134,101</u>	<u>229,776</u>
Excess Revenues Over (Under) Expenditures	(541,550)	(516,073)	25,477	378,418
Other Financing Sources (Uses) Transfers	-	-	-	-
Net Change in Fund Balance	(541,550)	(516,073)	25,477	378,418
Fund Balance - Beginning of Year	<u>1,340,022</u>	<u>1,340,022</u>	<u>-</u>	<u>961,604</u>
Fund Balance - End of Year	<u>\$ 798,472</u>	<u>\$ 823,949</u>	<u>\$ 25,477</u>	<u>\$ 1,340,022</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, 2020**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	-	-	-	-
EXPENDITURES				
Current				
Administration	1,306	806	2,112	-
Capital Outlay				
Municipal court facilities	4,955,351	-	4,955,351	4,808,082
Debt Service				
Principal	400,000	150,000	550,000	-
Interest	500,052	127,563	627,615	-
Debt issuance cost	106,345	-	106,345	112,050
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	5,963,054	278,369	6,241,423	4,920,132
Excess Revenues Over (Under) Expenditures	<u>(5,963,054)</u>	<u>(278,369)</u>	<u>(6,241,423)</u>	<u>(4,920,132)</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	4,420,132	-	4,420,132	4,420,132
Transfers	1,542,922	278,369	1,821,291	500,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	5,963,054	278,369	6,241,423	4,920,132
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<hr/>		
Fund Balance - End of Year		<u>\$ -</u>		