City of McDonough

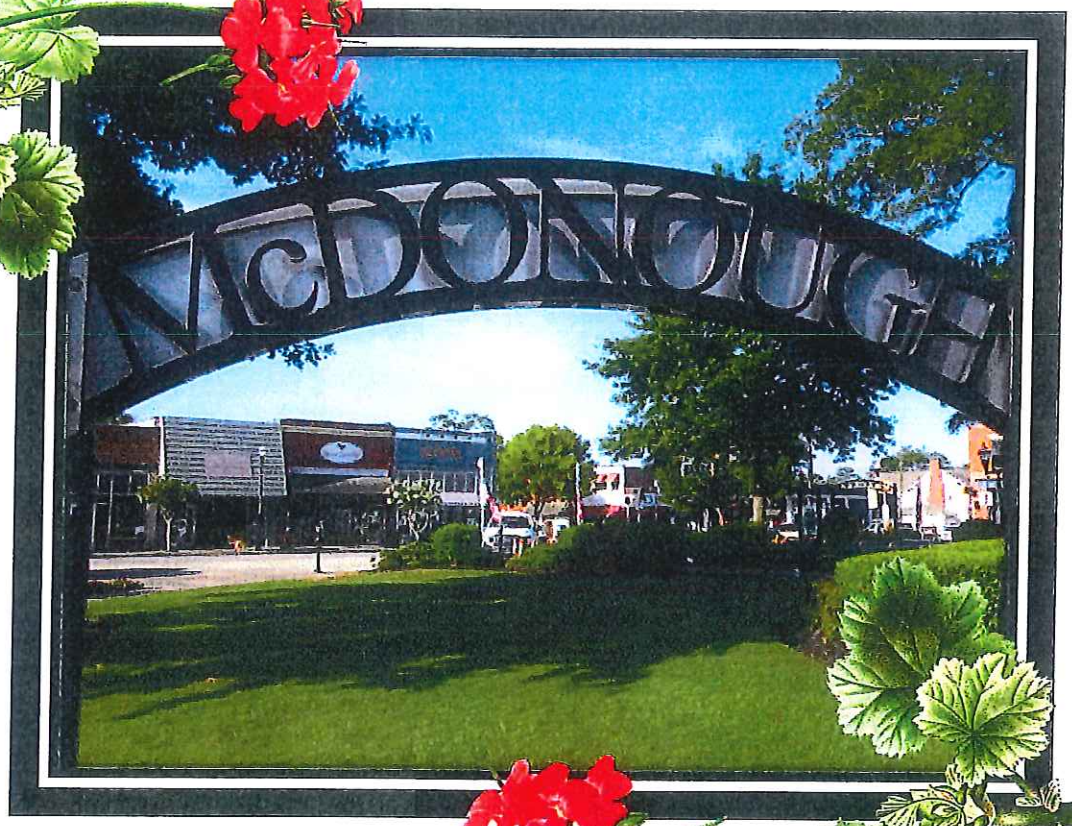
The Geranium City

McDonough, Georgia

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2022



CITY OF McDONOUGH, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McDonough, Georgia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of McDonough, Georgia's basic financial statements as listed in the table of contents.

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 unit, each major fund, and the aggregate remaining fund information of the City of McDonough, Georgia, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, ARPA Fund and the Hotel / Motel Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of McDonough, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of McDonough, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of McDonough, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of McDonough, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Changes in the Pension Liability and Related Ratios information on pages 4-13 and 60-62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires, 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.

Supplementary 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 accompanying combining and individual fund financial statements and budgetary schedules, schedules of projects financed with special purpose option sales tax proceeds and schedules of development impact fees are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 combing and individual fund financial statements and the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated June 29, 2023, on our consideration of the City of McDonough, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of McDonough, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of McDonough, Georgia's internal control over financial reporting and compliance.

James L. Whitaker, P.C.

Snellville, Georgia
June 29, 2023

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, 2022. 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, 2022 by $101,437,590. Of this amount, unrestricted net position of $25,085,241 may be used to meet the government's ongoing obligations to citizens and creditors.

- The total net position increased by $18,926,561. Of this amount an increase of $16,882,405 was associated with governmental activities and an increase of $2,044,156 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 $34,347,663, an increase of $13,169,117 in comparison with the prior year. Of this amount $13,468,540 is unassigned and available for spending, $15,715,111 is either in a nonspendable form or restricted for capital projects and other specific future uses, $1,563,619 is in a stabilization reserve and $3,600,393 is assigned to the F/Y 2023 budget.

- At the end of the current year, unassigned fund balance for the general fund was $13,468,540 or 81.3 percent of total General Fund expenditures.

- The City of McDonough's total long-term debt (including accrued compensated absences) decreased by $571,074 to a total of $6,929,465. The City made principal payments on its capital leases, revenue bonds and GEFA notes of $556,801 and no additional financing was incurred during 2022. In addition to the City's long-term debt obligations that existed at June 30, 2022, the City also had other long-term obligations including a net pension obligation of $4,587,322. The City discontinued its OPEB Plan during f/y 2022 which resulted in a gain of $1,417,737.

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, two special revenue funds 1) the ARPA Fund and 2) the Hotel / Motel Tax Fund; two SPLOST Funds 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, ARPA and Hotel / Motel Tax Funds to demonstrate compliance with the FY 2022 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 for FY 2022 which is 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, 2022, the City's assets and deferred outflows exceeded liabilities and deferred inflows by $101,437,590. The City's net position reflects its investment in capital assets (60.1 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, $15,402,551 (15.2 percent) is restricted for capital projects and other specified activities and $25,085,241 (24.7 percent) is unrestricted.

City of McDonough's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 40,519,363	$ 22,007,252	$ 12,051,470	$ 9,966,011	$ 52,570,833	$ 31,973,263
Capital assets	45,753,879	43,680,375	21,823,796	22,583,515	67,577,675	66,263,890
Deferred outflows	1,566,574	1,937,604	391,643	484,401	1,958,217	2,422,005
Total assets and deferred outflows	87,839,816	67,625,231	34,266,909	33,033,927	122,106,725	100,659,158
Current liabilities	6,002,785	711,293	1,534,193	1,548,966	7,536,978	2,260,259
Long-term liabilities	7,471,870	10,398,447	3,705,550	4,722,895	11,177,420	15,121,342
Deferred inflows	1,580,488	613,223	374,249	153,305	1,954,737	766,528
Total liabilities and deferred inflows	15,055,143	11,722,963	5,613,992	6,425,166	20,669,135	18,148,129
Net position:						
Net invetsment in capital assets	42,253,445	39,975,099	18,696,353	19,095,687	60,949,798	59,070,786
Restricted	15,049,653	6,357,342	352,898	352,898	15,402,551	6,710,240
Unrestricted	15,481,575	9,569,827	9,603,666	7,160,176	25,085,241	16,730,003
Total net position	$ 72,784,673	$ 55,902,268	$ 28,652,917	$ 26,608,761	$ 101,437,590	$ 82,511,029

A portion of the net position (15.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($25,085,241) may be used to meet the government's ongoing obligations to citizens and creditors.

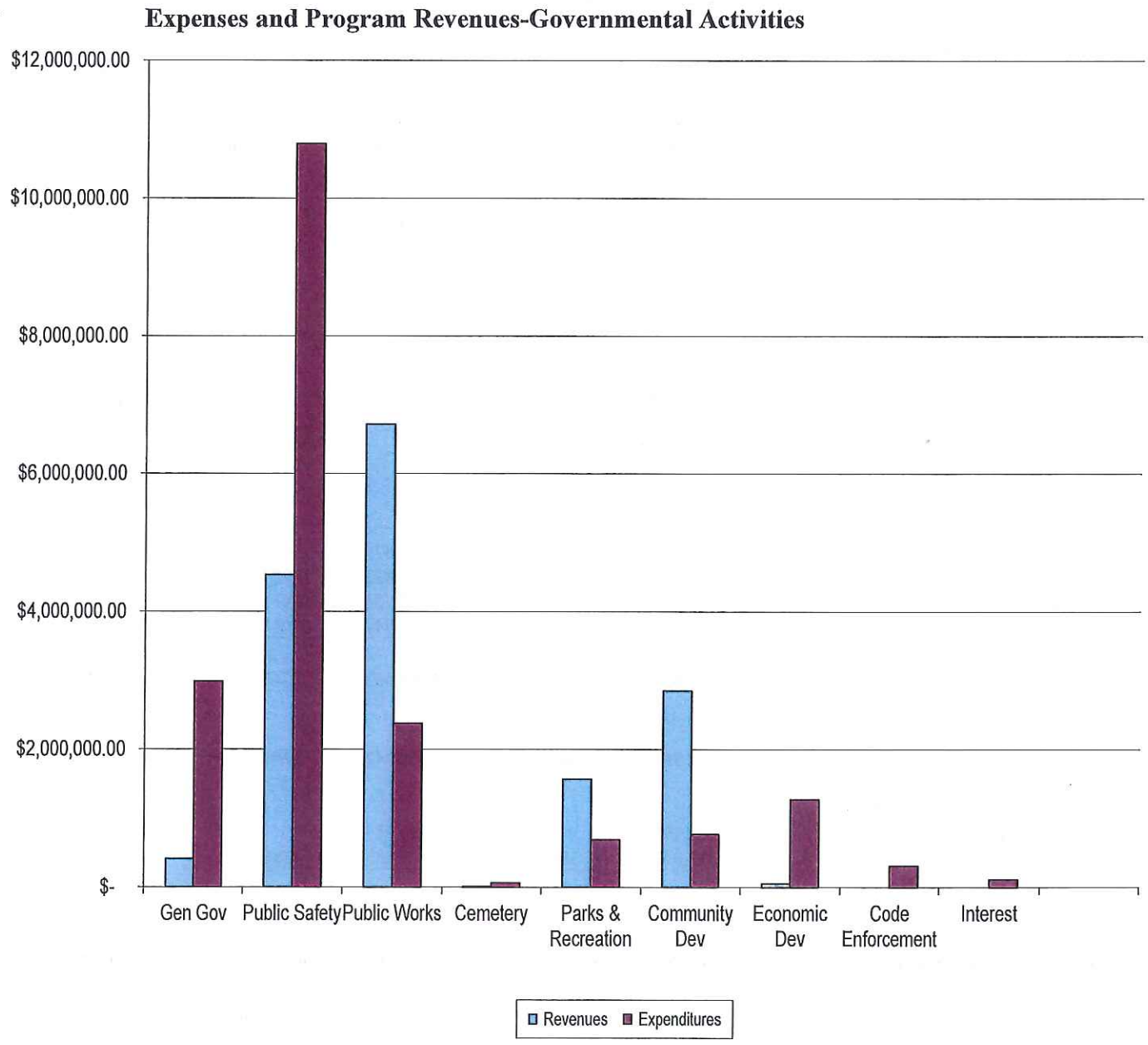
Governmental activities. Governmental activities increased the City of McDonough's net position by $16,882,405, thereby accounting for 89.2% of the total increase in the net position of the City of McDonough. Key elements of this increase are as follows:

City of McDonough's Change in Net Position
For The Years Ended June 30, 2022 and 2021

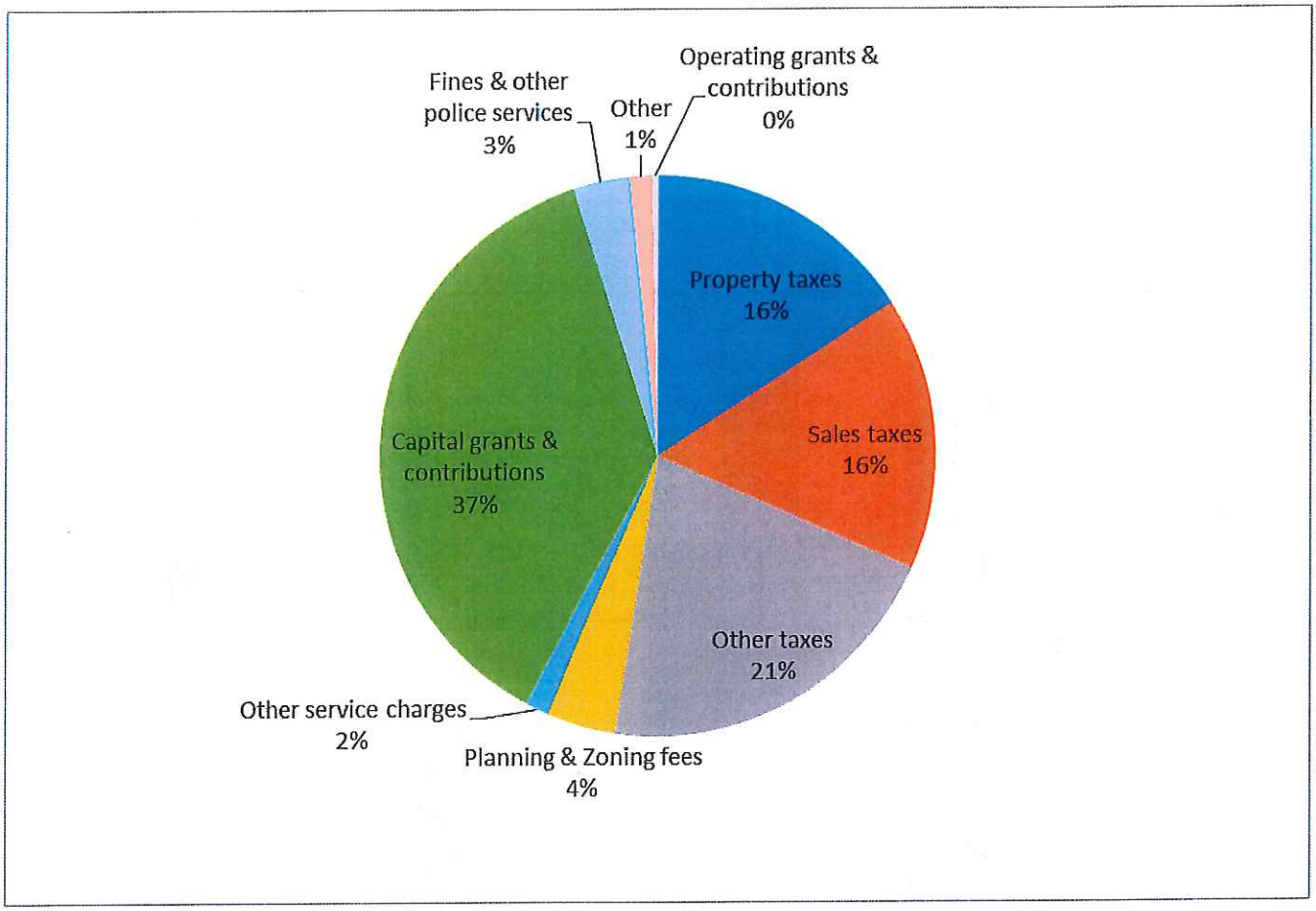
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues						
Charges for services	$ 3,005,104	$ 2,578,228	$ 10,263,801	$ 9,725,971	$ 13,268,905	$ 12,304,199
Operating grants and contributions	129,111	1,430,014	-	-	129,111	1,430,014
Capital grants and contributions	13,015,515	1,694,732	969,317	1,254,762	13,984,832	2,949,494
General Revenues						
Property taxes	5,541,491	5,289,905	-	-	5,541,491	5,289,905
Sales taxes	5,495,212	5,143,984	-	-	5,495,212	5,143,984
Other taxes	7,280,661	6,248,454	-	-	7,280,661	6,248,454
Interest	41,266	6,807	9,787	8,386	51,053	15,193
Other	419,378	42,998	-	-	419,378	42,998
	34,927,738	22,435,122	11,242,905	10,989,119	46,170,643	33,424,241
Expenses:						
General government	2,987,211	3,294,220	-	-	2,987,211	3,294,220
Public safety and courts	10,790,294	10,478,236	-	-	10,790,294	10,478,236
Public Works	2,376,832	2,247,532	-	-	2,376,832	2,247,532
Cemetery	63,587	31,749	-	-	63,587	31,749
Parks and recreation	691,831	753,884	-	-	691,831	753,884
Community Development	767,928	636,618	-	-	767,928	636,618
Economic development	1,276,428	995,582	-	-	1,276,428	995,582
Code enforcement	310,391	214,041	-	-	310,391	214,041
Interest on long-term debt	110,854	115,579	-	-	110,854	115,579
Water	-	-	3,152,879	3,019,021	3,152,879	3,019,021
Sewer	-	-	1,818,883	1,784,340	1,818,883	1,784,340
Solid waste	-	-	3,332,754	2,931,439	3,332,754	2,931,439
Stormwater	-	-	981,947	1,011,891	981,947	1,011,891
	19,375,356	18,767,441	9,286,463	8,746,691	28,661,819	27,514,132
Increase (decrease) in net assets before transfers and special items	15,552,382	3,667,681	1,956,442	2,242,428	17,508,824	5,910,109
Special item-Gain on discontinuance of OPEB Plan	1,134,190	-	283,547	-	1,417,737	-
Transfers	195,833	388,102	(195,833)	(388,102)	-	-
Increase (decrease) in net position	16,882,405	4,055,783	2,044,156	1,854,326	18,926,561	5,910,109
Net position - beginning of year	55,902,268	51,846,485	26,608,761	24,754,435	82,511,029	76,600,920
Net position - end of year	$ 72,784,673	$ 55,902,268	$ 28,652,917	$ 26,608,761	$ 101,437,590	$ 82,511,029

- Overall, governmental activities revenues increased $12,492,616 or 55.7% over 2021. The increase was due in large part from SPLOST monies received by the City in the amount of $11,038,548, an increase of $10,209,842 over fy 2021 due to requirements under the SPLOST intergovernmental agreement. Other revenue sources that increased significantly included local option sales taxes $351,228 or 6.8%; property taxes, including motor vehicle taxes $251,586 or 4.8%; and community development fees, including impact fees $917,787 or 150.2%. Even though the City received $4,998,072 in ARPA monies during f/y 2022, none of it was recognized as revenue since the City had not spent any of it as of year end., During f/y 2022 the City also discontinued its OPEB Plan which resulted in a gain of $1,134,190 for governmental activities.

- Governmental activities expenses for 2022 increased by $607,915 3.2% over 2021. Overall, departmental expenses remained consistent with the prior year. However, the increase in expenses was mainly due to the increase in hotel / motel tax collections which resulted in an additional expense of $271,459 to the McDonough Hospitality and Tourism Board which uses the funds to promote the City of McDonough.



Revenue by Source-Governmental Activities

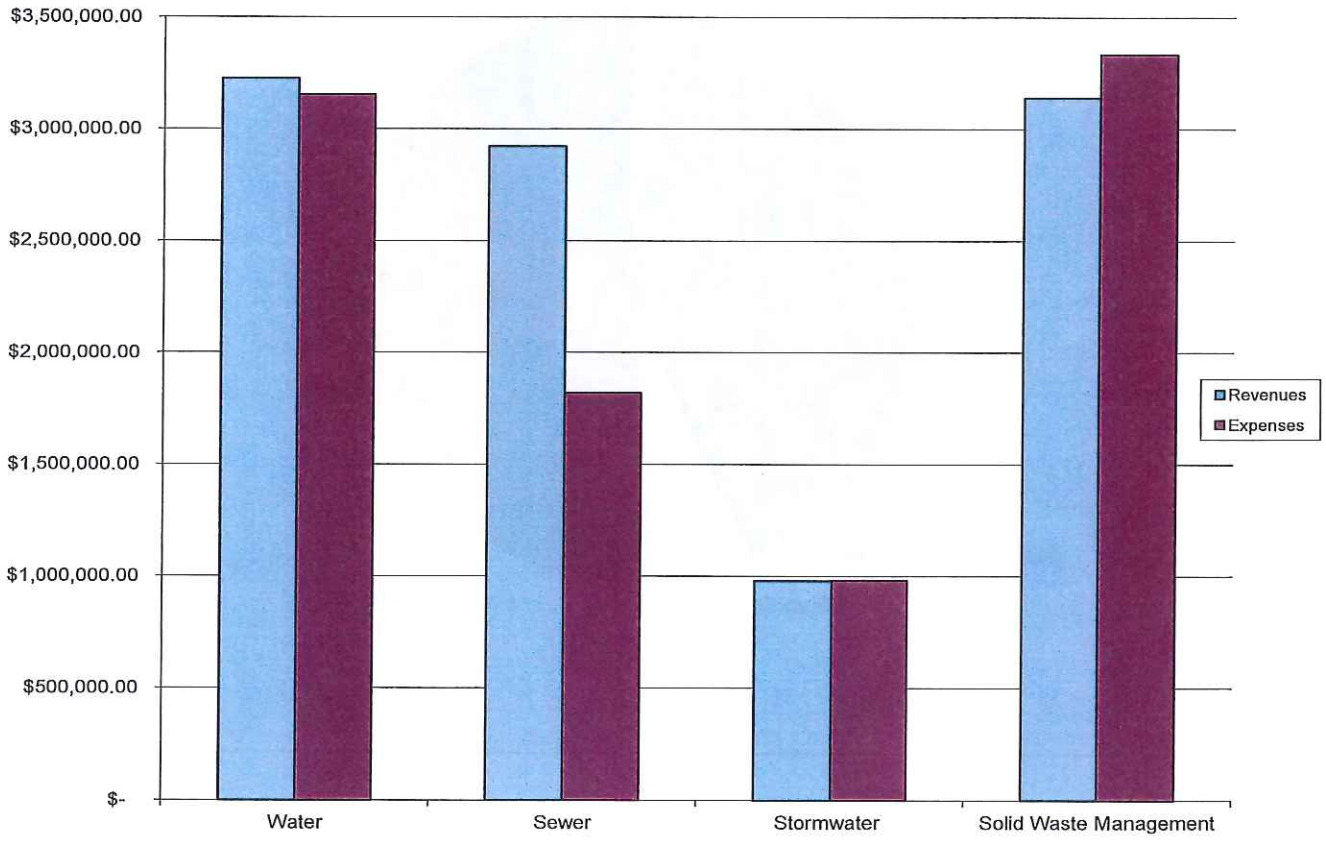


Business-type activities. Business-type activities increased the City's net position by $2,044,156 of which an increase of $1,917,314 was from Water and Sewer activities, a increase of $27,693 was from storm water activities and a increase of $99,149 was from Solid Waste Management Activities.

The City uses an outside contractor to perform most of its solid waste services. The Sanitation Fund did have a operating loss of $194,195 but was subsidized by the General Fund in the amount of $279,167.

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, 2022, the City's governmental funds reported combined ending fund balances of $34,347,663 an increase of $13,169,117 in comparison to the prior year. Of this amount, $13,468,540 (39.2 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 ($14,793,302); 2) for Police Activities ($53,514); 3) cemetery corpus and upkeep of $202,074; 4) nonspendable amounts for prepaid items which are not available for current government's spending discretion ($665,458); 5) ARPA projects of $763; 6) committed as a stabilization reserve of $1,563,619 and 6) assigned to the F/Y 2023 budget of $3,600,393.

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 $13,468,540 while the total fund balance totaled $19,298,010. 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 81.3 percent of the total general fund expenditures, while total fund balance represents 116.5 percent of that same amount.

Amounts received in ARPA proceeds are not recognized as revenues until they are spent, which is when they are considered earned. As previously stated, the City received $4,998,072 during f/y 2022 but did not spend any as of year end. The City also received the second and last installment under the grant during July 2022 in the amount of $4,998,072.

The City received $2,274,514 in hotel / motel tax revenues during f/y 2022 and disbursed $994,792 to the McDonough Hospitality and Tourism Board and $426,574 to the City's General Fund for project development.

The City of McDonough received $11,038,548 in Special Purpose Local Option Sales Taxes in 2022 compared to $828,706 in 2021. As mentioned earlier, the increase 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 2022 for street improvements and related costs in the amount of $722,336; $2,317,802 for two new fire trucks and public safety vehicles and park and recreation improvements of $696,743.

The City also received Development Impact Fees during the year totaling $1,528,635 compared to $610,848 in 2021. 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 2022 for park improvements of $7,200 and public safety improvements and equipment of $179,457.

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 $9,603,666 of which the Water and Sewer Fund had $7,091,201, the Solid Waste Management Fund had $(35,590), and the Storm Water Fund had $2,548,055. 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 $19,492,090 was amended to $21,452,996, a difference of $1,960,906. However, the actual expenditures for the General Fund amounted to $17,300,726 resulting in a positive budget variance of $4,152,270.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2022 amounts to $67,577,685 (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:

- $654,972 for improvements to Jonesboro Road Park.
- $118,399 for public safety storage building remodel.
- $833,521 for various vehicles and trucks..
- $1,774,000 for deposits on two new fire trucks.
- $72,323 for various computer system and building access 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 $6,929,465 in outstanding debt consisting of the following:

City of McDonough's Outstanding Debt

	Balance
Governmental Activities -	
Accrued compensated absences	$ 301,576
Bonds payable, net	3,500,436
Unearned rental income (Obligation)	-
Business-Type Activities -	
Revenue Bonds	1,012,000
GEFA notes payable	2,115,453
Total	$ 6,929,465

The City's total debt (including compensated absences) decreased by $556,801. 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, 2022 which consisted of a net pension liability of $4,587,322 and a net OPEB liability of $-0-. 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 2022 and will begin FY 2023 in a strong position.
- Collections of Local Option Sales Taxes and Property Taxes should remain strong during FY 2023.
- Expenditures under both SPLOST V and T-SPLOST are expected to increase during FY 2023.
- The 2022 Tax Digest increased by approximately 22.86% and the City voted to rollback its millage tax rate to 3.033 for FY 2023.
- The City will begin using the American Rescue Plan Act Funds of $9,996,144 in FY 2023 in accordance with 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) 957-3915 or at the following address:

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

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets and Deferred Outflows				
Assets				
Cash and cash equivalents	$ 783,472	$ 3,901,039	$ 4,684,511	$ 19,831
Investments	17,152,959	6,056,970	23,209,929	-
Receivables, net				
Taxes	1,104,093	-	1,104,093	-
Fines	114,161	-	114,161	-
Accounts	-	1,664,574	1,664,574	-
Intergovernmental	818,570	-	818,570	-
Other	84,350	-	84,350	97,500
Internal balances	-	-	-	-
Prepaid items	665,458	75,979	741,437	-
Restricted assets				
Cash	19,323,875	352,898	19,676,773	-
Investments	472,425	-	472,425	-
Non-depreciable capital assets	12,931,882	5,693,811	18,625,693	-
Depreciable capital assets, net	32,821,997	16,129,995	48,951,992	-
Total Assets	86,273,242	33,875,266	120,148,508	117,331
Deferred Outflows				
Deferred pension outflows	1,566,574	391,643	1,958,217	-
Total Assets and Deferred Outflows	87,839,816	34,266,909	122,106,725	117,331

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
LIABILITES AND DEFERRED INFLOWS				
Liabilities				
Accounts payable	$ 641,185	$ 568,807	$ 1,209,992	$ 8,925
Accrued liabilities				
Salaries	269,142	-	269,142	-
Compensated absences	-	56,707	56,707	-
Customer deposits	-	558,495	558,495	-
Other	82,219	-	82,219	-
Unearned revenues	5,010,239	-	5,010,239	-
Liabilities payable from restricted assets				
Revenue bonds	-	196,000	196,000	-
Notes payable	-	143,367	143,367	-
Accrued interest	-	10,817	10,817	-
Long-term obligations				
Debt due within one year	215,000	-	215,000	-
Debt due in more than one year	3,587,012	2,788,086	6,375,098	-
Net pension liability	3,669,858	917,464	4,587,322	-
Net Opeb liability	-	-	-	-
Total Liabilities	13,474,655	5,239,743	18,714,398	8,925
Deferred Inflows				
Deferred lease inflows	83,491	-	83,491	-
Deferred pension inflows	1,496,997	374,249	1,871,246	-
Total Liabilities and Deferred Inflows	15,055,143	5,613,992	20,669,135	8,925
NET POSITION				
Net investment in capital assets	42,253,445	18,696,353	60,949,798	-
Restricted for				
Perpetual care				
Expendable	26,474	-	26,474	-
Nonexpendable	175,600	-	175,600	-
Police activities	53,514	-	53,514	-
ARPA projects	763	-	763	-
Capital projects	14,793,302	-	14,793,302	-
Promotional activities	-	-	-	-
Debt covenants	-	352,898	352,898	-
Unrestricted	15,481,575	9,603,666	25,085,241	108,406
Total Net Position	$ 72,784,673	$ 28,652,917	$ 101,437,590	$ 108,406

See accompanying notes to the basic financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General Government	$ 2,987,211	$ 340,244	$ 27,920	$ 44,542
Public Safety and Courts	10,790,294	1,127,168	101,191	3,305,432
Public Works	2,376,832	84,998	-	6,630,099
Cemetery	63,587	11,350	-	-
Parks and Recreation	691,831	-	-	1,571,998
Community Development	767,928	1,390,560	-	1,463,444
Economic Development	1,276,428	50,784	-	-
Code Enforcement	310,391	-	-	-
Interest	110,854	-	-	-
Bond issuance costs and fees	-	-	-	-
Total Governmental Activities	19,375,356	3,005,104	129,111	13,015,515
Business-Type Activities				
Water	3,152,879	3,225,307	-	506,957
Sewer	1,818,883	2,920,984	-	462,360
Cemetery Enterprise	-	-	-	-
Solid Waste Management	3,332,754	3,138,559	-	-
Storm Water Management	981,947	978,951	-	-
Total Business-Type Activities	9,286,463	10,263,801	-	969,317
Total Government	28,661,819	13,268,905	129,111	13,984,832
Component Unit:				
Downtown Development Authority	$ 325	$ -	$ -	$ -
General Revenues				
Taxes				
Property				
Franchise				
Local option sales				
Occupational				
Insurance premium				
Alcohol beverage				
Hotel/motel				
Other				
Investment earnings				
Other				
Transfers				
Total General Revenues and Transfers				
Special Item -				
Gain on discontinuance of OPEB plan				
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
$ (2,574,505)	$ -	$ (2,574,505)	$ -
(6,256,503)	-	(6,256,503)	-
4,338,265	-	4,338,265	-
(52,237)	-	(52,237)	-
880,167	-	880,167	-
2,086,076	-	2,086,076	-
(1,225,644)	-	(1,225,644)	-
(310,391)	-	(310,391)	-
(110,854)	-	(110,854)	-
-	-	-	-
(3,225,626)	-	(3,225,626)	-
-	579,385	579,385	-
-	1,564,461	1,564,461	-
-	-	-	-
-	(194,195)	(194,195)	-
-	(2,996)	(2,996)	-
-	1,946,655	1,946,655	-
(3,225,626)	1,946,655	(1,278,971)	-
-	-	-	(325)
5,541,491	-	5,541,491	-
1,501,549	-	1,501,549	-
5,495,212	-	5,495,212	-
852,252	-	852,252	-
1,808,113	-	1,808,113	-
600,189	-	600,189	-
2,274,514	-	2,274,514	-
244,044	-	244,044	-
41,266	9,787	51,053	2
419,378	-	419,378	-
195,833	(195,833)	-	-
18,973,841	(186,046)	18,787,795	2
1,134,190	283,547	1,417,737	-
16,882,405	2,044,156	18,926,561	(323)
55,902,268	26,608,761	82,511,029	108,729
$ 72,784,673	$ 28,652,917	$ 101,437,590	$ 108,406

CITY OF McDONOUGH, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	GENERAL	ARPA	HOTEL / MOTEL TAX
ASSETS			
Cash and cash equivalents	$ 783,472	$ 4,998,835	$ -
Investments	17,152,959	-	-
Receivables			
Taxes	673,370	-	430,723
Intergovernmental	8,925	-	-
Fines	114,161	-	-
Other	84,350	-	-
Due from other funds	661,259	-	-
Prepaid items	665,458	-	-
Total Assets	$ 20,143,954	$ 4,998,835	$ 430,723
LIABILITIES			
Accounts payable	$ 323,105	$ -	$ 188,988
Accrued expenditures			
Payroll	269,142	-	-
Court Bonds	14,529	-	-
Other	67,690	-	-
Unearned revenues	2,563	4,998,072	-
Due to other funds	-	-	241,735
Total Liabilities	677,029	4,998,072	430,723
DEFERRED INFLOWS			
Lease revenues	83,491	-	-
Unavailable revenues	85,424	-	-
Total Deferred Inflows	168,915	-	-
FUND BALANCE			
Nonspendable -			
Prepaid items	665,458	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	-	-
Cemetery	-	-	-
ARPA projects	-	763	-
Police activities	-	-	-
Economic development	-	-	-
Committed -			
Stabilization reserve	1,563,619	-	-
Assigned -			
Appropriated for next year's budget	3,600,393	-	-
Unassigned	13,468,540	-	-
Total Fund Balance	19,298,010	763	-
Total Liabilities, Deferred Inflows and Fund Balance	$ 20,143,954	$ 4,998,835	$ 430,723

See accompanying notes to the financial statements.

SPLOST IV	SPLOST V	DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 3,407,674	$ 8,288,282	$ 2,496,943	$ 132,141	$ 20,107,347
-	-	272,200	200,225	17,625,384
-	-	-	-	1,104,093
-	809,645	-	-	818,570
-	-	-	-	114,161
-	-	-	-	84,350
-	-	-	-	661,259
-	-	-	-	665,458
$ 3,407,674	$ 9,097,927	$ 2,769,143	$ 332,366	$ 41,180,622
$ -	$ 9,975	$ 118,399	$ 718	$ 641,185
-	-	-	-	269,142
-	-	-	-	14,529
-	-	-	-	67,690
-	-	-	9,604	5,010,239
-	344,000	9,068	66,456	661,259
-	353,975	127,467	76,778	6,664,044
-	-	-	-	83,491
-	-	-	-	85,424
-	-	-	-	168,915
-	-	-	-	665,458
-	-	-	175,600	175,600
3,407,674	8,743,952	2,641,676	-	14,793,302
-	-	-	26,474	26,474
-	-	-	-	763
-	-	-	53,514	53,514
-	-	-	-	-
-	-	-	-	1,563,619
-	-	-	-	3,600,393
-	-	-	-	13,468,540
3,407,674	8,743,952	2,641,676	255,588	34,347,663
$ 3,407,674	$ 9,097,927	$ 2,769,143	$ 332,366	$ 41,180,622

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances -- total governmental funds	$ 34,347,663
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	45,753,879
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	85,424
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:	
Deferred outflows	1,566,574
Deferred inflows	(1,496,997)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term portion of compensated absences	(301,576)
Bonds payable	(3,370,000)
Unamortized bond premium	(130,436)
Net pension liability	(3,669,858)
Net OPEB liability	-
Net position of governmental activities.	$ 72,784,673

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, 2022

	GENERAL	ARPA	HOTEL / MOTEL TAX
REVENUES			
Taxes	$ 16,055,896	$ -	$ 2,274,514
Licenses and permits			
Business license	275,656	-	-
Building permits and fees	1,208,998	-	-
Intergovernmental	643,043	-	-
Charges for services	199,618	-	-
Fines and forfeitures	1,129,216	-	-
Interest	40,107	763	-
Miscellaneous	192,386	-	-
Total Revenues	19,744,920	763	2,274,514
EXPENDITURES			
Current			
Governing Body	254,249	-	-
General Administration	2,717,688	-	-
Municipal Court	857,392	-	-
Probation	243,444	-	-
Public Safety	9,117,394	-	-
Highways & Streets	1,693,581	-	-
Cemetery	59,044	-	-
Parks and Recreation	347,512	-	-
Community Development	643,077	-	-
Economic Development	304,088	-	994,792
Code Enforcement	329,857	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total Expenditures	16,567,326	-	994,792

See accompanying notes to the financial statements.

SPLOST IV	SPLOST V	DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ -	$ -	$ -	$ 18,330,410
-	-	-	-	275,656
-	-	-	-	1,208,998
264,095	11,038,548	-	-	11,945,686
-	-	1,528,635	-	1,728,253
-	-	-	16,894	1,146,110
-	-	537	395	41,802
-	-	-	-	192,386
264,095	11,038,548	1,529,172	17,289	34,869,301
-	-	13,120	-	267,369
40,000	40,000	-	-	2,797,688
-	-	-	-	857,392
-	-	-	-	243,444
-	-	-	1,850	9,119,244
-	-	-	-	1,693,581
-	-	-	-	59,044
-	-	-	-	347,512
-	-	-	-	643,077
-	-	-	-	1,298,880
-	-	-	-	329,857
-	-	-	160,000	160,000
-	-	-	119,269	119,269
1,256,184	2,505,704	179,457	121,291	4,062,636
1,296,184	2,545,704	192,577	402,410	21,998,993

Continued

CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2022

	GENERAL	ARPA	HOTEL / MOTEL TAX
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	$ 3,177,594	$ 763	$ 1,279,722
Other Financing Sources (Uses)			
Proceeds from debt issue	-	-	-
Proceeds from disposition of capital asset	102,976	-	-
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers	1,196,286	-	(1,279,722)
Total Other Financing Sources (Uses)	1,299,262	-	(1,279,722)
Net Change in Fund Balance	4,476,856	763	-
Fund Balance - Beginning of Year	14,821,154	-	-
Fund Balance - End of Year	$ 19,298,010	$ 763	$ -

See accompanying notes to the financial statements.

SPLOST IV	SPLOST V	DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
$ (1,032,089)	$ 8,492,844	$ 1,336,595	$ (385,121)	$ 12,870,308
-	-	-	-	-
-	-	-	-	102,976
-	-	-	-	-
-	-	-	-	-
-	-	-	279,269	195,833
-	-	-	279,269	298,809
(1,032,089)	8,492,844	1,336,595	(105,852)	13,169,117
4,439,763	251,108	1,305,081	361,440	21,178,546
$ 3,407,674	$ 8,743,952	$ 2,641,676	$ 255,588	$ 34,347,663

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, 2022

Net change in fund balances -- total governmental funds	$ 13,169,117
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	3,814,773
Depreciation	(1,692,292)
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	(48,977)
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.	(31,989)
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	160,000
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	1,134,190
Change in net pension liability and related deferred items	326,885
Change in unearned rental income (obligation)	36,426
Change in accrued interest	-
Amortization of bond premium	8,415
Change in long-term portion of accrued compensated absences	5,857
Change in net position of governmental activities.	$ 16,882,405

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, 2022

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	$ 14,555,100	$ 15,094,100	$ 16,055,896	$ 961,796
Licenses and permits				
Business license	228,500	228,500	275,656	47,156
Building permits and fees	831,500	1,246,500	1,208,998	(37,502)
Intergovernmental	259,000	566,656	643,043	76,387
Charges for services	73,000	73,000	199,618	126,618
Fines and forfeitures	1,200,000	1,200,000	1,129,216	(70,784)
Interest	8,500	8,500	40,107	31,607
Administration fees *	733,400	733,400	733,400	-
Miscellaneous	171,250	171,250	192,386	21,136
Total Revenues	18,060,250	19,321,906	20,478,320	1,156,414
EXPENDITURES				
Current				
Governing Body	350,326	351,026	254,249	96,777
General Government -				
City Administrator	717,954	721,454	381,086	340,368
City Clerk	1,295,073	1,295,073	1,183,174	111,899
Finance	504,445	640,745	606,812	33,933
Legal	137,200	192,200	100,196	92,004
IT	1,052,466	1,052,966	957,021	95,945
Human Resources	199,842	202,092	171,448	30,644
Facilities and Asset Mgmt	-	680,000	51,351	628,649
Municipal Court	993,265	1,028,040	857,392	170,648
Probation	282,753	282,753	243,444	39,309
Public Safety -				
Police	6,004,115	6,563,715	5,435,353	1,128,362
Fire	4,091,574	4,159,074	3,682,041	477,033
Highways & Streets	1,652,264	1,988,845	1,693,581	295,264
Cemetery	66,360	81,360	59,044	22,316
Parks and Recreation	472,760	537,360	347,512	189,848
Community Development				
Planning and Zoning	516,441	516,441	324,881	191,560
Building Inspection	408,193	408,493	318,196	90,297
Economic Development				
Main Street	389,306	391,606	304,088	87,518
Business Development	18,000	18,000	-	18,000
Code Enforcement	339,753	341,753	329,857	11,896
Debt Service**	-	-	-	-
Capital outlay **	-	-	-	-
Total Expenditures	19,492,090	21,452,996	17,300,726	4,152,270

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, 2022

	Budget Amounts			
	Original	Final	Actual	Variance
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	$ (1,431,840)	$ (2,131,090)	$ 3,177,594	$ 5,308,684
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from disposition of assets	5,000	95,000	102,976	7,976
Transfers	1,038,087	1,512,837	1,196,286	(316,551)
Total Other Financing Sources (Uses)	1,043,087	1,607,837	1,299,262	(308,575)
Net Change in Fund Balance	(388,753)	(523,253)	4,476,856	5,000,109
Fund Balance - Beginning of Year	14,821,154	14,821,154	14,821,154	-
Fund Balance - End of Year	$ 14,432,401	$ 14,297,901	$ 19,298,010	$ 5,000,109

* 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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
ARPA SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental - ARPA	$ -	$ -	$ -	$ -
Interest	-	-	763	763
Total Revenue	-	-	763	763
EXPENDITURES				
Current				
Purchased / contracted services	-	-	-	-
Supplies	-	-	-	-
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess Revenues Over (Under) Expenditures	-	-	763	763
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	763	763
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 763	$ 763

Note - No expennditures were anticipated for this fund for 2022.

See accompanying notes to the financial statements.

CITY OF McDONOUGH, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
HOTEL / MOTEL TAX FUND
FOR THE YEAR ENDED JUNE 30, 2022

	2022			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	$ 2,000,000	$ 2,274,514	$ 2,274,514	$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenue	2,000,000	2,274,514	2,274,514	-
EXPENDITURES				
Current				
Contracted Services	-	-	-	-
Tourism and Hospitality	900,000	994,792	994,792	-
Capital				
Tourism Product	-	-	-	-
Total Expenditures	900,000	994,792	994,792	-
Excess Revenues Over (Under) Expenditures	1,100,000	1,279,722	1,279,722	-
Other Financing Sources (Uses)				
Transfers	(1,000,000)	(1,279,722)	(1,279,722)	-
Total Other Financing Sources (Uses)	(1,000,000)	(1,279,722)	(1,279,722)	-
Net Change in Fund Balance	100,000	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ 100,000	$ -	$ -	$ -

See accompanying notes to the financial statements.

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS	Water and Sewer	Solid Waste Management	Storm Water Management
Current Assets			
Cash	$ 2,765,021	$ -	$ 1,136,018
Investments	5,115,175	-	941,795
Receivables			
Accounts (net)	828,758	266,550	569,266
Other	-	-	-
Due from other funds	-	-	-
Due from other government	-	-	-
Prepaid expenses	61,290	5,883	8,806
Restricted Assets			
Cash	352,898	-	-
Total Current Assets	9,123,142	272,433	2,655,885
Noncurrent Assets			
Capital assets			
Land	4,397,398	-	222,162
Buildings	953,543	-	166,141
Improvements other than buildings	27,042,622	-	2,934,170
Machinery and equipment	2,367,072	135,010	711,843
Autos and trucks	776,593	155,574	747,430
Construction in progress	248,217	-	-
Accumulated depreciation	(18,122,514)	(214,068)	(1,560,440)
Capital assets (net of depreciation)	17,662,931	76,516	3,221,306
Total Assets	26,786,073	348,949	5,877,191
Deferred Outflows			
Deferred pension outflows	332,897	19,582	39,164
Total Assets and Deferred Outflows	27,118,970	368,531	5,916,355

See accompanying notes to the basic financial statements.

Continued

Cemetery Enterprise	Total
$ -	$ 3,901,039
-	6,056,970
-	1,664,574
-	-
-	-
-	-
-	75,979
-	352,898
-	12,051,460
826,034	5,445,594
-	1,119,684
37,019	30,013,811
-	3,213,925
-	1,679,597
-	248,217
-	(19,897,022)
863,053	21,823,806
863,053	33,875,266
-	391,643
863,053	34,266,909

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Water and Sewer	Solid Waste Management	Storm Water Management
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities			
Accounts payable			
Trade	$ 297,602	$ 258,494	$ 12,711
Construction	-	-	-
Accrued liabilities			
Deposits	558,495	-	-
Accrued compensated absences	47,069	4,526	5,112
Accrued salaries	-	-	-
Due to other funds	-	-	-
Current liabilities payable from restricted assets			
Revenue bonds	196,000	-	-
Notes payable	143,367	-	-
Accrued interest	10,817	-	-
Total Current Liabilities	1,253,350	263,020	17,823
Noncurrent Liabilities			
Revenue bonds	816,000	-	-
Notes payable	1,972,086	-	-
Net pension liability	779,845	45,873	91,746
Net OPEB liability	-	-	-
Total Noncurrent Liabilities	3,567,931	45,873	91,746
Total Liabilities	4,821,281	308,893	109,569
Deferred Inflows			
Deferred pension inflows	318,112	18,712	37,425
Total Liabilities and Deferred Inflows	5,139,393	327,605	146,994
NET POSITION			
Net investment in capital assets	14,535,478	76,516	3,221,306
Restricted under debt ordinance	352,898	-	-
Unrestricted	7,091,201	(35,590)	2,548,055
Total Net Position	$ 21,979,577	$ 40,926	$ 5,769,361

See accompanying notes to the basic financial statements.

Concluded

Cemetery Enterprise	Total
$ -	$ 568,807
-	-
-	558,495
-	56,707
-	-
-	-
-	196,000
-	143,367
-	10,817
-	1,534,193
-	816,000
-	1,972,086
-	917,464
-	-
-	3,705,550
-	5,239,743
-	374,249
-	5,613,992
863,053	18,696,353
-	352,898
-	9,603,666
$ 863,053	$ 28,652,917

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Water and Sewer	Solid Waste Management	Storm Water Management
OPERATING REVENUES			
Charges for services			
Water sales	$ 3,110,196	$ -	$ -
Sewer charges	2,830,827	-	-
Sanitation fees	-	3,033,504	-
Storm water fees	-	-	978,951
Connection fees			
Water	24,955	-	-
Sewer	-	-	-
Penalties and reconnect fees	177,803	-	-
Miscellaneous	2,510	-	-
Total Operating Revenues	6,146,291	3,033,504	978,951
OPERATING EXPENSES			
Purchased products / services	197,267	2,932,362	-
Personal services and benefits	1,744,407	133,229	271,115
Purchased / contracted services	488,844	29,359	263,187
Supplies	942,950	5,933	76,082
Cost allocations	532,548	107,482	122,496
Depreciation and amortization	855,022	19,334	229,067
Other	163,500	-	20,000
Total Operating Expenses	4,924,538	3,227,699	981,947
Operating Income (Loss)	1,221,753	(194,195)	(2,996)
NON-OPERATING INCOME (EXPENSE)			
Interest earned	7,453	-	2,334
Interest expense	(47,224)	-	-
Gain (Loss) on disposition of capital assets	-	-	-
Total Non-Operating Income (Expense)	(39,771)	-	2,334
Net Income before Transfers and Capital Contributions	1,181,982	(194,195)	(662)
Capital Contributions			
Water	506,957	-	-
Sewer	462,360	-	-
Gain on closure of OPEB plan	241,015	14,177	28,355
Transfers	(475,000)	279,167	-
Change in Net Position	1,917,314	99,149	27,693
Net Position - Beginning of Year	20,062,263	(58,223)	5,741,668
Net Position - End of Year	$ 21,979,577	$ 40,926	$ 5,769,361

See accompanying notes to the basic financial statements.

Cemetery Enterprise	Total
$ -	$ 3,110,196
-	2,830,827
-	3,033,504
-	978,951
-	24,955
-	-
-	177,803
-	2,510
-	10,158,746
-	3,129,629
-	2,148,751
-	781,390
-	1,024,965
-	762,526
-	1,103,423
-	183,500
-	9,134,184
-	1,024,562
-	9,787
-	(47,224)
-	-
-	(37,437)
-	987,125
-	506,957
-	462,360
-	283,547
-	(195,833)
-	2,044,156
863,053	26,608,761
$ 863,053	$ 28,652,917

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Water and Sewer	Solid Waste Management	Storm Water Management
Cash flows from operating activities:			
Cash received from customers and users	$ 6,073,936	$ 3,027,077	$ 944,761
Cash paid to suppliers for goods	(2,660,308)	(3,197,597)	(551,328)
Cash paid to employees	(1,193,144)	(84,538)	(179,354)
Net Cash Flows from Operating Activities	2,220,484	(255,058)	214,079
Cash flows from investing activities:			
Interest received	7,453	-	2,334
(Purchase) / redemption of investments	(1,346,642)	-	(1,858)
Net Cash Flows from Investing Activities	(1,339,189)	-	476
Cash flows from non-capital financing activities:			
Transfers	(475,000)	279,167	-
Change in due to/from other funds	-	-	-
Net Cash Flows from Non-Capital Financing Activities	(475,000)	279,167	-
Cash flows from capital financing activities:			
Purchases / construction of capital assets	(247,077)	-	(96,630)
Capital contributions	969,317	-	-
Principal payments on long-term debt	(360,375)	-	-
Change in net pension liability	(409,837)	(24,109)	(48,217)
Change in net OPEB liability	-	-	-
Proceeds from disposition of capital assets	-	-	-
Interest paid	(49,195)	-	-
Net Cash Flows from Capital Financing Activities	(97,167)	(24,109)	(144,847)
Net Change in Cash and Cash Equivalents	309,128	-	69,708
Cash and Cash Equivalents - Beginning	2,808,791	-	1,066,310
Cash and Cash Equivalents - Ending	$ 3,117,919	$ -	$ 1,136,018

See accompanying notes to the basic financial statements.

Cemetery Enterprise	Total
$ -	$ 10,045,774
-	(6,409,233)
-	(1,457,036)
-	2,179,505
-	9,787
-	(1,348,500)
-	(1,338,713)
-	(195,833)
-	-
-	(195,833)
-	(343,707)
-	969,317
-	(360,375)
-	(482,163)
-	-
-	-
-	(49,195)
-	(266,123)
-	378,836
-	3,875,101
$ -	$ 4,253,937

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Water and Sewer	Solid Waste Management	Storm Water Management
Operating Income (Loss)	$ 1,221,753	$ (194,195)	$ (2,996)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	855,022	19,334	229,067
(Increase) decrease in -			
Accounts receivable	(172,322)	(111,482)	(34,190)
Prepaid expense	(30,704)	(2,930)	(6,490)
Deferred outflows	63,242	3,720	7,440
Increase (decrease) in -			
Accounts payable	(95,441)	13,904	(12,766)
Deposits	99,967	-	-
Deferred inflows	277,132	16,301	32,604
Accrued liabilities	1,835	290	1,410
Total Adjustments	998,731	(60,863)	217,075
Net Cash Flows from Operating Activities	$ 2,220,484	$ (255,058)	$ 214,079

NON-CASH TRANSACTIONS

Capital contribution from SPLOST IV Fund	$ -	$ -	$ -

See accompanying notes to the basic financial statements.

Cemetery Enterprise	Total
$ -	$ 1,024,562
-	1,103,423
-	(317,994)
-	(40,124)
	74,402
-	(94,303)
-	99,967
	326,037
-	3,535
-	1,154,943
$ -	$ 2,179,505
$ -	$ -

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 30,000 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)

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.

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 it 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.
Hotel / Motel Tax Fund – The Hotel / Motel Tax Fund is used to account for the proceeds of the City's eight percent Hotel / Motel Tax Ordinance. The proceeds from the tax are to be used to finance promotional activities.
American Rescue Plan Act (ARPA) Special Revenue Fund – This fund is used to account for monies received and the related expenditures under the American Rescue Plan Act. Recipients may use award funds to cover eligible costs incurred during the period that begins March 3, 2021 and ends December 31, 2024.
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.

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

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

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

(See Independent Auditor's Report)

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)

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, 2022:

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)

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

I. Prepaid Expenses

Payments made to vendors for service that will benefit periods beyond June 30, 2022 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.

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).

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, 2022 which is deferred pension 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 lease revenue 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 three sources: property taxes, probation fines and lease revenues.

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 $15,402,551 of restricted net position, of which $14,847,580 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, 2022, 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.

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, 2022, fund balances are composed of the following:

	General	ARPA	Development Impact Fee	SPLOST Funds	Other Governmental Funds	Total
Nonspendable						
Prepaids	$ 665,458	$ -	$ -	-	$ -	$ 665,458
Cemetery Trust Corpus	-	-	-	-	175,600	175,600
Restricted -						
Capital projects	-	-	2,641,676	12,151,626	-	14,793,302
Cemetery	-	-	-	-	26,474	26,474
Economic development	-	-	-	-	-	-
ARPA projects	-	763	-	-	-	763
Police activities	-	-	-	-	53,514	53,514
Committed -						
Stabilization reserve	1,563,619	-	-	-	-	1,563,619
Assigned -						
Appropriated for 2022 budget	3,600,393	-	-	-	-	3,600,393
Unassigned	13,468,540	-	-	-	-	13,468,540
Total Fund Balances	$ 19,298,010	$ 763	$ 2,641,676	$ 12,151,626	$ 255,588	$ 34,347,663

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)

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 May 2023. 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, 2022, $24,280,807 of the government's bank balance of $ 25,820,469 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ -
Collateralized with securities held by the pledging financial institution or its agent or by collateral held by a third-party custodian bank as part of Georgia's Pooled Funds program	24,280,807
Total	$ 24,280,807

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, 2022:

Investment	Fair Value	Average Maturities	Rating	Organization
All Funds With Investments -				
Georgia Fund 1	$ 23,682,354	43 days	AAAf	S&P

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 19, 2021 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, 2022 amounted to $ 38,353.

4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables reported in the governmental fund financial statements for the year ended June 30, 2022 consist of the following:

	Receivable	Revenues
General Fund		
GMA Safety and Liability Grant	$ -	$ 16,687
Henry County - SDS Distribution	-	331,465
1st Responders Grant	-	101,191
Henry County - CDBG		183,700
Other	8,925	10,000
SPLOST Funds		
Henry County - SPLOST	809,645	11,038,548
GA. Department of Transportation	-	264,095
	$ 818,570	$ 11,945,686

5. RECEIVABLES

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

Governmental Funds	General	Hotel / Motel Tax	SPLOST	Total
Taxes	$ 673,370	$ 430,723	$ -	$ 1,104,093
Fines	228,323	-	-	228,323
Leases	84,350	-	-	84,350
Intergovernmental	8,925	-	809,645	818,570
Gross receivables	994,968	430,723	809,645	2,235,336
Less allowance for bad debt	(114,162)	-	-	(114,162)
Net Total Receivables	$ 880,806	$ 430,723	$ 809,645	$ 2,121,174

Proprietary Funds	Water/Sewer	Solid Waste	Stormwater	Total
Accounts	$ 1,398,758	$ 446,550	$ 1,019,266	$ 2,864,574
Less allowance for bad debt	(570,000)	(180,000)	(450,000)	(1,200,000)
Net Total Receivable	$ 828,758	$ 266,550	$ 569,266	$ 1,664,574

6. INTER-FUND TRANSACTIONS

Individual fund interfund receivable and payable balances at June 30, 2022 were as follows:

Payable From	Payable To General Fund
SPLOST V	$ 344,000
Hotel / Motel Tax	241,735
Development Impact Fee	9,068
Non-Major	66,456
Totals	$ 661,259

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 $344,000 for expenditures paid by the General Fund and not reimbursed by the SPLOSTV Fund as of June 30, 2022. The Confiscated Assets Fund owed the General Fund $66,456 for qualified expenditures originally paid by the General Fund and not reimbursed as of June 30, 2022. The Development Impact Fee Fund and the Hotel / Motel Tax Fund owed the General Fund $9,068 and $279,167, respectively, for unreimbursed expenditures and transfers as of June 30, 2022.

Individual fund interfund transfers for the year ended June 30, 2022 were as follows:

Transfer To	Transfer From: General	Hotel / Motel Tax	Water & Sewer	Totals
General	$ -	$ 1,279,722	$ 475,000	$ 1,754,722
Cemetery	-	-	-	-
Non-Major	279,269	-	-	279,269
Solid Waste	279,167	-	-	279,167
	$ 558,436	$ 1,279,722	$ 475,000	$ 2,313,158

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, 2022, the Hotel / Motel Tax Fund transferred $1,279,722 to the General Fund and as of June 30, 2022, the Hotel / Motel Tax Fund owed the General Fund $241,735 for unreimbursed expenditures and transfers. The Water and Sewer Fund transferred $475,000 to the General Fund to support the fund balance of the General Fund. The General Fund transferred $279,269 to the Urban Redevelopment Fund to finance debt service on the URA revenue bonds. The General fund also transferred $279,167to the Solid Waste fund to help finance operations.

(See Independent Auditor's Report)

7. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended June 30, 2022 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	55,209	-	(16,300)	38,909
Total	12,948,182	-	(16,300)	12,931,882
Capital assets being depreciated:				
Buildings	20,781,669	118,400	-	20,900,069
Improvements other than buildings	16,200,143	895,117	-	17,095,260
Vehicles, including related equipment	6,692,036	2,607,523	(75,847)	9,223,712
Machinery and equipment	5,643,193	210,033	-	5,853,226
Furniture and fixtures	678,081	-	-	678,081
Total capital assets being depreciated	49,995,122	3,831,073	(75,847)	53,750,348
Less accumulated depreciation for:				
Buildings	5,661,551	507,312	-	6,168,863
Improvements other than buildings	4,239,523	460,492	-	4,700,015
Vehicles, including related equipment	4,933,924	427,881	(26,870)	5,334,935
Machinery and equipment	4,033,831	268,120	-	4,301,951
Furniture and fixtures	394,100	28,487	-	422,587
Total accumulated depreciation	19,262,929	1,692,292	(26,870)	20,928,351
Total capital assets being depreciated, net	30,732,193	2,138,781	(48,977)	32,821,997
Governmental capital assets, net	$ 43,680,375	$ 2,138,781	$ (65,277)	$ 45,753,879

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

Administrative	$ 187,108
Public Safety and Courts	855,267
Highways and Streets	262,365
Cemetery	4,543
Parks and Recreation	346,559
Code Enforcement	9,261
Community Development	17,612
Economic Development	9,577
Total depreciation expense	$ 1,692,292

(See Independent Auditor's Report)

7. PROPERTY, PLANT AND EQUIPMENT – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 5,445,594	$ -	$ -	$ 5,445,594
Construction in progress	326,782	83,820	(162,385)	248,217
Total	5,772,376	83,820	(162,385)	5,693,811
Capital assets being depreciated:				
Buildings	1,119,684	-	-	1,119,684
Improvements other than buildings	29,752,241	261,571	-	30,013,812
Machinery and equipment	3,166,426	47,499		3,213,925
Vehicles	1,566,388	113,209	-	1,679,597
Total capital assets being depreciated	35,604,739	422,279	-	36,027,018
Less accumulated depreciation for:				
Buildings	889,414	12,352	-	901,766
Improvements other than buildings	14,775,261	771,119	-	15,546,380
Machinery and equipment	2,029,281	171,495	-	2,200,776
Vehicles	1,099,644	148,457	-	1,248,101
Total capital assets being depreciated	18,793,600	1,103,423	-	19,897,023
Total capital assets being depreciated, net	16,811,139	(681,144)	-	16,129,995
Business-Type Activities capital assets, net	$ 22,583,515	$ (597,324)	$ (162,385)	$ 21,823,806

Depreciation expense was charged to functions/programs as follows:

Water	$ 353,048
Sewer	501,974
Storm Water	229,067
Solid Waste Management	19,334
Total depreciation expense	$ 1,103,423

(See Independent Auditor's Report)

8. UNAVAILABLE REVENUES

Deferred revenues as of June 30, 2022, 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	$ 51,800
Property taxes	33,624
Lease revenue	83,491
Total unavailable revenues - Governmental Funds	$ 168,915

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, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Accrued Compensated Absences	$ 307,435	$ 212,368	$ (218,227)	$ 301,576	$ 50,000
Revenue bonds	3,530,000	-	(160,000)	3,370,000	165,000
Bond premium	138,850	-	(8,414)	130,436	-
Unearned Rental Income (Obligation)	36,426	-	(36,426)	-	-
Total Governmental Activity Long-Term Debt	$4,012,711	$ 212,368	$ (423,067)	$ 3,802,012	$ 215,000
Business-Type Activities					
Revenue Bonds	$ 1,231,000	$ -	$ (219,000)	$ 1,012,000	$ 196,000
GEFA Notes Payable	2,256,828	-	(141,375)	2,115,453	143,367
Total Business-Type Activity Long-Term Debt	$3,487,828	$ -	$ (360,375)	$ 3,127,453	$ 339,367

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

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

(See Independent Auditor's Report)

9. LONG-TERM DEBT - (Continued)

Governmental Activities Long-Term Obligations -

Governmental activities long-term obligations as of June 30, 2022 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.	$3,370,000

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

	REVENUE BONDS		
Year Ending 6/30	Principal	Interest	Total
2023	$ 165,000	$ 115,862	$ 280,862
2024	165,000	110,912	275,912
2025	175,000	105,962	280,962
2026	180,000	100,712	280,712
2027	185,000	94,862	279,862
2028	190,000	88,850	278,850
2029	195,000	82,200	277,200
2030	205,000	75,375	280,375
2031	210,000	68,200	278,200
2032	220,000	60,850	280,850
2033	230,000	54,250	284,250
2034	230,000	47,350	277,350
2035	240,000	38,150	278,150
2036	250,000	28,550	278,550
2037	260,000	18,550	278,550
2038	270,000	9,450	279,450
Totals	$ 3,370,000	$ 1,100,085	$ 4,470,085

(See Independent Auditor's Report)

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.	$2,115,453
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.	$1,012,000

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

Year Ending 6/30	NOTES PAYABLE		REVENUE BONDS		
	Principal	Interest	Principal	Interest	Total
2023	$ 143,367	$ 28,699	$ 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	72,440	13,594	-	-	86,034
Totals	$ 2,115,453	$ 207,439	$ 1,012,000	$ 42,289	$ 3,377,181

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, 2022:

	Amount	Percent
Total Collected	$ 2,274,514	100.00%
Amount remitted to the McDonough Tourism and Hospitality Organization	$ 994,792	43.74%
Product development	$ 426,574	18.75%

(See Independent Auditor's Report)

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)	$45,739,940
Automobile physical damage	Per Application on file with GIRMA
Coverage Description – Casualty:	
Comprehensive general liability	$1,000,000
Automobile liability	$1,000,000
Errors and omissions (Public Officials)	$1,000,000
Employee benefits liability	$1,000,000
Pollution liability	$1,000,000
Coverage Description – Crime:	
Blanket bond – employees required to be bonded	$500,000
Blanket bond – all other employees	$500,000
Depositors forgery	$500,000
Money and securities – loss inside and outside premises	$500,000
Deductible:	
Law Enforcement Liability	$50,000
Public Officials Errors & Omissions Liability	$50,000
Building and Contents	$25,000
Other coverages are subject to a per occurrence deductible of	$1,000

Coverage Exceptions:

Coverage Subject to a Retroactive Date:

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

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

During the year ended June 30, 2022, 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, 2022. No provisions have been made in the financial statements for the year ended June 30, 2022 for any estimate of potential unpaid claims.

(See Independent Auditor's Report)

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)

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, 2022, the developer had actually used approximately $3,621,080 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of $3,191,327. The City recognizes impact fees as revenues when received.

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, 2022 amounted to $57,325.

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, 2011and 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, 2022, contributions to the plans amounted to $39,528, which is 43.9% of eligible salaries. The amount of payroll covered under the plan for the year ended June 30, 2022 amounted to $90,000. This plan was established by an adoption agreement executed by the City Council.

(See Independent Auditor's Report)

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, 2022, the date of the most recent actuarial valuation, there were 271 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	43
Terminated vested participants not yet receiving benefits	59
Active employees - vested	100
Active employees - nonvested	69
Total	271

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 2022, the actuarially determined contribution rate was 15.57% of covered payroll.

For fiscal year ended June 30, 2022, the City's recommended and actual contribution was $1,295,770 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, 2022 and the Statements of Net Position for the fiscal year ended June 30, 2022 amounted to $882,227.

(See Independent Auditor's Report)

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, 2022, the City reported a liability of $4,587,322 for its net pension liability. The net pension liability was measured as of September 30, 2021 and was determined by an actuarial valuation as of January 1, 2022. The changes in the Net Pension Liability for the year ended September 30, 2021 (the measurement date) were as follow:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning	$ 20,004,615	$13,006,488	$ 6,998,127
Changes for the year-			
Service cost	537,406	-	537,406
Interest	1,492,452	-	1,492,452
Differences between expected and actual experience	21,485	-	21,485
Contributions - Employer	-	1,276,021	(1,276,021)
Net investment income	-	3,213,779	(3,213,779)
Benefit payments, including refunds of employee contributions	(610,779)	(610,779)	-
Administrative expense	-	(27,652)	27,652
Other	-	-	-
Net Changes	1,440,564	3,851,369	(2,410,805)
Balance, ending	$ 21,445,179	$16,857,857	$ 4,587,322

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, 2022, the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	$ 537,406
Interest on The Pension Liability (TPL)	1,492,452
Administrative expenses	27,652
Expected return on assets	(982,740)
Expensed portion of current year period differences between expected and actual experience in TPL	4,297
Current year recognition of deferred inflows and outflows established in prior years	249,367
Current year plan changes	-
Expensed portion of current year period differences between projected and actual investment earnings	(446,207)
Total expense	$ 882,227

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

$971,828 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, 2022. 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
2023	$ 375,977	$ (469,721)	$ (93,744)
2024	317,621	(422,645)	(105,024)
2025	288,494	(517,139)	(228,645)
2026	4,297	(461,741)	(457,444)
2027	-	-	-
2028 and thereafter	-	-	-
	$ 986,389	$ (1,871,246)	$ (884,857)

Outstanding balances of deferred outflows/inflows of resources related to pensions as of June 30, 2022 are as follow:

	Outflows	Inflows
Contributions subsequent to measurement date	$ 971,828	$ -
Demographic	233,638	(62,132)
Investment	-	(1,809,114)
Assumption change	752,751	-
Total	$ 1,958,217	$ (1,871,246)

Actuarial Assumptions

The total pension liability in the January 1, 2022 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

15. EMPLOYEE BENEFIT PENSION PLANS – Continued

Defined Benefit Plan – GMA Administered, continued

Actuarial Assumptions, continued

The actuarial assumptions used in the January 1, 2022 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45.00%	6.55%
International equity	20.00%	7.30%
Domestic fixed income	20.00%	0.40%
Real estate	10.00%	3.65%
Global fixed income	5.00%	0.50%
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:

	1% Decrease 6.375%	Current Rate 7.375%	1% Increase 8.375%
Net Pension Liability	$ 7,579,876	$ 4,587,322	$ 2,114,426

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.

16. OTHER POSTEMPLOYMENT BENEFIT

Plan Administration and Benefits – Prior to f/y 2022 the City administers a single-employer defined benefit Postemployment Healthcare Benefit Plan (the "PHB") which was established by the City Council. The Council was authorized to approve amendments to the Plan. The Council did not elected to advance fund the Plan, but rather maintain the Plan on a "pay as you go" basis, in that claims were paid as they arose, rather than establishing an irrevocable trust to accumulate restricted funds. The Plan did not issue a separate financial report.

During f/y 2022, the City discontinued its Post Employment Healthcare Benefit Plan. This resulted in the write-off of the Plan's related net liability and deferred outflows and inflows which resulted in a gain to the City as follows:

Deferred Outflows	$ (91,776)
Deferred Inflows	525,469
Net Liability	984,044
Net gain from discontinuance of plan	$ 1,417,737

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, 2022 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	$ 352,898
ARPA fund	4,998,835
Confiscated assets fund	130,292
Capital projects-	
Special purpose local option sales funds	11,695,956
Development impact fee funds	2,769,143
Cemetery perpetual care funds	202,074
	$ 20,149,198

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, 2022 is $-0-. The agreement is continuing as of June 30, 2022 with either party able to discontinue the agreement at any time.

(See Independent Auditor's Report)

19. LEASING ACTIVITIES

In July 2021, the City implemented a new accounting standard GASB Statement No. 87 "Leases". The new standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time (greater than one year) in exchange or exchange-like transaction. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in the GASB Statement.

City as Lessee

The City, as lessee, has no significant lease agreements that are required to be reported under the new standard.

City as Lessor

The City, as a lessor, has entered into a lease agreement involving land that is to be used to house a cell tower and various other real estate agreements. The total amount of inflows of resources, including lease revenue and interest recognized during the fiscal year was $57,333. A schedule of future payments that are included in the measurement of the lease receivable, with imputed interest based on the City's estimated current borrowing rate of 7.5%, is as follows:

	Leases		
	Principal	Interest	Total
2023	$ 48,975	$ 4,601	$ 53,576
2024	9,742	2,258	12,000
2025	10,498	1,502	12,000
2026	11,313	687	12,000
2027	2,963	37	3,000
	$ 83,491	$ 9,085	$ 92,576

(See Independent Auditor's Report)

20. CONDUIT DEBT OBLIGATION

As of June 2022, 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, 2022, the following is a list of businesses and related loan information that have the conduit debt obligations:

		Loan	
Business	Purpose	Original Amount	Balance at June 30, 2022
19 Griffin Street, LLC	Renovations	$ 500,000	$ 213,353
Southern Investment Group, LLC	Construction, furniture, equip	$ 450,000	$ -
KCRT Restaurant Corporation	Building acquisition	$ 138,000	$ -

21. 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, 2022, none of the City's Funds had a deficit net position or fund balance.

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).

22. SUBSEQUENT EVENTS

During July 2022, the City received $4,998,000 under phase 2 of the American Rescue Plan Act (ARPA) bringing the total proceeds from ARPA to $9,996,000.During the subsequent period ended June 30, 2023, ARPA Funds obligated under the contracts amounted to $1,548,592 and related ARPA funds expended amounted to $1,416,334.

(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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014*	2013*
Total Pension Liability										
Service cost	$ 537,406	$ 518,239	$ 467,965	$ 395,007	$ 412,374	$ 392,336	$ 381,005	$ 374,655		
Interest	1,492,452	1,401,768	1,213,570	1,049,972	964,619	890,810	840,753	777,801		
Differences between expected and actual experience	21,485	(93,200)	276,012	174,761	121,141	193,990	(82,909)	133,731		
Change in plan benefit terms	-	-	-	1,082,629	-	-	-	-		
Changes of assumptions	-	-	1,429,171	-	228,995	-	-	15,821		
Benefit payments	(610,779)	(621,943)	(599,866)	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)		
Net changes in total pension liability	1,440,564	1,204,864	2,786,852	2,114,197	1,176,887	977,845	652,243	809,164		
Total pension liability - beginning	20,004,615	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	$ 21,445,179	$ 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	$ 1,276,021	$ 1,039,244	$ 1,037,355	$ 806,729	$ 850,523	$ 827,632	$ 813,118	$ 800,328		
Net investment income	3,213,779	1,137,870	346,823	959,943	1,231,717	791,561	62,378	651,380		
Benefit payments	(610,779)	(621,943)	(599,866)	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)		
Administrative expense	(27,652)	(25,921)	(24,457)	(25,422)	(29,411)	(14,925)	(16,223)	(12,347)		
Other	-	-	-	-	-	-	-	-		
Net change in fiduciary net position	3,851,369	1,529,250	759,855	1,153,078	1,502,587	1,104,977	372,667	946,517		
Plan fiduciary net position - beginning	13,006,488	11,477,238	10,717,383	9,564,305	8,061,718	6,956,741	6,584,074	5,637,557		
Plan fiduciary net position - ending	$ 16,857,857	$ 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	$ 4,587,322	$ 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	78.61%	65.02%	61.05%	66.93%	68.81%	63.37%	59.24%	59.36%		
Covered-employee payroll	$ 8,468,575	$ 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	54.17%	81.84%	90.37%	69.43%	61.36%	66.33%	72.55%	70.60%		

* Historical information prior to impplementation of GASB 67/68 is not required.

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

	Fiscal Year End									
	2022	2021	2020	2019	2018	2017	2016	2015	2014*	2013*
Actuarially determined contributions	$ 1,295,770	$ 1,276,021	$ 1,102,098	$ 914,197	$ 869,950	$ 841,514	$ 823,005	$ 809,822		
Contributions in relation to the actuarially determined contribution	$ (1,295,770)	$ (1,276,021)	$ (1,102,098)	$ (914,197)	$ (869,950)	$ (841,514)	$ (823,005)	$ (809,822)		
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Covered-employee payroll	$ 8,468,575	$ 8,550,742	$ 7,627,559	$ 7,063,470	$ 7,025,189	$ 6,598,557	$ 6,384,685	$ 5,752,771		
Contributions as a percentage of covered-employee payroll	15.30%	14.92%	14.45%	12.94%	12.19%	12.55%	12.89%	14.08%		

* Historical information prior to impplementation of GASB 67/68 is not required.

CITY OF MCDONOUGH, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

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
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Fund	Capital Project Fund	Capital Project Fund	Permanent Fund	Total
	Confiscated Assets Fund	Urban Redevelopment Fund	SPLOST III Fund	Cemetery Perpetual Care Fund	Non-Major Governmental Funds
ASSETS					
Cash	$ 130,292	$ -	$ -	$ 1,849	$ 132,141
Investments	-	-	-	200,225	200,225
Receivables					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	$ 130,292	$ -	$ -	$ 202,074	$ 332,366
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	$ 718	$ -	$ -	$ -	$ 718
Due to other funds	66,456	-	-	-	66,456
Unearned revenues	9,604	-	-	-	9,604
Total Liabilities	76,778	-	-	-	76,778
Fund Balance					
Nonspendable -					
Cemetery corpus	-	-	-	175,600	175,600
Restricted for specified purposes	53,514	-	-	26,474	79,988
Unassigned	-	-	-	-	-
Total Fund Balance	53,514	-	-	202,074	255,588
Total Liabilities and Fund Balance	$ 130,292	$ -	$ -	$ 202,074	$ 332,366

CITY OF McDONOUGH, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Fund	Capital Project Fund	Capital Project Fund	Permanent Fund	Total
	Confiscated Assets Fund	Urban Redevelopment Fund	SPLOST III Fund	Cemetery Perpetual Care Fund	Non-Major Governmental Funds
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ -
Forfeitures	16,894	-	-	-	16,894
Intergovernmental	-	-	-	-	-
Interest	-	-	-	395	395
Miscellaneous	-	-	-	-	-
Total Revenues	16,894	-	-	395	17,289
EXPENDITURES					
Current					
Purchased / contracted services	-	-	-	-	-
Supplies	1,850	-	-	-	1,850
Debt service	-	279,269	-	-	279,269
Capital outlay	-	-	121,291	-	121,291
Total Expenditures	1,850	279,269	121,291	-	402,410
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	15,044	(279,269)	(121,291)	395	(385,121)
Other Financing Sources (Uses)					
Transfers	-	279,269	-	-	279,269
Total Other Financing Sources (Uses)	-	279,269	-	-	279,269
Excess Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	15,044	-	(121,291)	395	(105,852)
Fund Balance - Beginning of Year	38,470	-	121,291	201,679	361,440
Fund Balance - End of Year	$ 53,514	$ -	$ -	$ 202,074	$ 255,588

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, 2022

	2022			
	Final Budget	Actual	Variance	2021 Actual
REVENUES				
Forfeitures	$ 17,000	$ 16,894	$ (106)	$ 39,107
Sales of confiscated property	-	-	-	940
Interest	-	-	-	-
Contributions	-	-	-	-
Total Revenue	17,000	16,894	(106)	40,047
EXPENDITURES				
Current				
Purchased / contracted services	-	-	-	-
Supplies	1,900	1,850	50	-
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	37,096
Total Expenditures	1,900	1,850	50	37,096
Excess Revenues Over (Under) Expenditures	15,100	15,044	(56)	2,951
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	15,100	15,044	(56)	2,951
Fund Balance - Beginning of Year	38,470	38,470	-	35,519
Fund Balance - End of Year	$ 53,570	$ 53,514	$ (56)	$ 38,470

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, 2022

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Intergovernmental - SPLOST	$ 7,368,585	$ -	$ 7,368,585	$ 26,842,500
Interest	79,947	-	79,947	-
Total Revenues	7,448,532	-	7,448,532	26,842,500
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	3,866,183	121,291	3,987,474	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	2,583,281	-	2,583,281	5,500,000
Total Expenditures	14,652,241	121,291	14,773,532	26,842,500
Excess Revenues Over (Under) Expenditures	(7,203,709)	(121,291)	(7,325,000)	-
Other Financing Sources (Uses)				
Proceeds from bond issuance	7,325,000	-	7,325,000	-
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	7,325,000	-	7,325,000	-
Net Change in Fund Balance	$ 121,291	(121,291)	$ -	$ -
Fund Balance - Beginning of Year		121,291		
Fund Balance - End of Year		$ -		

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, 2022

	Prior Years	Current Year	Total to Date	Amended Project Authorization	Original Project Authorization
REVENUES					
Intergovernmental - SPLOST	$ 19,764,836	$ -	$ 19,764,836	$ 24,236,500	$ 22,962,500
Intergovernmental - Other	1,252,010	264,095	1,516,105	-	-
Interest	203,438	-	203,438	-	-
Total Revenues	21,220,284	264,095	21,484,379	24,236,500	22,962,500
EXPENDITURES					
Capital Outlay					
Cultural, historic & recreation facilities	1,774,063	40,444	1,814,507	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	7,693,081	720,732	8,413,813	10,673,500	10,673,500
Community development facilities	1,501,355	-	1,501,355	1,774,000	1,500,000
Parks and recreation	3,505,408	535,008	4,040,416	4,365,000	4,365,000
Total Expenditures	16,780,521	1,296,184	18,076,705	24,236,500	22,962,500
Excess Revenues Over (Under) Expenditures	4,439,763	(1,032,089)	3,407,674	-	-
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	-	-	-	-
Transfers	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	$ 4,439,763	(1,032,089)	$ 3,407,674	$ -	$ -
Fund Balance - Beginning of Year		4,439,763			
Fund Balance - End of Year		$ 3,407,674			

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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, 2022

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Intergovernmental - SPLOST	$ 603,549	$ 11,038,548	$ 11,642,097	$ 18,480,000
Interest	-	-	-	-
Total Revenues	603,549	11,038,548	11,642,097	18,480,000
EXPENDITURES				
Current	-	40,000	40,000	-
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				
Public Safety Facilities and Equip	-	1,920,243	1,920,243	2,600,000
IT Infrastructure	-	186,298	186,298	700,000
Police Cars	352,441	397,559	750,000	1,550,000
Roads, bridges, sidewalks & facilities				
Sidewalks	-	-	-	1,100,000
Road Improvements	-	1,604	1,604	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	2,545,704	2,898,145	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, 2022

	Prior Years	Current Year	Total to Date	Project Authorization
EXPENDITURES, Continued				
Sub-total from previous page	352,441	2,545,704	2,898,145	18,230,000
Public Works Facilities and Equipment				
Additional Storage Bays & Security Upgrades	-	-	-	250,000
Total Expenditures	352,441	2,545,704	2,898,145	18,480,000
Excess Revenues Over (Under) Expenditures	251,108	8,492,844	8,743,952	-
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	-	-
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	$ 251,108	8,492,844	$ 8,743,952	$ -
Fund Balance - Beginning of Year		251,108		
Fund Balance - End of Year		$ 8,743,952		

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, 2022

	2022			
	Final Budget	Actual	Variance	2021 Actual
REVENUES				
Impact fees	$ 1,530,000	$ 1,528,635	$ (1,365)	$ 610,848
Interest	-	537	537	217
Total Revenues	1,530,000	1,529,172	(828)	611,065
EXPENDITURES				
Current				
Administration	13,400	13,120	280	5,048
Capital outlay				
Public Safety				
Police	266,200	179,457	86,743	67,604
Fire	186,500	-	186,500	50,081
Parks	100,000	-	100,000	7,200
Debt service - Parks				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	566,100	192,577	373,523	129,933
Excess Revenues Over (Under) Expenditures	963,900	1,336,595	372,695	481,132
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Net Change in Fund Balance	963,900	1,336,595	372,695	481,132
Fund Balance - Beginning of Year	1,305,081	1,305,081	-	823,949
Fund Balance - End of Year	$ 2,268,981	$ 2,641,676	$ 372,695	$ 1,305,081

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, 2022

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Interest	$ -	$ -	$ -	$ -
Other	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Current				
Administration	2,112	-	2,112	-
Capital Outlay				
Municipal court facilities	4,955,351	-	4,955,351	4,808,082
Debt Service				
Principal	705,000	160,000	865,000	-
Interest	751,609	119,269	870,878	-
Debt issuance cost	106,345	-	106,345	112,050
Total Expenditures	6,520,417	279,269	6,799,686	4,920,132
Excess Revenues Over (Under) Expenditures	(6,520,417)	(279,269)	(6,799,686)	(4,920,132)
Other Financing Sources (Uses)				
Proceeds from bond issuance	4,420,132	-	4,420,132	4,420,132
Transfers	2,100,285	279,269	2,379,554	500,000
Total Other Financing Sources (Uses)	6,520,417	279,269	6,799,686	4,920,132
Net Change in Fund Balance	$ -	-	$ -	$ -
Fund Balance - Beginning of Year		-		
Fund Balance - End of Year		$ -		

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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, 2022

PROJECT	ORIGINAL ESTIMATED COST	EXPENDITURES BEGINNING OF YEAR	EXPENDITURES CURRENT YEAR	EXPENDITURES TO DATE	ESTIMATED PERCENT COMPLETE
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	3,866,183	121,291	3,987,474	56.96%
Repayment of public debt associated with above projects or previously issued General Obligation debt	5,500,000	2,583,281	-	2,583,281	46.97%
	$ 26,842,500	$ 14,652,241	$ 121,291	$ 14,773,532	55.04%

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF PROJECTS FINANCED
WITH SPECIAL SALES TAX IV PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2022

PROJECT	ORIGINAL ESTIMATED COST	AMENDED ESTIMATED COST	EXPENDITURES BEGINNING OF YEAR	EXPENDITURES CURRENT YEAR	EXPENDITURES TO DATE	ESTIMATED PERCENT COMPLETE
Roads, streets, sidewalks and transportation facilities	$ 10,673,500	$ 10,673,500	$ 6,441,071	$ 456,637	$ 6,897,708	64.62%
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	4,365,000	4,365,000	3,505,408	575,452	4,080,860	93.49%
Total SPLOST funds used	22,962,500	24,236,500	15,528,511	1,032,089	16,560,600	68.33%
Amounts financed with other revenue sources:						
Roads, streets, sidewalks and transportation facilities	-	-	1,252,010	264,095	1,516,105	
Total	$ 22,962,500	$ 24,236,500	$ 16,780,521	$ 1,296,184	$ 18,076,705	

CITY OF MCDONOUGH, GEORGIA
SCHEDULE OF PROJECTS FINANCED
WITH SPECIAL SALES TAX V PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2022

	Prior Years	Current Year	Total to Date	Project Authorization
Current	-	40,000	40,000	-
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				
Public Safety Facilitites & Equipment	-	1,920,243	1,920,243	2,600,000
IT Infrastructure	-	186,298	186,298	700,000
Public Safety Vehicles	352,441	397,559	750,000	1,550,000
Roads, bridges, sidewalks & facilities				
Sidewalks	-	-	-	1,100,000
Road Improvements	-	1,604	1,604	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	2,545,704	2,898,145	18,230,000

CITY OF MCDONOUGH, GEORGIA
SCHEDULE OF PROJECTS FINANCED
WITH SPECIAL SALES TAX V PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2022

	Prior Years	Current Year	Total to Date	Project Authorization
EXPENDITURES, Continued				
Sub-total from previous page	352,441	2,545,704	2,898,145	18,230,000
Public Works Facilities and Equipment				
Additional Storage Bays &	-			
Security Upgrades	-	-	-	250,000
Total	$ 352,441	$ 2,545,704	$ 2,898,145	$ 18,480,000

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF DEVELOPMENT IMPACT FEES
PRE 8/3/2021 ORDINANCE
FOR THE YEAR ENDED JUNE 30, 2022

	PRE 8/3/2021 ORDINANCE				
	PUBLIC SAFETY	PARKS & RECREATION	CIE COST RECOVERY	ADMIN	TOTAL
Receipts -					
Prior years	$ 7,215,801	$ 8,227,938	$ 17,935	$ 267,785	$ 15,729,459
Current year	11,763	1,360	15	384	13,521
Total receipts	7,227,564	8,229,298	17,950	268,169	15,742,980
Expenditures -					
Prior years	6,685,754	7,447,314	47,272	244,038	14,424,378
Current year	179,457	-	4,720	8,400	192,577
Total expenditures	6,865,211	7,447,314	51,992	252,438	14,616,955
Balance at end of year	$ 362,353	$ 781,984	$ (34,042)	$ 15,731	$ 1,126,025

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.

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF DEVELOPMENT IMPACT FEES
UNDER THE 8/3/2021 ORDINANCE
FOR THE YEAR ENDED JUNE 30, 2022

	UNDER THE 8/3/2021 ORDINANCE				
	ADMIN	**FIRE**	**POLICE**	**PARKS & RECREATION**	**TOTAL**
Receipts -					
Prior years	$ -	$ -	$ -	$ -	$ -
Current year	44,143	192,197	204,451	1,074,860	1,515,651
Total receipts	44,143	192,197	204,451	1,074,860	1,515,651
Expenditures -					
Prior years	-	-	-	-	-
Current year	-	-	-	-	-
Total expenditures	-	-	-	-	-
Balance at end of year	$ 44,143	$ 192,197	$ 204,451	$ 1,074,860	$ 1,515,651

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Member of
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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, 2022, 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 29, 2023.

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 deficiencies described as items 2013.004 and 2022.001 through 2022.004 in the accompanying schedule of findings and responses to be material weaknesses.

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 responses 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 29, 2023

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDIT FINDING

1. The auditor's report expresses an unmodified opinion on the basic financial statements of McDonough, Georgia.

2. Six deficiencies disclosed during the audit of the basic financial statements are reported in this Schedule. Five of the deficiencies are considered material weaknesses and one is considered a significant deficiency.

3. There were no instances of noncompliance material to the basic financial statements disclosed in this Schedule.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

QUESTIONED COST

2013.004 UNPAID STORMWATER FEES - REPEAT FINDING

Condition:	As of June 30, 2022 the City had a significant amount of old unpaid stormwater fees amounting to approximately $470,000. The majority of the unpaid fees are from the Henry County Board of Education and Henry County Water Authority which both total approximately $350,000.	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 has authorized the City Attorney to write a letter to the School Board to try and resolve this matter. The two entities are currently in discussions to try and resolve this issue.

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.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)

Questioned Cost

2022.001 IMPACT FEE FUND ALLOCATIONS FOR MULTI-FAMILY PROJECTS

Condition:	During our audit we found where monies received from multi-family building projects i.e. apartment complexes, were being recorded as "commercial impact fees" rather than "residential impact fees."	N/A
Criteria:	Although multi-family building projects are considered to be commercial projects under building code standards they are allocated based on residential impact rates under the City's impact fee code.	
Effect:	If this error was not caught during the audit, the impact fees collected from multi-family building projects would have been allocated based on commercial rates which would have given $-0- to the parks category when in fact they should have been given 74.5% of such collections or $974,000.	
Cause:	Management was unaware of the allocation issue with multi-family building projects.	
Recommendation:	Multi-family building project impact fee receipts should be coded to residential impact fee revenues since such fees are allocated under the residential impact fee formula according to the City's ordinance.	

View of responsible officials and planned corrective action:

Management agrees with the finding. Management will work with the building inspection department to ensure the coding for multi-family building projects impact fees are recorded as residential impact fees.

2022.002 RECONCILIATION OF POOLED CASH AND INTER-FUND ACCOUNTS

Condition:	The City is not currently reconciling its pooled cash account nor its inter-fund accounts in a timely manner.	N/A
Criteria:	Pooled cash accounts and inter-fund accounts should be reconciled on a monthly basis.	
Effect:	Pooled cash accounts and inter-fund payable/receivable accounts were out of balance by $352,441. The issue was due to a entry to record payroll being in error and would have been caught if these accounts were being properly reconciled.	
Cause:	From discussions with City personnel, it was determined that the person responsible for the reconciliations did not have sufficient time to perform the reconciliations.	
Recommendation:	Management should ensure that the reconciliations for pooled cash and inter-fund accounts are made in a timely manner.	

View of responsible officials and planned corrective action:

Management agrees with the finding. Management will review the situation and determine the proper action to take for the reconciliation process to take place. Management will oversee the situation to ensure the reconciliations are performed in a timely manner.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)

Questioned Cost

2022.003 PAYROLL TAX ISSUES

Condition: In June 2021 a payroll tax deposit in the amount of $76,721 was made with the wrong quarter reported on the remittance advice. This resulted in the 2nd qtr 2021 payroll tax deposit being under-stated and the 1st qtr tax deposits being over-stated by IRS. This resulted in IRS issuing the City a refund of $44,432.15 which was the amount of the `1st qtr overpayment less $32,289.54 in penalties and underpayments of taxes in prior years from 2016 - 2020.

In June 2022 the City also received a notice from IRS that the City owed the underpayment of 2nd qtr 2021 taxes of $76,721 plus penalties and interest of $36,910 for a total of $113,632. The City paid this amount in full to IRS.

N/A

Criteria: Of course the City should pay the payroll taxes it incurs in the proper amount and in a timely manner. In addition, any payroll tax notices of under-paid taxes and penalties and interest should be forwarded to someone other than the employees responsible for preparing payroll and filing payroll tax reports. Any IRS notice should be investigated and a proper response should be provided to IRS from the City's finance director or outside contractor.

Effect: The City has paid approximately $69,000 in assessments by IRS that it may or may not be responsible for .

Cause: The lack of oversight over complicated payroll tax issues led to the possible over payment of IRS assessments.

Recommendation: Management should ensure that assessment notices from any outside organization should be investigated by an individual that is experienced and knowledgeable in the affected subject matter.

View of responsible officials and planned corrective action:

Management agrees with the finding. Management will ensure that all assessment notices are investigated and a legitimate result is incurred. In addition, assessment notices will be forwarded to one level of management above the department that is responsible for handling the issue.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)

Questioned Cost

2022.004 RECORDING OF ACCOUNTS PAYABLE

Condition:	The City under-reported accounts payable as of June 30, 2022 in the amount of $673,150 which is material to the City's financial statements.	N/A
Criteria:	All expenditures / expenses should be recorded in the period the corresponding purchase / service is incurred.	
Effect:	The City's liabilities and expenditures / expenses were under-stated by $673,150. A significant amount of the under-reported items came from amounts due to Henry County Water Authority for tap on fees and amounts due to McDonough Hospitality and Tourism Board totaling $342,000 and the remaining items consisted of regular operating expenses.	
Cause:	The lack of training and over-sight of employees responsible for recording expenditures / expenses is the main reason for the under-reporting of accounts payable as of June 30, 2022	
Recommendation:	Management should provide the necessary training and over-sight of employees responsible for recording accounts payable.	

View of responsible officials and planned corrective action:

Management agrees with the finding. Management will ensure the employees with the responsibility over the recording of accounts payable are properly trained and supervised so that accounts payable and expenditures / expenses are properly stated on the financial statements.