

City of McDonough



MCDONOUGH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



MCDONOUGH
G E O R G I A

CITY OF McDONOUGH, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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JAMES L. WHITAKER, P.C.

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

Member of
The American Institute of
Certified Public Accountants

Member of
Georgia Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2021, 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McDonough, Georgia, as of June 30, 2021 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 conformity 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 and the Schedules of "Changes in the Net Pension Liability and Related Ratios" and "Contributions" on pages 59 through 61 and the Schedules 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

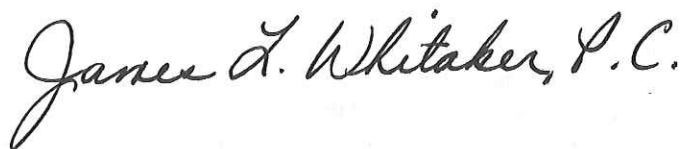
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McDonough, Georgia's basic financial statements. The combining nonmajor and individual fund financial statements and budget schedules, schedules of projects financed with special sales tax, as required by the Official Code of Georgia 48-8-121, the schedule of development impact fees, as required by the Official Code of Georgia 36-71-8 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and individual fund financial statements and budgetary schedules, schedules of projects financed with special sales tax, schedule of development impact fees, and the schedule of expenditures of federal awards (collectively, "the supplementary information") 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 supplementary information is 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 June 30, 2022, 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 Audit Standards in considering City of McDonough, Georgia's internal control over financial reporting and compliance.

Snellville, Georgia
June 30, 2022



CITY OF McDONOUGH, GEORGIA 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 fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- The assets and deferred outflows of the City of McDonough exceeded its liabilities and deferred inflows at June 30, 2021 by \$82,511,029. Of this amount, unrestricted net position of \$16,730,003 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased by \$5,910,109. Of this amount an increase of \$4,055,783 was associated with governmental activities and an increase of \$1,854,326 was associated with business-type activities.
- As of the close of the current fiscal year, the City of McDonough's governmental funds reported combined ending fund balances of \$21,178,546, an increase of \$5,017,010 in comparison with the prior year. Of this amount \$12,774,669 is unassigned and available for spending and \$8,403,877 is either in a nonspendable form or restricted for capital projects and other specific future uses.
- At the end of the current year, unassigned fund balance for the general fund was \$12,774,669 or 82.5 percent of total General Fund expenditures.
- The City of McDonough's total long-term debt (including accrued compensated absences) decreased by \$584,135 to a total of \$7,500,539. The City made principal payments on its capital leases, revenue bonds and GEFA notes of \$536,947 and no additional financing was incurred during 2021. In addition to the City's long-term debt obligations that existed at June 30, 2021, the City also had other long-term obligations including 1) a net pension obligation of \$6,998,127 and a net OPEB obligation of \$984,043.

Overview of the Financial Statements

This discussion and analysis are 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. 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.

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, cemetery, parks and recreation, planning and zoning, and downtown development. The business-type activities of the City are water and sewer, storm water and solid waste management.

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 six major governmental funds. The City's major governmental funds are the General Fund, three SPLOST Funds, the Urban Redevelopment Fund and the Development Impact Fee Fund. 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 to demonstrate compliance with the FY 2021 budget. A project length budget has been adopted for the SPLOST Capital Projects Fund and is presented in the individual fund financial statements. A budget was also adopted for the Development Impact Fee Fund and the Urban Redevelopment Fund for FY 2021 which 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, Storm Water, Solid Waste Management activities. The Cemetery Enterprise Fund was originally set up to account for the operating activities and significant future improvements of the city-owned cemetery. 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 individual fund financial statements with prior year comparisons.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2021, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$82,511,029. The City's net position reflect its investment in capital assets (71.6 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, \$6,710,240 (8.2 percent) is restricted for capital projects and other specified activities and \$16,730,003 (20.2 percent) is unrestricted.

City of McDonough's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 22,007,252	\$ 17,026,080	\$ 9,966,011	\$ 7,527,148	\$ 31,973,263	\$ 24,553,228
Capital assets	43,680,375	44,628,072	22,583,515	23,217,443	66,263,890	67,845,515
Deferred outflows	1,937,604	2,117,930	484,401	529,482	2,422,005	2,647,412
Total assets and deferred outflows	67,625,231	63,772,082	33,033,927	31,274,073	100,659,158	95,046,155
Current liabilities	711,293	727,716	1,548,966	1,356,506	2,260,259	2,084,222
Long-term liabilities	10,398,447	10,760,836	4,722,895	5,053,871	15,121,342	15,814,707
Deferred inflows	613,223	437,045	153,305	109,261	766,528	546,306
Total liabilities and deferred inflows	11,722,963	11,925,597	6,425,166	6,519,638	18,148,129	18,445,235
Net position:						
Net investment in capital assets	39,975,099	40,759,379	19,095,687	19,347,667	59,070,786	60,107,046
Restricted	6,357,342	6,291,412	352,898	352,898	6,710,240	6,644,310
Unrestricted	9,569,827	4,795,694	7,160,176	5,053,870	16,730,003	9,849,564
Total net position	\$ 55,902,268	\$ 51,846,485	\$ 26,608,761	\$ 24,754,435	\$ 82,511,029	\$ 76,600,920

A portion of the net position (8.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$16,730,003) may be used to meet the government's ongoing obligations to citizens and creditors.

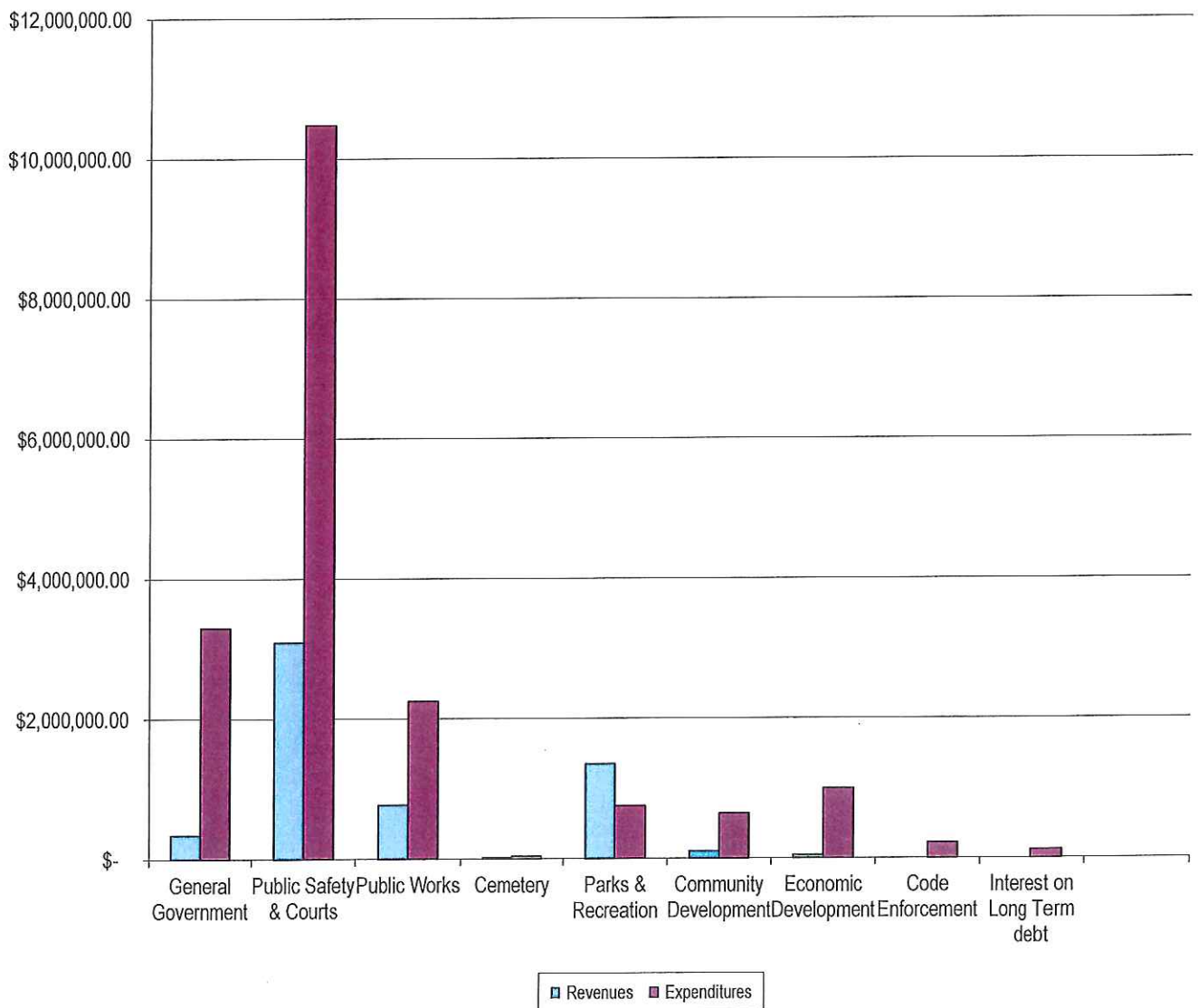
Governmental activities. Governmental activities increased the City of McDonough's net position by \$4,055,783, thereby accounting for 68.7% of the total increase in the net position of the City of McDonough. Key elements of this increase are as follows:

**City of McDonough's Change in Net Position
For The Years Ended June 30, 2021 and 2020**

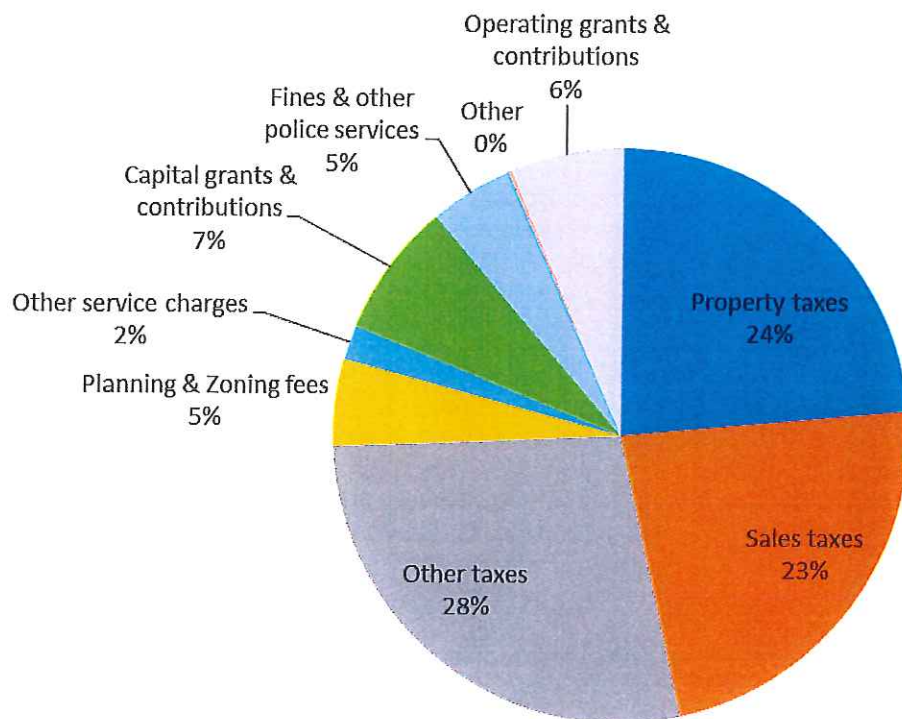
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for services	\$ 2,578,228	\$ 2,587,618	\$ 9,725,971	\$ 8,975,046	\$ 12,304,199	\$ 11,562,664
Operating grants and contributions	1,430,014	26,037	-	-	1,430,014	26,037
Capital grants and contributions	1,694,732	2,417,314	1,254,762	453,262	2,949,494	2,870,576
General Revenues						
Property taxes	5,289,905	4,422,770	-	-	5,289,905	4,422,770
Sales taxes	5,143,984	4,023,219	-	-	5,143,984	4,023,219
Other taxes	6,248,454	5,769,524	-	-	6,248,454	5,769,524
Interest	6,807	94,988	8,386	95,134	15,193	190,122
Other	42,998	39,617	-	-	42,998	39,617
	<u>22,435,122</u>	<u>19,381,087</u>	<u>10,989,119</u>	<u>9,523,442</u>	<u>33,424,241</u>	<u>28,904,529</u>
Expenses:						
General government	3,294,220	3,511,608	-	-	3,294,220	3,511,608
Public safety and courts	10,478,236	10,306,328	-	-	10,478,236	10,306,328
Public Works	2,247,532	2,056,825	-	-	2,247,532	2,056,825
Cemetery	31,749	13,119	-	-	31,749	13,119
Parks and recreation	753,884	612,768	-	-	753,884	612,768
Community Development	636,618	1,123,093	-	-	636,618	1,123,093
Economic development	995,582	1,045,449	-	-	995,582	1,045,449
Code enforcement	214,041	184,535	-	-	214,041	184,535
Interest on long-term debt	115,579	119,954	-	-	115,579	119,954
Water	-	-	3,019,021	3,267,163	3,019,021	3,267,163
Sewer	-	-	1,784,340	1,406,629	1,784,340	1,406,629
Solid waste	-	-	2,931,439	2,637,384	2,931,439	2,637,384
Stormwater	-	-	1,011,891	1,012,052	1,011,891	1,012,052
	<u>18,767,441</u>	<u>18,973,679</u>	<u>8,746,691</u>	<u>8,323,228</u>	<u>27,514,132</u>	<u>27,296,907</u>
Increase (decrease) in net assets before transfers	3,667,681	407,408	2,242,428	1,200,214	5,910,109	1,607,622
Transfers	<u>388,102</u>	<u>315,750</u>	<u>(388,102)</u>	<u>(315,750)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	4,055,783	723,158	1,854,326	884,464	5,910,109	1,607,622
Net position - beginning of year, adjusted	<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>
Net position - end of year	<u>\$ 55,902,268</u>	<u>\$ 51,846,485</u>	<u>\$ 26,608,761</u>	<u>\$ 24,754,435</u>	<u>\$ 82,511,029</u>	<u>\$ 76,600,920</u>

- Overall, governmental activities revenues increased \$3,054,035 or 15.8% over 2020. The increase was due in large part from the CARES Act monies received by the City in the amount of \$1,401,243. Other revenue sources that increased significantly included local option sales taxes \$1,120,765 or 27.9%; property taxes, including motor vehicle taxes \$867,135 or 19.6%; and community development fees, including impact fees \$497,475 or 41.2%. Revenues that incurred significant decreases over 2020 included fines of \$249,134 or 23.7% and Special Purpose Local Option Sales Taxes of \$938,980 or 53.1%. The decrease in the SPLOST funds for 2021 is due to the new intergovernmental agreement for SPLOST V that allows the County to receive the first SPLOST monies collected for various county purposes. SPLOST V collections began in May 2020.
- Governmental activities expenses for 2021 decreased by \$206,238 1.1% over 2020. Overall, departmental expenses remained consistent with the prior year. However, the decrease in expenses was mainly due to a contribution to the McDonough Housing Authority in 2020 of \$500,000. The contribution to the Housing Authority was part of the SPLOST IV referendum approved by the voters of Henry County.

Expenses and Program Revenues-Governmental Activities



Revenue by Source-Governmental Activities

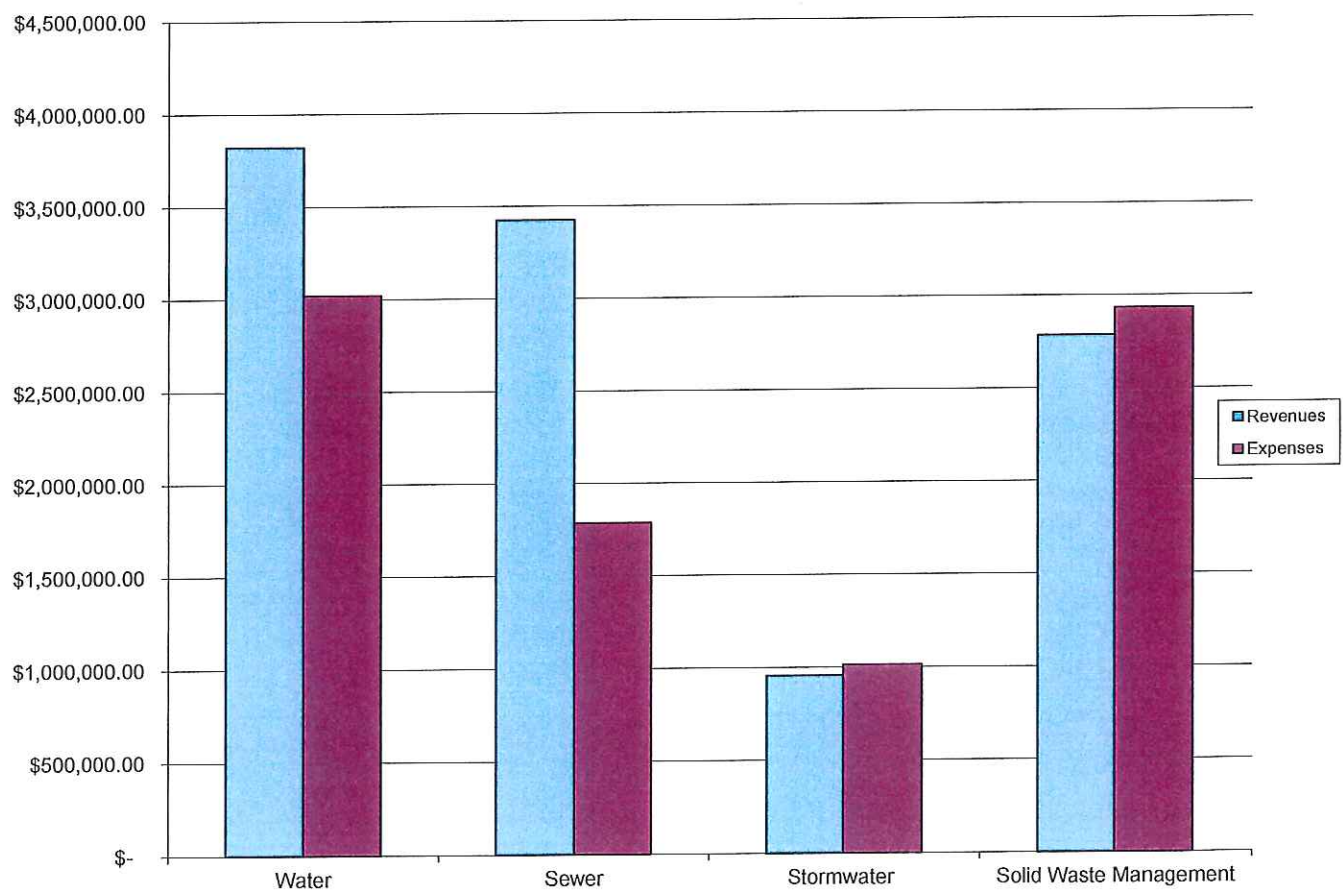


Business-type activities. Business-type activities increased the City’s net position by \$1,854,326 of which an increase of \$1,944,194 was from Water and Sewer activities, a decrease of \$53,198 was from storm water activities and a decrease of \$36,670 was from Solid Waste Management Activities.

The City uses an outside contractor to perform most of its solid waste services.

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.

Expenses and Program Revenues-Business-Type Activities



Financial Analysis of the Government’s Funds

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

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, unreserved 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, 2021, the City's governmental funds reported combined ending fund balances of \$21,178,546 an increase of \$5,017,010 in comparison to the prior year. Of this amount, \$12,774,669 (49.9 percent) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax and Development Impact Fees (\$6,117,243); 2) for Police Activities (\$38,470); 3) cemetery corpus and upkeep of \$201,679; and 4) nonspendable amounts for prepaid items which are not available for current government's spending discretion (\$486,372).

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 \$12,774,669 while the total fund balance totaled \$14,821,154. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 82.5 percent of the total general fund expenditures, while total fund balance represents 95.7 percent of that same amount.

The City of McDonough received \$828,706 in Special Purpose Local Option Sales Taxes in 2021 compared to \$1,767,686 in 2021. As mentioned earlier, the decrease in SPLOST funds for the year is due to the new intergovernmental agreement which allows the County to receive the first monies from the SPLOST V collections for various County projects. SPLOST funds were used during 2021 for street improvements and related costs in the amount of \$650,355 and park and recreation improvements of \$482,834.

The City also received Development Impact Fees during the year totaling \$610,848 compared to \$317,766 in 2020. 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. Impact fees were used during 2021 for park improvements of \$7,200 and public safety improvements and equipment of \$117,685.

The Urban Redevelopment Fund paid the annual debt service on the revenue bonds that were issued to finance the building of the municipal court building. Total debt service for the year amounted to \$278,994.

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 of the proprietary funds at the end of the year were \$7,160,176 of which the Water and Sewer Fund had \$4,926,321, the Solid Waste Management Fund had \$(154,072), and the Storm Water Fund had \$2,357,927. Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The original General Fund budget of \$18,346,490 was amended to \$18,628,134 a difference of \$281,644. However, the actual expenditures for the General Fund amounted to \$15,979,056 which is well under the final amended budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2021 amounts to \$66,263,890 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles and equipment, sidewalks, bridges and roads.

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

- \$422,300 for the completion of the Alexander Park band stand.
- \$56,000 for fire department equipment.
- \$242,800 for various vehicles and trucks..
- \$338,500 for various water and sewer improvements

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

Long-term debt. At the end of the current fiscal year, the City had \$7,500,539 in outstanding debt consisting of the following:

City of McDonough's Outstanding Debt

	<u>Balance</u>
Governmental Activities -	
Accrued compensated absences	\$ 307,435
Bonds payable, net	3,668,850
Unearned rental income (Obligation)	36,426
Business-Type Activities -	
Revenue Bonds	1,231,000
GEFA notes payable	<u>2,256,828</u>
Total	<u>\$ 7,500,539</u>

The City's total debt (including compensated absences and net pension liability) decreased by \$584,135. Additional information on the City's long-term debt can be found in note 9.

In addition to the above debt, the City also had other long-term obligations as of June 30, 2021 which consisted of a net pension liability of \$6,998,127 and a net OPEB liability of \$984,043. These two obligations are discussed in notes 15 and 16, respectively.

Status of the City of McDonough's Economy

- The City's financial position improved during FY 2021 and will begin FY 2022 in a strong position.
- Collections of Local Option Sales Taxes and Property Taxes remained consistent even though expectations were lower because of the unknown effects of COVID-19 on the economy.
- FY 2022 will see increased revenues from SPLOST V, after funding of Henry County's Tier 2 projects. In addition, collections will begin under the Transportation (T) SPLOST approved by voters in November 2021.
- The 2021 Tax Digest increased by approximately 8% and the City voted to rollback its millage tax rate to 3.615 from 3.806.
- During FY 2022 and FY 2023, the City will receive approximately \$10,000,000 in grant proceeds from the American Rescue Plan Act (ARPA). During FY 2023 the proceeds will be used in accordance with ARPA to make infrastructure improvements and to provide COVID-19 related relief in areas of the city negatively affected as defined by ARPA guidelines.

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) 599-3679 or at the following address:

City of McDonough
Finance Department
P.O. Box 310
McDonough, GA 30276-0310

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CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets and Deferred Outflows				
Assets				
Cash and cash equivalents	\$ 601,906	\$ 3,522,203	\$ 4,124,109	\$ 20,154
Investments	13,016,761	4,708,476	17,725,237	-
Receivables, net				
Taxes	967,914	-	967,914	-
Fines	108,244	-	108,244	-
Accounts	8,925	1,346,579	1,355,504	-
Intergovernmental	603,549	-	603,549	-
Other	-	-	-	97,500
Internal balances	-	-	-	-
Prepaid items	486,377	35,855	522,232	-
Restricted assets				
Cash	5,742,750	352,898	6,095,648	-
Investments	470,826	-	470,826	-
Non-depreciable capital assets	12,948,182	5,772,376	18,720,558	-
Depreciable capital assets, net	30,732,193	16,811,139	47,543,332	-
Total Assets	<u>65,687,627</u>	<u>32,549,526</u>	<u>98,237,153</u>	<u>117,654</u>
Deferred Outflows				
Deferred pension and OPEB outflows	<u>1,937,604</u>	<u>484,401</u>	<u>2,422,005</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>67,625,231</u>	<u>33,033,927</u>	<u>100,659,158</u>	<u>117,654</u>

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
LIABILITIES AND DEFERRED INFLOWS				
Liabilities				
Accounts payable				
Trade	\$ 387,147	\$ 663,110	\$ 1,050,257	\$ 8,925
Construction	-	-	-	-
Accrued liabilities				
Salaries	159,596	-	159,596	-
Compensated absences	-	53,172	53,172	-
Customer deposits	-	458,528	458,528	-
Other	120,556	-	120,556	-
Unearned revenues	2,072	-	2,072	-
Liabilities payable from restricted assets				
Revenue bonds	-	219,000	219,000	-
Notes payable	-	142,367	142,367	-
Accrued interest	-	12,789	12,789	-
Accounts payable	41,922	-	41,922	-
Long-term obligations				
Debt due within one year	246,426	-	246,426	-
Debt due in more than one year	3,766,285	3,126,461	6,892,746	-
Net pension liability	5,598,501	1,399,626	6,998,127	-
Net Opeb liability	787,235	196,808	984,043	-
Total Liabilities	11,109,740	6,271,861	17,381,601	8,925
Deferred Inflows				
Deferred pension and OPEB inflows	613,223	153,305	766,528	-
Total Liabilities and Deferred Inflows	11,722,963	6,425,166	18,148,129	8,925
NET POSITION				
Net investment in capital assets	39,975,099	19,095,687	59,070,786	-
Restricted for				
Perpetual care				
Expendable	27,029	-	27,029	-
Nonexpendable	174,600	-	174,600	-
Police activities	38,470	-	38,470	-
Capital projects	6,117,243	-	6,117,243	-
Promotional activities	-	-	-	-
Debt covenants	-	352,898	352,898	-
Unrestricted	9,569,827	7,160,176	16,730,003	108,729
Total Net Position	\$ 55,902,268	\$ 26,608,761	\$ 82,511,029	\$ 108,729

See accompanying notes to the basic financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 3,294,220	\$ 293,183	\$ 28,454	\$ 18,942
Public Safety and Courts	10,478,236	1,051,050	1,401,243	632,473
Public Works	2,247,532	77,387	-	692,145
Cemetery	31,749	17,825	-	-
Parks and Recreation	753,884	-	-	254,676
Community Development	636,618	1,093,678	-	96,496
Economic Development	995,582	45,105	317	-
Code Enforcement	214,041	-	-	-
Interest	115,579	-	-	-
Bond issuance costs and fees	-	-	-	-
Total Governmental Activities	<u>18,767,441</u>	<u>2,578,228</u>	<u>1,430,014</u>	<u>1,694,732</u>
Business-Type Activities				
Water	3,019,021	3,101,924	-	719,107
Sewer	1,784,340	2,886,782	-	535,655
Cemetery Enterprise	-	-	-	-
Solid Waste Management	2,931,439	2,782,871	-	-
Storm Water Management	<u>1,011,891</u>	<u>954,394</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>8,746,691</u>	<u>9,725,971</u>	<u>-</u>	<u>1,254,762</u>
Total Government	<u>\$ 27,514,132</u>	<u>\$ 12,304,199</u>	<u>\$ 1,430,014</u>	<u>\$ 2,949,494</u>
Component Unit:				
Downtown Development Authority	<u>\$ 40,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
\$ (2,953,641)	\$ -	\$ (2,953,641)	\$ -
(7,393,470)	-	(7,393,470)	-
(1,478,000)	-	(1,478,000)	-
(13,924)	-	(13,924)	-
(499,208)	-	(499,208)	-
553,556	-	553,556	-
(950,160)	-	(950,160)	-
(214,041)	-	(214,041)	-
(115,579)	-	(115,579)	-
-	-	-	-
(13,064,467)	-	(13,064,467)	-
-	802,010	802,010	-
-	1,638,097	1,638,097	-
-	-	-	-
-	(148,568)	(148,568)	-
-	(57,497)	(57,497)	-
-	2,234,042	2,234,042	-
(13,064,467)	2,234,042	(10,830,425)	-
-	-	-	(40,323)
5,289,905	-	5,289,905	-
1,411,758	-	1,411,758	-
5,143,984	-	5,143,984	-
778,471	-	778,471	-
1,768,057	-	1,768,057	-
547,857	-	547,857	-
1,616,303	-	1,616,303	-
126,008	-	126,008	-
6,807	8,386	15,193	3
42,998	-	42,998	-
16,732,148	8,386	16,740,534	3
388,102	(388,102)	-	-
17,120,250	(379,716)	16,740,534	3
4,055,783	1,854,326	5,910,109	(40,320)
51,846,485	24,754,435	76,600,920	149,049
\$ 55,902,268	\$ 26,608,761	\$ 82,511,029	\$ 108,729

CITY OF McDONOUGH, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
ASSETS			
Cash and cash equivalents	\$ 601,906	\$ 142,298	\$ 4,460,678
Investments	13,016,761	-	-
Receivables			
Taxes	612,763	-	-
Intergovernmental	-	-	-
Fines	108,244	-	-
Other	8,925	-	-
Due from other funds	616,273	-	-
Prepaid items	486,377	-	-
Total Assets	<u>\$ 15,451,249</u>	<u>\$ 142,298</u>	<u>\$ 4,460,678</u>
LIABILITIES			
Accounts payable			
Trade	\$ 230,504	\$ 21,007	\$ 20,915
Construction	-	-	-
Accrued expenditures			
Payroll	159,596	-	-
Court Bonds	29,170	-	-
Other	91,386	-	-
Unearned revenues	2,026	-	-
Due to other funds	-	-	-
Total Liabilities	<u>512,682</u>	<u>21,007</u>	<u>20,915</u>
DEFERRED INFLOWS			
Unavailable revenues	<u>117,413</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable -			
Prepaid items	486,377	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	121,291	4,439,763
Cemetery	-	-	-
Police activities	-	-	-
Committed -			
Stabilization reserve	1,560,108	-	-
Assigned -			
Appropriated for next year's budget	-	-	-
Unassigned	12,774,669	-	-
Total Fund Balance	<u>14,821,154</u>	<u>121,291</u>	<u>4,439,763</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 15,451,249</u>	 <u>\$ 142,298</u>	 <u>\$ 4,460,678</u>

See accompanying notes to the financial statements.

SPLOST V	DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 1,034,085	\$ -	\$ 105,689	\$ 6,344,656
-	270,996	-	199,830	13,487,587
-	-	-	355,151	967,914
603,549	-	-	-	603,549
-	-	-	-	108,244
-	-	-	-	8,925
-	-	-	-	616,273
-	-	-	-	486,377
<u>\$ 603,549</u>	<u>\$ 1,305,081</u>	<u>\$ -</u>	<u>\$ 660,670</u>	<u>\$ 22,623,525</u>
\$ -	\$ -	\$ -	\$ 156,643	\$ 429,069
-	-	-	-	-
-	-	-	-	159,596
-	-	-	-	29,170
-	-	-	-	91,386
-	-	-	46	2,072
352,441	-	-	263,832	616,273
<u>352,441</u>	<u>-</u>	<u>-</u>	<u>420,521</u>	<u>1,327,566</u>
-	-	-	-	117,413
-	-	-	-	486,377
-	-	-	174,600	174,600
251,108	1,305,081	-	-	6,117,243
-	-	-	27,079	27,079
-	-	-	38,470	38,470
-	-	-	-	1,560,108
-	-	-	-	-
-	-	-	-	12,774,669
<u>251,108</u>	<u>1,305,081</u>	<u>-</u>	<u>240,149</u>	<u>21,178,546</u>
<u>\$ 603,549</u>	<u>\$ 1,305,081</u>	<u>\$ -</u>	<u>\$ 660,670</u>	<u>\$ 22,623,525</u>

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

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

Total fund balances -- total governmental funds	\$ 21,178,546
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	43,680,375
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	117,413
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:	
Deferred outflows	1,937,604
Deferred inflows	(613,223)
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	(307,435)
Bonds payable	(3,530,000)
Unamortized bond premium	(138,850)
Unearned rental revenue (obligation)	(36,426)
Accrued interest	-
Net pension liability	(5,598,501)
Net OPEB liability	(787,235)
Net position of governmental activities.	<u>\$ 55,902,268</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, 2021

	GENERAL	SPLOST III	SPLOST IV
REVENUES			
Taxes	\$ 15,089,119	\$ -	\$ -
Licenses and permits			
Business license	232,060	-	-
Building permits and fees	882,943	-	-
Intergovernmental	1,445,497	-	463,818
Charges for services	230,137	-	-
Fines and forfeitures	1,007,339	-	-
Interest	6,646	-	-
Miscellaneous	188,758	-	-
Total Revenues	19,082,499	-	463,818
EXPENDITURES			
Current			
Governing Body	227,459	-	-
General Administration	2,676,420	-	-
Municipal Court	828,106	-	-
Probation	228,878	-	-
Public Safety	8,453,796	-	-
Highways & Streets	1,352,101	-	-
Cemetery	27,206	-	-
Parks and Recreation	393,620	-	-
Community Development	601,248	-	-
Economic Development	267,226	-	-
Code Enforcement	211,172	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	219,424	425,091	708,098
Total Expenditures	15,486,656	425,091	708,098

See accompanying notes to the financial statements.

SPLOST V	DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ -	\$ -	\$ 1,616,303	\$ 16,705,422
-	-	-	-	232,060
-	-	-	-	882,943
603,549	-	-	-	2,512,864
-	610,848	-	-	840,985
-	-	-	39,107	1,046,446
-	217	-	160	7,023
-	-	-	940	189,698
603,549	611,065	-	1,656,510	22,417,441
-	5,048	-	-	232,507
-	-	-	-	2,676,420
-	-	-	-	828,106
-	-	-	-	228,878
-	-	-	-	8,453,796
-	-	-	-	1,352,101
-	-	-	-	27,206
-	-	-	-	393,620
-	-	-	-	601,248
-	-	-	723,333	990,559
-	-	-	-	211,172
-	-	155,000	-	155,000
-	-	123,994	-	123,994
-	124,885	-	37,096	1,514,594
-	129,933	278,994	760,429	17,789,201

Continued

CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ 3,595,843	\$ (425,091)	\$ (244,280)
Other Financing Sources (Uses)			
Proceeds from debt issue	-	-	-
Proceeds from disposition of capital asset	668	-	-
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers	<u>1,002,078</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,002,746</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	4,598,589	(425,091)	(244,280)
Fund Balance - Beginning of Year	<u>10,222,565</u>	<u>546,382</u>	<u>4,684,043</u>
Fund Balance - End of Year	<u>\$ 14,821,154</u>	<u>\$ 121,291</u>	<u>\$ 4,439,763</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>
\$ 603,549	\$ 481,132	\$ (278,994)	\$ 896,081	\$ 4,628,240
-	-	-	-	-
-	-	-	-	668
-	-	-	-	-
-	-	-	-	-
-	-	278,994	(892,970)	388,102
-	-	278,994	(892,970)	388,770
603,549	481,132	-	3,111	5,017,010
(352,441)	823,949	-	237,038	16,161,536
<u>\$ 251,108</u>	<u>\$ 1,305,081</u>	<u>\$ -</u>	<u>\$ 240,149</u>	<u>\$ 21,178,546</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, 2021

Net change in fund balances -- total governmental funds \$ 5,017,010

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	745,985
Depreciation	(1,658,545)

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	(35,139)

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. (19,415)

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	155,000
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	(85,931)
Change in net pension liability and related deferred items	(110,370)
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>2,344</u>

Change in net position of governmental activities. \$ 4,055,783

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, 2021

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	\$ 12,505,600	\$ 12,005,600	\$ 15,089,119	\$ 3,083,519
Licenses and permits				
Business license	205,500	205,500	232,060	26,560
Building permits and fees	733,600	733,600	882,943	149,343
Intergovernmental	246,000	440,600	1,445,497	1,004,897
Charges for services	56,000	56,000	230,137	174,137
Fines and forfeitures	1,250,000	1,250,000	1,007,339	(242,661)
Interest	125,000	125,000	6,646	(118,354)
Administration fees *	444,000	444,000	492,400	48,400
Miscellaneous	502,324	502,324	188,758	(313,566)
Total Revenues	<u>16,068,024</u>	<u>15,762,624</u>	<u>19,574,899</u>	<u>3,812,275</u>
EXPENDITURES				
Current				
Governing Body	358,522	358,522	227,459	131,063
General Government -				
City Administrator	543,151	543,151	419,281	123,870
City Clerk	1,244,944	1,229,144	1,153,673	75,471
Finance	468,255	483,255	483,207	48
Legal	136,500	137,125	107,312	29,813
IT	950,395	950,395	855,101	95,294
Human Resources	263,733	263,733	192,753	70,980
Municipal Court	1,094,728	1,094,728	828,106	266,622
Probation	227,630	277,650	228,878	48,772
Public Safety -				
Police	5,962,643	5,962,642	5,075,693	886,949
Fire	3,510,576	3,728,976	3,454,159	274,817
Highways & Streets	1,506,283	1,513,483	1,379,401	134,082
Cemetery	26,424	27,224	27,206	18
Parks and Recreation	495,330	495,330	427,483	67,847
Community Development				
Planning and Zoning	568,517	568,517	343,675	224,842
Building Inspection	356,169	356,169	265,819	90,350
Economic Development				
Main Street	352,736	356,236	260,718	95,518
Business Development	18,000	18,000	10,000	8,000
Code Enforcement	261,954	263,854	239,132	24,722
Debt Service**	-	-	-	-
Capital outlay **	-	-	-	-
Total Expenditures	<u>18,346,490</u>	<u>18,628,134</u>	<u>15,979,056</u>	<u>2,649,078</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, 2021

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>\$ (2,278,466)</u>	<u>\$ (2,865,510)</u>	<u>\$ 3,595,843</u>	<u>\$ 6,461,353</u>
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from disposition of assets	14,000	14,000	668	(13,332)
Transfers	<u>999,383</u>	<u>971,382</u>	<u>1,002,078</u>	<u>30,696</u>
Total Other Financing Sources (Uses)	<u>1,013,383</u>	<u>985,382</u>	<u>1,002,746</u>	<u>17,364</u>
Net Change in Fund Balance	(1,265,083)	(1,880,128)	4,598,589	6,478,717
Fund Balance - Beginning of Year	<u>10,222,565</u>	<u>10,222,565</u>	<u>10,222,565</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 8,957,482</u>	<u>\$ 8,342,437</u>	<u>\$ 14,821,154</u>	<u>\$ 6,478,717</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, 2021

ASSETS AND DEFERRED OUTFLOWS	Water and Sewer	Solid Waste Management	Storm Water Management
Current Assets			
Cash	\$ 2,455,893	\$ -	\$ 1,066,310
Investments	3,768,539	-	939,937
Receivables			
Accounts (net)	656,435	155,068	535,076
Other	-	-	-
Due from other funds	-	-	-
Due from other government	-	-	-
Prepaid expenses	30,586	2,953	2,316
Restricted Assets			
Cash	352,898	-	-
Total Current Assets	<u>7,264,351</u>	<u>158,021</u>	<u>2,543,639</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	2,345,573	135,010	685,843
Autos and trucks	734,016	155,574	676,798
Construction in progress	326,782	-	-
Accumulated depreciation	<u>(17,267,492)</u>	<u>(194,735)</u>	<u>(1,331,373)</u>
Capital assets (net of depreciation)	<u>18,270,872</u>	<u>95,849</u>	<u>3,353,741</u>
Total Assets	<u>25,535,223</u>	<u>253,870</u>	<u>5,897,380</u>
Deferred Outflows			
Deferred pension and OPEB outflows	<u>411,741</u>	<u>24,219</u>	<u>48,441</u>
Total Assets and Deferred Outflows	<u>25,946,964</u>	<u>278,089</u>	<u>5,945,821</u>

See accompanying notes to the basic financial statements.

Continued

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 3,522,203
-	4,708,476
-	1,346,579
-	-
-	-
-	-
-	35,855
-	352,898
-	9,966,011
826,034	5,445,594
-	1,119,684
37,019	29,752,241
-	3,166,426
-	1,566,388
-	326,782
-	(18,793,600)
863,053	22,583,515
863,053	32,549,526
-	484,401
863,053	33,033,927

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities			
Accounts payable			
Trade	\$ 393,043	\$ 244,590	\$ 25,477
Construction	-	-	-
Accrued liabilities			
Deposits	458,528	-	-
Accrued compensated absences	45,234	4,236	3,702
Accrued salaries	-	-	-
Due to other funds	-	-	-
Current liabilities payable from restricted assets			
Revenue bonds	219,000	-	-
Notes payable	142,367	-	-
Accrued interest	12,789	-	-
Total Current Liabilities	<u>1,270,961</u>	<u>248,826</u>	<u>29,179</u>
Noncurrent Liabilities			
Revenue bonds	1,012,000	-	-
Notes payable	2,114,461	-	-
Net pension liability	1,189,682	69,981	139,963
Net OPEB liability	167,287	9,840	19,681
Total Noncurrent Liabilities	<u>4,483,430</u>	<u>79,821</u>	<u>159,644</u>
Total Liabilities	<u>5,754,391</u>	<u>328,647</u>	<u>188,823</u>
Deferred Inflows			
Deferred pension and OPEB inflows	<u>130,310</u>	<u>7,665</u>	<u>15,330</u>
Total Liabilities and Deferred Inflows	<u>5,884,701</u>	<u>336,312</u>	<u>204,153</u>
NET POSITION			
Net investment in capital assets	14,783,044	95,849	3,353,741
Restricted under debt ordinance	352,898	-	-
Unrestricted	<u>4,926,321</u>	<u>(154,072)</u>	<u>2,387,927</u>
Total Net Position	<u>\$ 20,062,263</u>	<u>\$ (58,223)</u>	<u>\$ 5,741,668</u>

See accompanying notes to the basic financial statements.

Concluded

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 663,110
-	-
-	458,528
-	53,172
-	-
-	-
-	219,000
-	142,367
-	12,789
<u>-</u>	<u>1,548,966</u>
-	1,012,000
-	2,114,461
-	1,399,626
-	196,808
<u>-</u>	<u>4,722,895</u>
<u>-</u>	<u>6,271,861</u>
-	153,305
<u>-</u>	<u>6,425,166</u>
863,053	19,095,687
-	352,898
<u>-</u>	<u>7,160,176</u>
<u>\$ 863,053</u>	<u>\$ 26,608,761</u>

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
OPERATING REVENUES			
Charges for services			
Water sales	\$ 2,924,632	\$ -	\$ -
Sewer charges	2,756,294	-	-
Sanitation fees	-	2,782,871	-
Storm water fees	-	-	954,394
Connection fees	-	-	-
Water	46,805	-	-
Sewer	-	-	-
Penalties and reconnect fees	181,124	-	-
Miscellaneous	79,851	-	-
Total Operating Revenues	<u>5,988,706</u>	<u>2,782,871</u>	<u>954,394</u>
OPERATING EXPENSES			
Purchased products / services	-	2,672,085	-
Personal services and benefits	1,962,157	127,460	241,638
Purchased / contracted services	738,690	25,744	347,754
Supplies	800,876	10,208	65,540
Cost allocations	296,337	77,890	69,773
Depreciation and amortization	864,733	18,052	237,186
Other	104,254	-	50,000
Total Operating Expenses	<u>4,767,047</u>	<u>2,931,439</u>	<u>1,011,891</u>
Operating Income (Loss)	<u>1,221,659</u>	<u>(148,568)</u>	<u>(57,497)</u>
NON-OPERATING INCOME (EXPENSE)			
Interest earned	4,087	-	4,299
Interest expense	(36,314)	-	-
Gain (Loss) on disposition of capital assets	-	-	-
Total Non-Operating Income (Expense)	<u>(32,227)</u>	<u>-</u>	<u>4,299</u>
Net Income before Transfers and Capital Contributions	1,189,432	(148,568)	(53,198)
Capital Contributions			
Water	719,107	-	-
Sewer	535,655	-	-
Cemetery	-	-	-
Transfers	<u>(500,000)</u>	<u>111,898</u>	<u>-</u>
Change in Net Position	1,944,194	(36,670)	(53,198)
Net Position - Beginning of Year (Adjusted)	<u>18,118,069</u>	<u>(21,553)</u>	<u>5,794,866</u>
Net Position - End of Year	<u>\$ 20,062,263</u>	<u>\$ (58,223)</u>	<u>\$ 5,741,668</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 2,924,632
-	2,756,294
-	2,782,871
-	954,394
-	
-	46,805
-	-
-	181,124
-	79,851
<u>-</u>	<u>9,725,971</u>
-	
-	2,672,085
-	2,331,255
-	1,112,188
-	876,624
-	444,000
-	1,119,971
-	154,254
<u>-</u>	<u>8,710,377</u>
-	
<u>-</u>	<u>1,015,594</u>
-	
-	8,386
-	(36,314)
-	-
<u>-</u>	<u>(27,928)</u>
-	
-	987,666
-	
-	719,107
-	535,655
-	-
<u>-</u>	<u>(388,102)</u>
-	
-	1,854,326
<u>863,053</u>	<u>24,754,435</u>
<u>\$ 863,053</u>	<u>\$ 26,608,761</u>

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	<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	\$ 6,111,445	\$ 2,807,316	\$ 914,134
Cash paid to suppliers for goods	(2,353,547)	(2,797,971)	(622,322)
Cash paid to employees	(1,288,838)	(77,016)	(160,416)
Net Cash Flows from Operating Activities	<u>2,469,060</u>	<u>(67,671)</u>	<u>131,396</u>
Cash flows from investing activities:			
Interest received	4,087	-	4,299
(Purchase) / redemption of investments	(4,089)	-	(751)
Net Cash Flows from Investing Activities	<u>(2)</u>	<u>-</u>	<u>3,548</u>
Cash flows from non-capital financing activities:			
Transfers	(500,000)	111,898	-
Change in due to/from other funds	3,782	(3,782)	-
Net Cash Flows from Non-Capital Financing Activities	<u>(496,218)</u>	<u>108,116</u>	<u>-</u>
Cash flows from capital financing activities:			
Purchases / construction of capital assets	(447,602)	(38,443)	-
Capital contributions	1,254,762	-	-
Principal payments on long-term debt	(381,949)	-	-
Change in net pension liability	(55,145)	(3,244)	(6,487)
Change in net OPEB liability	21,102	1,242	2,484
Proceeds from disposition of capital assets	-	-	-
Interest paid	(38,969)	-	-
Net Cash Flows from Capital Financing Activities	<u>352,199</u>	<u>(40,445)</u>	<u>(4,003)</u>
Net Change in Cash and Cash Equivalents	2,325,039	-	130,941
Cash and Cash Equivalents - Beginning	<u>483,752</u>	<u>-</u>	<u>935,369</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,808,791</u>	<u>\$ -</u>	<u>\$ 1,066,310</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 9,832,895
-	(5,773,840)
-	(1,526,270)
<u>-</u>	<u>2,532,785</u>
-	8,386
-	(4,840)
<u>-</u>	<u>3,546</u>
-	(388,102)
<u>-</u>	<u>-</u>
-	(388,102)
-	(486,045)
-	1,254,762
-	(381,949)
-	(64,876)
-	24,828
-	-
<u>-</u>	<u>(38,969)</u>
-	307,751
-	2,455,980
<u>-</u>	<u>1,419,121</u>
<u>\$ -</u>	<u>\$ 3,875,101</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)	\$ 1,221,659	\$ (148,568)	\$ (57,497)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	864,733	18,052	237,186
(Increase) decrease in -			
Accounts receivable	37,772	24,445	(40,260)
Prepaid expense	-	-	-
Deferred outflows	38,319	2,255	4,507
Increase (decrease) in -			
Accounts payable	189,500	33,558	(14,440)
Deposits	84,967	-	-
Deferred inflows	37,438	2,202	4,404
Accrued liabilities	(5,328)	385	(2,504)
Total Adjustments	<u>1,247,401</u>	<u>80,897</u>	<u>188,893</u>
Net Cash Flows from Operating Activities	<u>\$ 2,469,060</u>	<u>\$ (67,671)</u>	<u>\$ 131,396</u>

NON-CASH TRANSACTIONS

Capital contribution from SPLOST IV Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 1,015,594
-	1,119,971
-	21,957
-	-
	45,081
-	208,618
-	84,967
	44,044
-	(7,447)
-	1,517,191
<u>\$ -</u>	<u>\$ 2,532,785</u>
<u>\$ -</u>	<u>\$ -</u>

CITY OF McDONOUGH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 believes that a June 30 fiscal year end allows 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 29,000 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 2018, 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.

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, 2021:

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, 2021 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 is not included as part of the capitalized value of the assets constructed. 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 GASB 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, 2021 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 \$6,710,240 of restricted net position, of which \$6,155,713 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, 2021, 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, 2021, fund balances are composed of the following:

	General	SPLOST Funds	Development Impact Fee	Urban Redevelopment Authority	Other Governmental Funds	Total
Nonspendable						
Prepays	\$ 486,377	\$ -	\$ -	\$ -	\$ -	\$ 486,377
Cemetery Trust Corpus	-	-	-	-	174,600	174,600
Restricted -						
Capital projects	-	4,812,162	1,305,081	-	-	6,117,243
Cemetery	-	-	-	-	27,079	27,079
Police activities	-	-	-	-	38,470	38,470
Committed -						
Stabilization reserve	1,560,108	-	-	-	-	1,560,108
Assigned -						
Appropriated for 2022 budget	-	-	-	-	-	-
Unassigned	12,774,669	-	-	-	-	12,774,669
 Total Fund Balances	 \$ 14,821,154	 \$ 4,812,162	 \$ 1,305,081	 \$ -	 \$ 240,149	 \$ 21,178,546

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 June, 2022. 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, 2021, \$9,555,447 of the government's bank balance of \$10,453,333 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent	<u>9,555,447</u>
Total	<u>\$ 9,555,447</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, 2021:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Organization</u>
All Funds With Investments -				
Georgia Fund 1	\$ 18,196,063	36 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, 2021 amounted to \$ 51,474.

4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables reported in the governmental fund financial statements for the year ended June 30, 2021 consist of the following:

	<u>Receivable</u>	<u>Revenues</u>
General Fund		
GMA Safety and Liability Grant	\$ -	\$ 17,954
CARES Act Grant	-	1,401,243
Henry County - CDBG		16,300
Other	-	10,000
SPLOST Funds		
Henry County - SPLOST	603,549	828,706
GA. Department of Transportation	-	238,661
	<u>\$ 603,549</u>	<u>\$ 2,512,864</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	\$ 612,763	\$ -	\$ 355,151	\$ 967,914
Fines	216,607	-	-	216,607
Other	8,925	-	-	8,925
Gross receivables	838,295	-	355,151	1,193,446
Less allowance for bad debt	(108,363)	-	-	(108,363)
Net Total Receivables	<u>\$ 729,932</u>	<u>\$ -</u>	<u>\$ 355,151</u>	<u>\$ 1,085,083</u>
Proprietary Funds	<u>Water/Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Total</u>
Accounts	\$ 1,226,435	\$ 335,068	\$ 965,076	\$ 2,526,579
Less allowance for bad debt	(570,000)	(180,000)	(430,000)	(1,180,000)
Net Total Receivable	<u>\$ 656,435</u>	<u>\$ 155,068</u>	<u>\$ 535,076</u>	<u>\$ 1,346,579</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, 2021 were as follows:

Payable From	—	Payable To General Fund
SPLOST V		\$ 352,441
Non-Major		<u>263,832</u>
Totals		<u>\$ 616,273</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 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, 2021. The Confiscated Assets Fund owed the General Fund \$64,606 for qualified expenditures originally paid by the General Fund and not reimbursed as of June 30, 2021. The Hotel / Motel Tax Fund owed the General Fund \$199,226 for unreimbursed expenditures and transfers as of June 30, 2021.

Individual fund interfund transfers for the year ended June 30, 2021 were as follows:

Transfer To	Transfer From			Totals
	General	Non- Major	Water & Sewer	
General	\$ -	\$ 892,970	\$ 500,000	\$ 1,392,970
Cemetery	-	-	-	-
Urban Redevelopment Authority	278,994	-	-	278,994
Solid Waste	<u>111,898</u>	<u>-</u>	<u>-</u>	<u>111,898</u>
	<u>\$ 390,892</u>	<u>\$ 892,970</u>	<u>\$ 500,000</u>	<u>\$ 1,783,862</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, 2021, the Hotel / Motel Tax Fund transferred \$892,970 to the General Fund and as of June 30, 2021, the Hotel / Motel Tax Fund owed the General Fund \$199,226 for unreimbursed expenditures and transfers. The Water and Sewer Fund transferred \$500,000 to the General Fund to support the fund balance of the General Fund. The General Fund transferred \$278,994 to the Urban Redevelopment Fund to finance debt service on the URA revenue bonds. The General fund also transferred \$111,898 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, 2021 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	1,735,024	35,836	(1,715,651)	55,209
Total	14,627,997	35,836	(1,715,651)	12,948,182
Capital assets being depreciated:				
Buildings	19,134,335	1,647,334	-	20,781,669
Improvements other than buildings	15,746,895	453,248	-	16,200,143
Vehicles, including related equipment	6,567,423	168,668	(44,055)	6,692,036
Machinery and equipment	5,496,003	147,190	-	5,643,193
Furniture and fixtures	668,719	9,362	-	678,081
Total capital assets being depreciated	47,613,375	2,425,802	(44,055)	49,995,122
Less accumulated depreciation for:				
Buildings	5,154,239	507,312	-	5,661,551
Improvements other than buildings	3,812,673	426,850	-	4,239,523
Vehicles, including related equipment	4,557,603	385,237	(8,916)	4,933,924
Machinery and equipment	3,723,776	310,055	-	4,033,831
Furniture and fixtures	365,009	29,091	-	394,100
Total accumulated depreciation	17,613,300	1,658,545	(8,916)	19,262,929
Total capital assets being depreciated, net	30,000,075	767,257	(35,139)	30,732,193
Governmental capital assets, net	\$ 44,628,072	\$ 803,093	\$ (1,750,790)	\$ 43,680,375

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

Administrative	\$ 177,904
Public Safety and Courts	878,390
Highways and Streets	258,466
Cemetery	4,543
Parks and Recreation	317,479
Community Development	12,186
Economic Development	9,577
Total depreciation expense	<u>\$ 1,658,545</u>

(See Independent Auditor's Report)

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

7. PROPERTY, PLANT AND EQUIPMENT – (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 5,445,594	\$ -	\$ -	\$ 5,445,594
Construction in progress	344,820	326,782	(344,820)	326,782
Total	<u>5,790,414</u>	<u>326,782</u>	<u>(344,820)</u>	<u>5,772,376</u>
Capital assets being depreciated:				
Buildings	1,119,684	-	-	1,119,684
Improvements other than buildings	29,752,241	-	-	29,752,241
Machinery and equipment	2,698,035	468,391	-	3,166,426
Vehicles	1,530,696	35,692	-	1,566,388
Total capital assets being depreciated	<u>35,100,656</u>	<u>504,083</u>	<u>-</u>	<u>35,604,739</u>
Less accumulated depreciation for:				
Buildings	877,062	12,352	-	889,414
Improvements other than buildings	14,010,424	764,837	-	14,775,261
Machinery and equipment	1,837,033	192,248	-	2,029,281
Vehicles	949,108	150,536	-	1,099,644
Total capital assets being depreciated	<u>17,673,627</u>	<u>1,119,973</u>	<u>-</u>	<u>18,793,600</u>
Total capital assets being depreciated, net	<u>17,427,029</u>	<u>(615,890)</u>	<u>-</u>	<u>16,811,139</u>
Business-Type Activities capital assets, net	<u>\$ 23,217,443</u>	<u>\$ (289,108)</u>	<u>\$ (344,820)</u>	<u>\$ 22,583,515</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 357,058
Sewer	507,675
Storm Water	237,186
Solid Waste Management	<u>18,054</u>
Total depreciation expense	<u>\$ 1,119,973</u>

(See Independent Auditor's Report)

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

8. UNAVAILABLE REVENUES

Deferred revenues as of June 30, 2021, 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	\$ 70,743
Property taxes	<u>46,670</u>
Total unavailable revenues - Governmental Funds	<u>\$ 117,413</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, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Activities					
Accrued Compensated Absences	\$ 309,779	\$ -	\$ (2,344)	\$ 307,435	\$ 50,000
Revenue bonds	3,685,000	-	(155,000)	3,530,000	160,000
Bond premium	147,264	-	(8,414)	138,850	-
Unearned Rental Income (Obligation)	<u>72,855</u>	<u>-</u>	<u>(36,429)</u>	<u>36,426</u>	<u>36,426</u>
Total Governmental Activity					
Long-Term Debt	<u>\$4,214,898</u>	<u>\$ -</u>	<u>\$ (202,187)</u>	<u>\$4,012,711</u>	<u>\$ 246,426</u>
Business-Type Activities					
Revenue Bonds	\$1,543,000	\$ -	\$ (312,000)	\$ 1,231,000	\$ 219,000
GEFA Notes Payable	<u>2,326,776</u>	<u>-</u>	<u>(69,948)</u>	<u>2,256,828</u>	<u>142,367</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$3,869,776</u>	<u>\$ -</u>	<u>\$ (381,948)</u>	<u>\$3,487,828</u>	<u>\$ 361,367</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)

9. LONG-TERM DEBT - (Continued)

Governmental Activities Long-Term Obligations -

Governmental activities long-term obligations as of June 30, 2021 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. \$3,530,000

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

Year Ending 6/30	REVENUE BONDS		
	Principal	Interest	Total
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>\$ 3,530,000</u>	<u>\$ 1,220,748</u>	<u>\$ 4,750,748</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 December 2036.	<u>\$2,256,828</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>\$1,231,000</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	
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
2036	70,441	15,593	-	-	86,034
Totals	<u>\$ 2,256,828</u>	<u>\$ 238,130</u>	<u>\$ 1,231,000</u>	<u>\$ 60,794</u>	<u>\$ 3,786,752</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, 2021:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 1,616,303	100.00%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 707,133	43.75%
Product development	\$ 303,057	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, 2021, 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, 2021. No provisions have been made in the financial statements for the year ended June 30, 2021 for any estimate of potential unpaid claims.

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

(See Independent Auditor's Report)

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

11. Risk Management (continued)

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

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

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

12. RELATED ORGANIZATION

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. 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.

(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, 2021, the developer had actually used approximately \$3,492,949 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$3,319,458. The City recognizes impact fees as revenues when received.

(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, 2021 amounted to \$59,717.

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, 2021, 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, 2021 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, 2021, the date of the most recent actuarial valuation, there were 258 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	34
Terminated vested participants not yet receiving benefits	48
Active employees - vested	107
Active employees - nonvested	<u>69</u>
Total	<u>258</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 2021, the actuarially determined contribution rate was 15.57% of covered payroll.

For fiscal year ended June 30, 2021, the City's recommended and actual contribution was \$1,276,021 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, 2021 and the Statements of Net Position for the fiscal year ended June 30, 2021 amounted to \$1,307,723.

(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, 2021, the City reported a liability of \$6,998,127 for its net pension liability. The net pension liability was measured as of September 30, 2020 and was determined by an actuarial valuation as of January 1, 2021. The changes in the Net Pension Liability for the year ended September 30, 2020 (the measurement date) were as follow:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning	\$ 18,799,751	\$ 11,477,238	\$ 7,322,513
Changes for the year-			
Service cost	518,239	-	518,239
Interest	1,401,768	-	1,401,768
Differences between expected and actual experience	(93,200)	-	(93,200)
Contributions - Employer	-	1,039,244	(1,039,244)
Net investment income	-	1,137,870	(1,137,870)
Benefit payments, including refunds of employee contributions	(621,943)	(621,943)	-
Administrative expense	-	(25,921)	25,921
Other	-	-	-
Net Changes	<u>1,204,864</u>	<u>1,529,250</u>	<u>(324,386)</u>
Balance, ending	<u>\$ 20,004,615</u>	<u>\$ 13,006,488</u>	<u>\$ 6,998,127</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, 2021, the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	\$ 518,239
Interest on The Pension Liability (TPL)	1,401,768
Administrative expenses	25,921
Expected return on assets	(860,878)
Expensed portion of current year period differences between expected and actual experience in TPL	(15,535)
Current year recognition of deferred inflows and outflows established in prior years	293,608
Current year plan changes	-
Expensed portion of current year period differences between projected and actual investment earnings	<u>(55,400)</u>
Total expense	<u>\$ 1,307,723</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**

\$957,016 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, 2021. 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
2022	\$ 404,012	\$ (154,645)	\$ 249,367
2023	371,680	(23,513)	348,167
2024	313,324	23,563	336,887
2025	284,197	(70,931)	213,266
2026	-	(15,533)	(15,533)
2027 and thereafter	-	-	-
	<u>\$ 1,373,213</u>	<u>\$ (241,059)</u>	<u>\$ 1,132,154</u>

Outstanding balances of deferred outflows/inflows of resources related to pensions as of June 30, 2021 are as follow:

	<u>Outflows</u>	<u>Inflows</u>
Contributions subsequent to measurement date	\$ 957,016	\$ -
Demographic	344,101	(89,509)
Investment	-	(151,550)
Assumption change	<u>1,029,112</u>	<u>-</u>
Total	<u>\$ 2,330,229</u>	<u>\$ (241,059)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2021 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	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25
Disabled	Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25
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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

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%	6.40%
International equity	20.00%	7.05%
Domestic fixed income	20.00%	1.15%
Real estate	10.00%	4.50%
Global fixed income	5.00%	1.25%
Cash	0.00%	
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:

	<u>1% Decrease 6.375%</u>	<u>Current Rate 7.375%</u>	<u>1% Increase 8.375%</u>
Net Pension Liability	\$ 9,866,369	\$ 6,998,127	\$ 4,631,449

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, 2021, the date of the latest actuarial valuation:

Active employees	161
Retirees and dependents	-
	161

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, 2021, 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, 2021 and was determined by an actuarial valuation as of July 1, 2020 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, 2020 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 2020/21 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, 2021, were as follows:

	Total OPEB Liability
Balances - Beginning of year	\$ 859,910
Plus OPEB expense for the fiscal year	107,414
Minus employer contribution for the fiscal year	-
Plus change in balance of deferred outflows of resources	69,452
Minus change in balance of deferred inflows of resources	<u>(52,733)</u>
Balance - End of year	<u>\$ 984,043</u>

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

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

	1.0% Decrease	Current Rate	1.0% Increase
Total OPEB Liability	\$ 1,094,655	\$ 984,043	\$ 883,795

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, 2021 and the current sharing pattern of costs between employer and inactive employees.

For the year ended June 30, 2021, the City recognized OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Service cost	\$ 122,392
Expected interest growth	21,390
Demographic gains / loss	(24,778)
Benefit payments & refunds	(2,252)
Assumption changes	<u>(9,338)</u>
OPEB expense	<u>\$ 107,414</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, 2021, the City recognized OPEB expense of \$104,526. At June 30, 2021, the City reported deferred outflows of resources of \$91,775 and deferred inflows of resources of \$525,470 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
2022	\$ 7,282	\$ (41,398)	\$ (34,116)
2023	7,282	(41,398)	(34,116)
2024	7,282	(41,398)	(34,116)
2025	7,282	(41,398)	(34,116)
2026	7,282	(41,398)	(34,116)
2027 and thereafter	<u>55,366</u>	<u>(318,479)</u>	<u>(263,113)</u>
	<u>\$ 91,776</u>	<u>\$ (525,469)</u>	<u>\$ (433,693)</u>

Outstanding balances of deferred outflows/inflows of resources related to OPEB as of June 30, 2021 are as follow:

	Outflows	Inflows
Contributions subsequent to measurement date	\$ -	\$ -
Demographic	76,734	369,177
Investment	-	-
Assumption change	<u>15,042</u>	<u>156,292</u>
Total	<u>\$ 91,776</u>	<u>\$ 525,469</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, 2021 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 352,898
Confiscated assets fund	103,840
Capital projects-	
Special purpose local option sales funds	4,602,976
Development impact fee funds	1,305,081
Cemetery perpetual care funds	<u>201,679</u>
	<u>\$ 6,566,474</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, 2021 is \$36,426.

19. CONDUIT DEBT OBLIGATION

As of June 2021, 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, 2021, 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, 2021</u>
19 Griffin Street, LLC	Renovations	\$ 500,000	\$ 227,440
Southern Investment Group, LLC	Construction, furniture, equip	\$ 450,000	\$ 195,550
KCRT Restaurant Corporation	Building acquisition	\$ 138,000	\$ 127,469

(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, 2021, the Sanitation Fund had a deficit net position of \$58,223. Management expects to cure this situation through additional revenues or General Fund transfers.
- B) Excess expenditures over budget – None of the City’s funds had material excesses (if over 5 percent and greater than \$5,000) of expenditures over appropriations at the department level (the legal level of control).

21. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, the City received \$4,998,000 in grant proceeds under phase 1 of the American Rescue Plan Act (ARPA). The City expects to receive the same amount under phase 2 of ARPA. The City will expend the proceeds according to the guideline requirements of ARPA.

Subsequent to June 30, 2021, the City reviewed its policies and procedures in regards to its Other Postemployment Benefit Plan and determined that changes are required to the Healthcare Benefit Plan in order for future retirees to receive plan benefits. The effect of not making these changes would reduce the City’s OPEB liability by \$984,043 as actuarially determined.

(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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service cost	\$ 518,239	\$ 467,965	\$ 395,007	\$ 412,374	\$ 392,336	\$ 381,005	\$ 374,655			
Interest	1,401,768	1,213,570	1,049,972	964,619	890,810	840,753	777,801			
Differences between expected and actual experience	(93,200)	276,012	174,761	121,141	193,990	(82,909)	133,731			(Historical information prior to implementation of GASB 67/68)
Change in plan benefit terms	-	-	1,082,629	-	-	-	-			
Changes of assumptions	-	1,429,171	-	228,995	-	-	15,821			
Benefit payments	(621,943)	(599,866)	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)			
Net changes in total pension liability	1,204,864	2,786,852	2,114,197	1,176,887	977,845	652,243	809,164			is not required)
Total pension liability - beginning	18,799,751	16,012,899	13,898,702	12,721,815	11,743,970	11,091,727	10,282,563			
Total pension liability - ending	\$ 20,004,615	\$ 18,799,751	\$ 16,012,899	\$ 13,898,702	\$ 12,721,815	\$ 11,743,970	\$ 11,091,727			
Plan Fiduciary Net Position										
Contributions - employer	\$ 1,039,244	\$ 1,037,355	\$ 806,729	\$ 850,523	\$ 827,632	\$ 813,118	\$ 800,328			
Net investment income	1,137,870	346,823	959,943	1,231,717	791,561	62,378	651,380			
Benefit payments	(621,943)	(599,866)	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)			(Historical information prior to implementation of GASB 67/68)
Administrative expense	(25,921)	(24,457)	(25,422)	(29,411)	(14,925)	(16,223)	(12,347)			
Other	-	-	-	-	-	-	-			
Net change in fiduciary net position	1,529,250	759,855	1,153,078	1,502,587	1,104,977	372,667	946,517			
Plan fiduciary net position - beginning	11,477,238	10,717,383	9,564,305	8,061,718	6,956,741	6,584,074	5,637,557			is not required)
Plan fiduciary net position - ending	\$ 13,006,488	\$ 11,477,238	\$ 10,717,383	\$ 9,564,305	\$ 8,061,718	\$ 6,956,741	\$ 6,584,074			
Net Pension Liability										
Net pension liability	\$ 6,998,127	\$ 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	65.02%	61.05%	66.93%	68.81%	63.37%	59.24%	59.36%			
Covered-employee payroll	\$ 8,550,742	\$ 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	81.84%	90.37%	69.43%	61.36%	66.33%	72.55%	70.60%			

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

	Fiscal Year End									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contributions	\$ 1,276,021	\$ 1,102,098	\$ 914,197	\$ 869,950	\$ 841,514	\$ 823,005	\$ 809,822			
Contributions in relation to the actuarially determined contribution	\$ (1,276,021)	\$ (1,102,098)	\$ (914,197)	\$ (869,950)	\$ (841,514)	\$ (823,005)	\$ (809,822)			(Historical information prior to
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			implementation of GASB 67/68
Covered-employee payroll	\$ 8,550,742	\$ 7,627,559	\$ 7,063,470	\$ 7,025,189	\$ 6,598,557	\$ 6,384,685	\$ 5,752,771			is not required)
Contributions as a percentage of covered-employee payroll	14.92%	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, 2021

Note 1

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

Methods and assumptions used to determine contribution rates:

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

Actuarial Assumptions:

Net Investment Rate of Return	7.375%
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

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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability										
Service cost	\$ 122,392	\$ 117,719	\$ 115,024	\$ 83,224						
Expected interest growth	21,390	22,034	34,088	31,695						
Demographic experience	76,734	-	(470,953)	-						
Change in deferred outflows of resources	-	-	-	-						
Assumption changes	(94,131)	10,708	(71,304)	15,762						
Benefit payments	(2,252)	(2,338)	(3,628)	(4,966)						
										(Historical information prior to implementation of GASB 75 is not required)
Net changes in total OPEB liability	124,133	148,123	(396,773)	125,715						
Total OPEB liability - beginning	859,910	711,787	1,108,560	982,845						
Total OPEB liability - ending	\$ 984,043	\$ 859,910	\$ 711,787	\$ 1,108,560						
Covered-employee payroll	\$ 7,883,639	\$ 7,121,821	\$ 7,121,821	\$ 6,088,242						(Historical information prior to implementation of GASB 75 is not required)
Total OPEB liability as a percentage of covered payroll	12.48%	12.07%	9.99%	18.21%						

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

	Fiscal Year End									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contributions	-	-	-	-	-	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	7,883,639	7,121,821	7,121,821	6,088,242						
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A						

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

Notes to the Schedule:

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

CITY OF MCDONOUGH, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

Note 1

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

Employer's reporting date:	June 30, 2021
Measurement date:	June 30, 2021
Actuarial valuation date:	July 1, 2020

ACTUARIAL ASSUMPTIONS -

Discount rate:	2.18% 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 2020/21 fiscal year graded down by .5% per year to 5% in 2024/25

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CITY OF McDONOUGH, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Fund <u>Hotel/ Motel Tax Fund</u>	Special Revenue Fund <u>Confiscated Assets Fund</u>	Permanent Fund <u>Cemetery Perpetual Care Fund</u>	Total Non-Major Governmental Funds
ASSETS				
Cash	\$ -	\$ 103,840	\$ 1,849	\$ 105,689
Investments	-	-	199,830	199,830
Receivables				
Taxes	355,151	-	-	355,151
Accounts	-	-	-	-
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 355,151</u>	<u>\$ 103,840</u>	<u>\$ 201,679</u>	<u>\$ 660,670</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 155,925	\$ 718	\$ -	\$ 156,643
Due to other funds	199,226	64,606	-	263,832
Unearned revenues	-	46	-	46
	<u>-</u>	<u>46</u>	<u>-</u>	<u>46</u>
Total Liabilities	<u>355,151</u>	<u>65,370</u>	<u>-</u>	<u>420,521</u>
Fund Balance				
Nonspendable -				
Cemetery corpus	-	-	174,600	174,600
Restricted for specified purposes	-	38,470	27,079	65,549
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>38,470</u>	<u>201,679</u>	<u>240,149</u>
Total Liabilities and Fund Balance	<u>\$ 355,151</u>	<u>\$ 103,840</u>	<u>\$ 201,679</u>	<u>\$ 660,670</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, 2021

	Special Revenue Fund Hotel/ Motel Tax Fund	Special Revenue Fund Confiscated Assets Fund	Permanent Fund Cemetery Perpetual Care Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$ 1,616,303	\$ -	\$ -	\$ 1,616,303
Forfeitures	-	39,107	-	39,107
Intergovernmental	-	-	-	-
Interest	-	-	160	160
Miscellaneous	-	940	-	940
Total Revenues	<u>1,616,303</u>	<u>40,047</u>	<u>160</u>	<u>1,656,510</u>
EXPENDITURES				
Current				
Purchased / contracted services	16,200	-	-	16,200
Supplies	-	-	-	-
Payments to others	707,133	-	-	707,133
Capital outlay	-	37,096	-	37,096
Total Expenditures	<u>723,333</u>	<u>37,096</u>	<u>-</u>	<u>760,429</u>
Excess Revenues Over (Under)				
Expenditures Before Other				
Financing Sources (Uses)	<u>892,970</u>	<u>2,951</u>	<u>160</u>	<u>896,081</u>
Other Financing Sources (Uses)				
Transfers	<u>(892,970)</u>	<u>-</u>	<u>-</u>	<u>(892,970)</u>
Total Other Financing Sources (Uses)	<u>(892,970)</u>	<u>-</u>	<u>-</u>	<u>(892,970)</u>
Excess Revenues Over (Under)				
Expenditures and Other Financing				
Sources (Uses)	-	2,951	160	3,111
Fund Balance - Beginning of Year	<u>-</u>	<u>35,519</u>	<u>201,519</u>	<u>237,038</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 38,470</u>	<u>\$ 201,679</u>	<u>\$ 240,149</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, 2021

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes	\$ 1,616,303	\$ 1,616,303	\$ -	\$ 1,382,338
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenue	<u>1,616,303</u>	<u>1,616,303</u>	<u>-</u>	<u>1,382,338</u>
EXPENDITURES				
Current				
Contracted Services	16,200	16,200	-	16,200
Tourism and Hospitality	707,133	707,133	-	604,773
Capital				
Tourism Product	-	-	-	-
Total Expenditures	<u>723,333</u>	<u>723,333</u>	<u>-</u>	<u>620,973</u>
Excess Revenues Over (Under) Expenditures	892,970	892,970	-	761,365
Other Financing Sources (Uses) Transfers	<u>(892,970)</u>	<u>(892,970)</u>	<u>-</u>	<u>(761,365)</u>
Total Other Financing Sources (Uses)	<u>(892,970)</u>	<u>(892,970)</u>	<u>-</u>	<u>(761,365)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2021

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	\$ 35,000	\$ 39,107	\$ 4,107	\$ 170,129
Sales of confiscated property	-	940	940	-
Interest	-	-	-	-
Contributions	-	-	-	-
Total Revenue	<u>35,000</u>	<u>40,047</u>	<u>5,047</u>	<u>170,129</u>
EXPENDITURES				
Current				
Purchased / contracted services	-	-	-	-
Supplies	-	-	-	-
Miscellaneous	-	-	-	-
Capital Outlay	<u>63,000</u>	<u>37,096</u>	<u>25,904</u>	<u>134,610</u>
Total Expenditures	<u>63,000</u>	<u>37,096</u>	<u>25,904</u>	<u>134,610</u>
Excess Revenues Over (Under) Expenditures	<u>(28,000)</u>	<u>2,951</u>	<u>30,951</u>	<u>35,519</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	(28,000)	2,951	30,951	35,519
Fund Balance - Beginning of Year	<u>35,519</u>	<u>35,519</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 7,519</u>	<u>\$ 38,470</u>	<u>\$ 30,951</u>	<u>\$ 35,519</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, 2021

	<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	3,441,092	425,091	3,866,183	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>14,227,150</u>	<u>425,091</u>	<u>14,652,241</u>	<u>26,842,500</u>
Excess Revenues Over (Under)				
Expenditures	<u>(6,778,618)</u>	<u>(425,091)</u>	<u>(7,203,709)</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>\$ 546,382</u>	<u>(425,091)</u>	<u>\$ 121,291</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>546,382</u>		
Fund Balance - End of Year		<u>\$ 121,291</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, 2021

	<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	\$ 19,539,679	\$ 225,157	\$ 19,764,836	\$ 24,236,500	\$ 22,962,500
Intergovernmental - Other	1,013,349	238,661	1,252,010	-	-
Interest	203,438	-	203,438	-	-
Total Revenues	<u>20,756,466</u>	<u>463,818</u>	<u>21,220,284</u>	<u>24,236,500</u>	<u>22,962,500</u>
EXPENDITURES					
Capital Outlay					
Cultural, historic & recreation facilities	1,774,063	-	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	7,042,726	650,355	7,693,081	10,673,500	10,673,500
Community development facilities	1,501,355	-	1,501,355	1,774,000	1,500,000
Parks and recreation	3,447,665	57,743	3,505,408	4,365,000	4,365,000
Total Expenditures	<u>16,072,423</u>	<u>708,098</u>	<u>16,780,521</u>	<u>24,236,500</u>	<u>22,962,500</u>
Excess Revenues Over (Under)					
Expenditures	<u>4,684,043</u>	<u>(244,280)</u>	<u>4,439,763</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	-	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 4,684,043</u>	<u>(244,280)</u>	<u>\$ 4,439,763</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>4,684,043</u>			
Fund Balance - End of Year		<u>\$ 4,439,763</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	\$ -	\$ 603,549	\$ 603,549	\$ 18,480,000
Interest	-	-	-	-
Total Revenues	-	603,549	603,549	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**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
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	<u>352,441</u>	<u>-</u>	<u>352,441</u>	<u>18,480,000</u>
Excess Revenues Over (Under) Expenditures	<u>(352,441)</u>	<u>603,549</u>	<u>251,108</u>	<u>-</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	-	-
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	<u>\$ (352,441)</u>	603,549	<u>\$ 251,108</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>(352,441)</u>		
Fund Balance - End of Year		<u>\$ 251,108</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, 2021

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Impact fees	\$ 260,000	\$ 610,848	\$ 350,848	\$ 317,766
Interest	3,000	217	(2,783)	4,010
Total Revenues	<u>263,000</u>	<u>611,065</u>	<u>348,065</u>	<u>321,776</u>
EXPENDITURES				
Current				
Administration	8,000	5,048	2,952	10,236
Capital outlay				
Public Safety				
Police	104,900	67,604	37,296	695,719
Fire	50,100	50,081	19	76,160
Parks	100,000	7,200	92,800	55,734
Debt service - Parks				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>263,000</u>	<u>129,933</u>	<u>133,067</u>	<u>837,849</u>
Excess Revenues Over (Under)				
Expenditures	-	481,132	481,132	(516,073)
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Net Change in Fund Balance	-	481,132	481,132	(516,073)
Fund Balance - Beginning of Year	<u>823,949</u>	<u>823,949</u>	<u>-</u>	<u>1,340,022</u>
Fund Balance - End of Year	<u>\$ 823,949</u>	<u>\$ 1,305,081</u>	<u>\$ 481,132</u>	<u>\$ 823,949</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, 2021

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current				
Administration	2,112	-	2,112	-
Capital Outlay				
Municipal court facilities	4,955,351	-	4,955,351	4,808,082
Debt Service				
Principal	550,000	155,000	705,000	-
Interest	627,615	123,994	751,609	-
Debt issuance cost	106,345	-	106,345	112,050
	<u>6,241,423</u>	<u>278,994</u>	<u>6,520,417</u>	<u>4,920,132</u>
Total Expenditures	<u>6,241,423</u>	<u>278,994</u>	<u>6,520,417</u>	<u>4,920,132</u>
Excess Revenues Over (Under) Expenditures	<u>(6,241,423)</u>	<u>(278,994)</u>	<u>(6,520,417)</u>	<u>(4,920,132)</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	4,420,132	-	4,420,132	4,420,132
Transfers	1,821,291	278,994	2,100,285	500,000
	<u>6,241,423</u>	<u>278,994</u>	<u>6,520,417</u>	<u>4,920,132</u>
Total Other Financing Sources (Uses)	<u>6,241,423</u>	<u>278,994</u>	<u>6,520,417</u>	<u>4,920,132</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>-</u>		
Fund Balance - End of Year		<u>\$ -</u>		

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COMPLIANCE SECTION

**CITY OF McDONOUGH, GEORGIA
SCHEDULE OF PROJECTS FINANCED
WITH SPECIAL SALES TAX III PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2021**

PROJECT	ORIGINAL ESTIMATED COST	EXPENDITURES			ESTIMATED PERCENT COMPLETE
		BEGINNING OF YEAR	CURRENT YEAR	TO DATE	
Roads, streets, sidewalks and transportation facilities	\$ 2,500,000	\$ 584,520	\$ -	\$ 584,520	23.38%
Community development facilities	250,000	357,394	-	357,394	142.96%
Public works facilities and equipment	3,250,000	3,178,919	-	3,178,919	97.81%
Public safety facilities and equipment	8,342,500	4,081,944	-	4,081,944	48.93%
Parks and recreation	7,000,000	3,441,092	425,091	3,866,183	55.23%
Repayment of public debt associated with above projects or previously issued General Obligation debt	<u>5,500,000</u>	<u>2,583,281</u>	<u>-</u>	<u>2,583,281</u>	<u>46.97%</u>
	<u>\$ 26,842,500</u>	<u>\$ 14,227,150</u>	<u>\$ 425,091</u>	<u>\$ 14,652,241</u>	<u>54.59%</u>

**CITY OF McDONOUGH, GEORGIA
SCHEDULE OF PROJECTS FINANCED
WITH SPECIAL SALES TAX IV PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2021**

PROJECT	ORIGINAL ESTIMATED COST	AMENDED ESTIMATED COST	EXPENDITURES			ESTIMATED PERCENT COMPLETE
			BEGINNING OF YEAR	CURRENT YEAR	TO DATE	
Roads, streets, sidewalks and transportation facilities	\$ 10,673,500	\$ 10,673,500	\$ 6,029,377	\$ 411,694	\$ 6,441,071	60.35%
Cultural, historic & recreation facilities	4,000,000	5,000,000	1,774,063	-	1,774,063	35.48%
Community development	1,500,000	1,774,000	1,501,355	-	1,501,355	84.63%
Public safety facilities and equipment	2,424,000	2,424,000	2,306,614	-	2,306,614	95.16%
Parks and recreation	<u>4,365,000</u>	<u>4,365,000</u>	<u>3,447,665</u>	<u>57,743</u>	<u>3,505,408</u>	<u>80.31%</u>
Total SPLOST funds used	22,962,500	24,236,500	15,059,074	469,437	15,528,511	<u>64.07%</u>
Amounts financed with other revenue sources:						
Roads, streets, sidewalks and transportation facilities	<u>-</u>	<u>-</u>	<u>1,013,349</u>	<u>238,661</u>	<u>1,252,010</u>	
Total	<u>\$ 22,962,500</u>	<u>\$ 24,236,500</u>	<u>\$ 16,072,423</u>	<u>\$ 708,098</u>	<u>\$ 16,780,521</u>	

**CITY OF MCDONOUGH, GEORGIA
SCHEDULE OF PROJECTS FINANCED
WITH SPECIAL SALES TAX V PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
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
SCHEDULE OF PROJECTS FINANCED
WITH SPECIAL SALES TAX V PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
EXPENDITURES, Continued				
Sub-total from previous page	352,441	-	352,441	18,230,000
Public Works Facilities and Equipment				
Additional Storage Bays &	-			
Security Upgrades	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Total	<u>\$ 352,441</u>	<u>\$ -</u>	<u>\$ 352,441</u>	<u>\$ 18,480,000</u>

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF DEVELOPMENT IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>PUBLIC SAFETY</u>	<u>PARKS & RECREATION</u>	<u>CIE COST RECOVERY</u>	<u>ADMIN</u>	<u>TOTAL</u>
Receipts -					
Prior years	\$ 6,764,246	\$ 8,087,370	\$ 16,753	\$ 250,025	\$ 15,118,394
Current year	<u>451,555</u>	<u>140,568</u>	<u>1,182</u>	<u>17,760</u>	<u>611,065</u>
Total receipts	<u>7,215,801</u>	<u>8,227,938</u>	<u>17,935</u>	<u>267,785</u>	<u>15,729,459</u>
Expenditures -					
Prior years	6,576,469	7,440,114	42,224	235,638	14,294,445
Current year	<u>109,285</u>	<u>7,200</u>	<u>5,048</u>	<u>8,400</u>	<u>129,933</u>
Total expenditures	<u>6,685,754</u>	<u>7,447,314</u>	<u>47,272</u>	<u>244,038</u>	<u>14,424,378</u>
Balance at end of year	<u>\$ 530,047</u>	<u>\$ 780,624</u>	<u>\$ (29,337)</u>	<u>\$ 23,747</u>	<u>\$ 1,305,081</u>

Note - During the fiscal year ended December 31, 2005, the City received a contribution of park land and improvements and a public safety building in exchange for development impact fee credits. The gross value of the contribution and credits amounted to \$6,812,407. The contribution has been recognized in the above receipts and expenditures.

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JAMES L. WHITAKER, P.C.

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

Member of
The American Institute of
Certified Public Accountants

Member of
Georgia Society of
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of McDonough, Georgia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of McDonough's basic financial statements and have issued our report thereon dated June 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of McDonough, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of McDonough's internal control. Accordingly, we do not express an opinion on the effectiveness of City of McDonough, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described as item 2013.004 in the accompanying schedule of findings and responses to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item 2016.003 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of McDonough, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standard.

City of McDonough, Georgia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James L. Whitaker, P.C.

Snellville, Georgia
June 30, 2022

JAMES L. WHITAKER, P.C.

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

Member of
The American Institute of
Certified Public Accountants

Member of
Georgia Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited City of McDonough, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of McDonough, Georgia's major federal programs for the year ended June 30, 2021. City of McDonough, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of McDonough Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of McDonough, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of McDonough, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of McDonough, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of City of McDonough, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of McDonough, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of McDonough, Georgia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James L. Whitaker, P.C.

Snellville, Georgia
June 30, 2022

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**CITY OF MCDONOUGH, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through Henry County, Georgia			
Community Development Block Grant			
Entitlement Grant	14.218	B-11-un-13-0008	\$ 16,300
Total U.S. Department of Transportation			<u>16,300</u>
U.S. Department of Treasury			
Georgia Governor's Office of Planning & Budget			
COVID-19 - Coronavirus Relief Fund	21.019		<u>1,401,243</u>
Total U.S. Department of Treasury			<u>1,401,243</u>
Total expenditures of federal awards			<u>\$ 1,417,543</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF MCDONOUGH, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of McDonough, Georgia under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of McDonough, Georgia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of McDonough, Georgia.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – EXPENDITURES REPORTED FOR U.S. DEPARTMENT OF TREASURY

In accordance with Generally Accepted Accounting Principles, an entity has to obtain a contract for a grant from the awarding agency before it is required to report expenditures on its Schedule of Expenditures of Federal Awards (SEFA). Therefore, the City has recognized prior year expenditures for its Coronavirus Relief Fund since the contract was awarded in July 2020 and eligible expenditures began to be incurred in March 2020. Since the City's year ends on June 30, the City incurred expenditures for the months of March 2020 through June 2020 before the contract was signed. The make-up of the amount reported on the SEFA for this loan is as follows:

Current year expenditures	\$ - 0 -
Prior year expenditures	<u>1,401,243</u>
Total amount reported	<u>\$1,401,243</u>

NOTE D – INDIRECT COST RATE

The City elected not to utilize the 10% de minimus indirect cost rate.

**CITY OF MCDONOUGH, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial
statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes

Significant deficiency(ies) identified? yes

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified no

Significant deficiency(ies) identified? no

Type of auditor's report issued on compliance for
major federal programs

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a)?

no

Identification of major programs:

CFDA NUMBER

Name of Federal Program or Cluster

21.019

COVID-19, Coronavirus Relief Fund

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee

no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

**QUESTIONED
COST**

2013.004 UNPAID STORMWATER FEES - REPEAT FINDING

Condition:	As of June 30, 2020 the City had a significant amount of old unpaid stormwater fees amounting to approximately \$415,000. The majority of the unpaid fees are from the Henry County Board of Education and Henry County Water Authority which both total approximately \$300,000.	N/A
Criteria:	The City should consistently monitor its receivables from all sources even if the County is in charge of collecting and remitting the fees to the City. The City should take action to collect all fees that are properly billed and due to the City.	
Effect:	The City could forfeit the ability to receive payments from customers that have not paid for several years.	
Cause:	No collection activity has been deemed to be necessary since the County was collecting and remitting the fees for the City.	
Recommendation:	The City should confer with the County to determine the collection activities that are currently being utilized by the County to collect delinquent fees. The City should then determine the proper collection activity to implement to insure all efforts are being made to collect the delinquent fees.	

View of responsible officials and planned corrective action:

Management agrees with the finding. Management will work with Henry County Board of Education and Henry County to collect the unpaid balance that accumulated over a number of years. In addition, the City is reviewing and updating its collection procedures.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)

**Questioned
Cost**

2016.003 ADMINISTRATIVE FEES - REPEAT FINDING

Condition:	The City is currently charging various funds an administrative fee and recording it as revenue in the General Fund. This includes charging the SPLOST IV Fund an administrative fee of \$40,000 for city employees time and efforts in monitoring approved SPLOST projects. Although it is appropriate for such charges to be made, the City does not have a set formula for charging such fees.	N/A
Criteria:	Administrative fees that are being charged to various funds of the City should have an approved formula by which such fees are calculated and charged to the funds.	
Effect:	The lack of an approved formula by which administrative fees are charged could result in significant fluctuations in future years and could also be the subject of suspicion and skepticism.	
Cause:	Management was unaware of the need for administrative fees to have an approved formula.	
Recommendation:	Charge administrative fees by using an approved formula. Administrative expenses could be allocated by using such factors as: 1) total expenditures; 2) payroll or 3) some other reasonable basis.	

View of responsible officials and planned corrective action:

Management agrees with the finding. Management will review the situation and determine the proper basis for the City to use to allocate administrative costs among the various funds of the City.

**CITY OF MCDONOUGH, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION III

FEDERAL AWARDS FINDINGS AND QUESTIONED COST

None reported

**CITY OF MCDONOUGH, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

2013.004 UNPAID STORMWATER FEES – REPEAT FINDING

Condition: The City had a significant amount of old unpaid stormwater fees amounting to approximately \$415,000. The majority of the unpaid fees are from the Henry County Board of Education and Henry County Water Authority which both total approximately \$300,000.

Context: The two non-paying entities have stated that they are not subject to the fees and therefore, have not paid the amount due.

Status: The matter is still unresolved as of June 30, 2021. The City has given the matter to its attorney to strive and settle the matter.

2016.003 ADMINISTRATIVE FEE

Condition: The City is currently charging various funds an administrative fee and recording it as revenue in the General Fund. This includes charging the SPLOST V Fund an administrative fee of \$40,000 for city employees time and efforts in monitoring approved SPLOST projects. Although it is appropriate for such charges to be made, the City does not have a set formula for charging such fees.

Context: Administrative fees that are being charged to various funds of the City should have an approved formula by which such fees are calculated and charged to the funds.

Status: Management has not provided a formula for charging administrative fees.

2020.001 OVERSIGHT FOR OCCUPATIONAL TAX TRANSACTIONS

Condition: The City had no management oversight in the area of assessing and collecting occupational taxes.

Context: During the audit we found multiple licenses being issued without the ability to trace the cash collected to the bank deposit. We also found where licenses were paid for that had significantly lower fees than in prior years and no one inquired as to why the significant change occurred.

Status: Management has assigned responsibility over the issuance of occupational taxes to an employee with strong accounting controls experience. No incidences as noted above were found during the 2021 audit.

2020.002 RECONCILING AND TRACKING OF RECEIVABLES AND REVENUES

Condition: Water and sanitation revenues collected by the Henry County Water Authority and transmitted to the City are not being properly monitored and recorded by the City's accounting personnel.

Context: During the audit we found that approximately \$52,000 of water and sanitation fees due from the County had not been received by the City. Accounting personnel were unaware of the fees not being collected.

Status: Management has assigned responsibility over the collection of water and sanitation fees from the County to an employee with strong accounting controls experience. The employee has implemented a control ledger over the collection of such fees and monitors the ledger to insure all such fees due to the City has been collected.

2020.003 BUDGET VARIANCE

Condition: The City had two governmental funds that incurred expenditures that materially exceeded their respective appropriations.

Context: The Georgia Department of Audit's has determined that any excess of a department's expenditures over its appropriations is a violation of state law. It is also an indication that management is not properly monitoring its budget.

Status: The City monitored its budget for FY 2021 and properly amended the budget. No material overages were noted for the year ended June 30, 2021.