

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



**MCDONOUGH, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**







**CITY OF McDONOUGH, GEORGIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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**CITY OF McDONOUGH, GEORGIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of McDonough, Georgia (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of McDonough, Georgia, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated December 31, 2018 on our consideration of City of McDonough, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of McDonough, Georgia's internal control over financial reporting and compliance.

Snellville, Georgia  
December 31, 2018



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

As management of the City of McDonough, we offer readers of the City of McDonough's financial statements this narrative overview and analysis of the financial activities of the City of McDonough for the year ended June 30, 2018, (the current period). We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

### **Financial Highlights**

- Assets and deferred outflows of the City of McDonough exceeded its liabilities and deferred inflows at June 30, 2018 by \$74,125,620. Of this amount unrestricted net position of \$13,321,450 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$3,281,237. Of this amount, a net increase of \$1,941,589 was associated with governmental activities and an increase of \$1,339,648 was associated with business-type activities.
- As of the close of the current period, the City of McDonough's governmental funds reported combined ending fund balances of \$17,062,846, a decrease of \$923,537 in comparison with the prior period. Of this amount \$5,859,706 is unassigned, \$8,280,065 is restricted for capital projects and other specific future uses, \$750,000 is assigned for the FY 2019 budget, \$673,075 is nonspendable for such amounts as prepaid items of \$478,923, and the cemetery trust corpus of \$171,600, \$22,552 is restricted for the Cemetery, and \$1,500,000 is committed for the stabilization reserve, established by the Mayor and Council during FY 2018.
- At the end of the current year, unassigned fund balance for the general fund was \$5,859,706 or 39.76 percent of total general fund expenditures.
- The millage rate decreased to 4.299, a 5.72 percent decrease from Fiscal Year 2017.
- The C.O. Polk Interactive Museum (as shown on the cover) is near completion as of June 30, 2018. The project is expected to be completed and opened to the public during early 2019.

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

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

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

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

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

## City of McDonough

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

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

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

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

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

The City of McDonough adopts an annual budget for all of its Governmental Funds. Budgetary comparison statements have been provided for the General Fund beginning on page 21 to demonstrate compliance with the FY 2018 budget. A project length budget has been adopted for each Capital Projects Fund and is presented in the individual fund financial statements. Non-major special revenue funds' budget comparisons are also presented in the individual fund financial statements.

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

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

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2018, the City's net position exceeded liabilities by \$74,125,620. The City's net position reflects its investment in capital assets \$51,977,055 (70.1 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, \$8,827,115 (11.9 percent) is restricted for capital projects and other specified activities and \$13,321,450 (18.0 percent) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The comparative government-wide information for the years ended June 30, 2018 and June 30, 2017 is as follows:

	Governmental Activities		Business-type Activities		Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current and other assets	\$17,903,893	\$ 19,129,169	\$10,642,631	\$10,343,719	\$ 28,546,524	\$29,472,888
Deferred outflows	1,057,307	923,358	264,327	230,840	1,321,634	1,154,198
Capital assets	41,826,012	39,278,211	19,218,204	18,335,127	61,044,216	57,613,338
Total assets and deferred outflows	60,787,212	59,330,738	30,125,162	28,909,686	90,912,374	88,240,424
Current liabilities	648,625	1,047,895	1,233,602	950,865	1,882,227	1,998,760
Long-term liabilities and deferred inflows	9,384,005	9,102,247	5,520,522	5,752,280	14,904,527	14,854,527
Total liabilities	10,032,630	10,150,142	6,754,124	6,703,145	16,786,754	16,853,287
Net position:						
Net investment in capital assets	37,512,581	34,732,647	14,464,474	13,149,778	51,977,055	47,882,425
Restricted	8,474,217	9,363,489	352,898	352,898	8,827,115	9,716,387
Unrestricted	4,767,784	5,084,460	8,553,666	8,703,865	13,321,450	13,788,325
Total net position	\$ 50,754,582	\$ 49,180,596	\$23,371,038	\$22,206,541	\$ 74,125,620	\$71,387,137

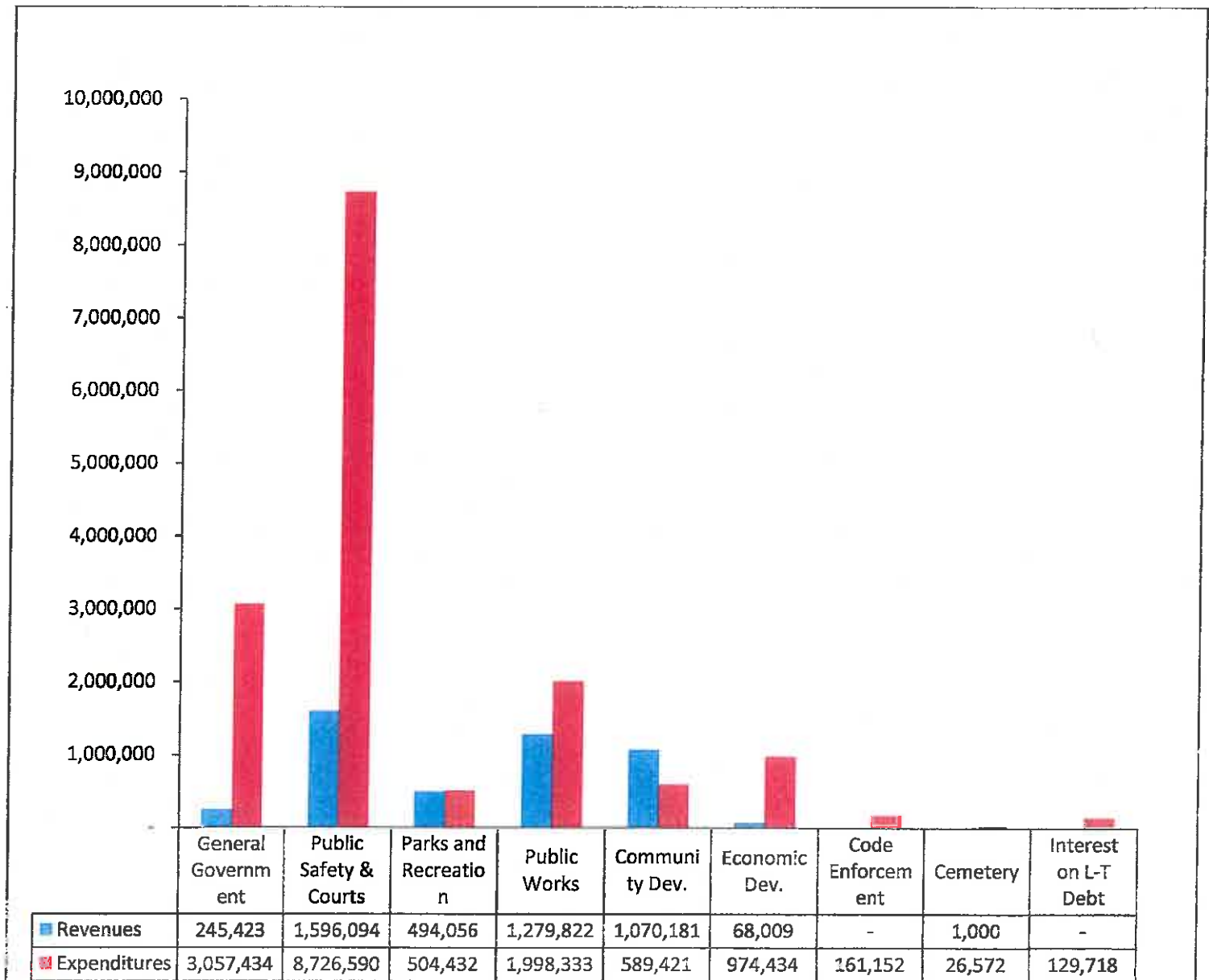
**City of McDonough's Change in Net Position  
For The Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
<b>Revenues:</b>						
Program Revenues -						
Charges for services	\$ 2,344,127	\$ 2,840,446	\$ 7,808,729	\$ 7,626,060	\$ 10,152,856	\$ 10,466,506
Operating grants and contributions	28,964	2,608	-	-	28,964	2,608
Capital grants and contributions	2,381,494	2,361,555	793,917	853,849	3,175,411	3,215,404
General Revenues-						
Property taxes	3,801,007	3,723,532	-	-	3,801,007	3,723,532
Sales taxes	3,546,756	3,364,335	-	-	3,546,756	3,364,335
Other taxes	5,362,699	4,952,823	-	-	5,362,699	4,952,823
Interest	95,115	21,384	62,580	26,503	157,695	47,887
Gain (Loss) on disposal of assets	-	-	-	-	-	-
Other	109,513	27,512	21,627	2,710	131,140	30,222
	<u>17,669,675</u>	<u>17,294,195</u>	<u>8,686,853</u>	<u>8,509,122</u>	<u>26,356,528</u>	<u>25,803,317</u>
<b>Expenses:</b>						
General government	3,057,434	2,942,496	-	-	3,057,434	2,942,496
Public safety and courts	8,726,590	8,333,825	-	-	8,726,590	8,333,825
Public works	1,998,333	1,827,139	-	-	1,998,333	1,827,139
Cemetery	26,572	63,205	-	-	26,572	63,205
Parks and recreation	504,432	504,647	-	-	504,432	504,647
Community development	589,421	1,566,833	-	-	589,421	1,566,833
Economic development	974,434	817,155	-	-	974,434	817,155
Code enforcement	161,152	83,867	-	-	161,152	83,867
Interest on long-term debt	129,718	134,306	-	-	129,718	134,306
Bond issuance costs and fees	-	-	-	-	-	-
Water	-	-	2,720,391	2,526,930	2,720,391	2,526,930
Sewer	-	-	1,426,150	1,403,005	1,426,150	1,403,005
Solid waste	-	-	1,927,725	1,786,796	1,927,725	1,786,796
Storm Water	-	-	832,939	673,454	832,939	673,454
	<u>16,168,086</u>	<u>16,273,473</u>	<u>6,907,205</u>	<u>6,390,185</u>	<u>23,075,291</u>	<u>22,663,658</u>
Increase (decrease) in net position before transfers	1,501,589	1,020,722	1,779,648	2,118,937	3,281,237	3,139,659
Transfers	<u>440,000</u>	<u>590,981</u>	<u>(440,000)</u>	<u>(590,981)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	1,941,589	1,611,703	1,339,648	1,527,956	3,281,237	3,139,659
Net position - beginning of year, adjusted	<u>48,812,993</u>	<u>47,568,893</u>	<u>22,031,390</u>	<u>20,678,585</u>	<u>70,844,383</u>	<u>68,247,478</u>
Net position - end of year	<u>\$ 50,754,582</u>	<u>\$ 49,180,596</u>	<u>\$ 23,371,038</u>	<u>\$ 22,206,541</u>	<u>\$ 74,125,620</u>	<u>\$ 71,387,137</u>

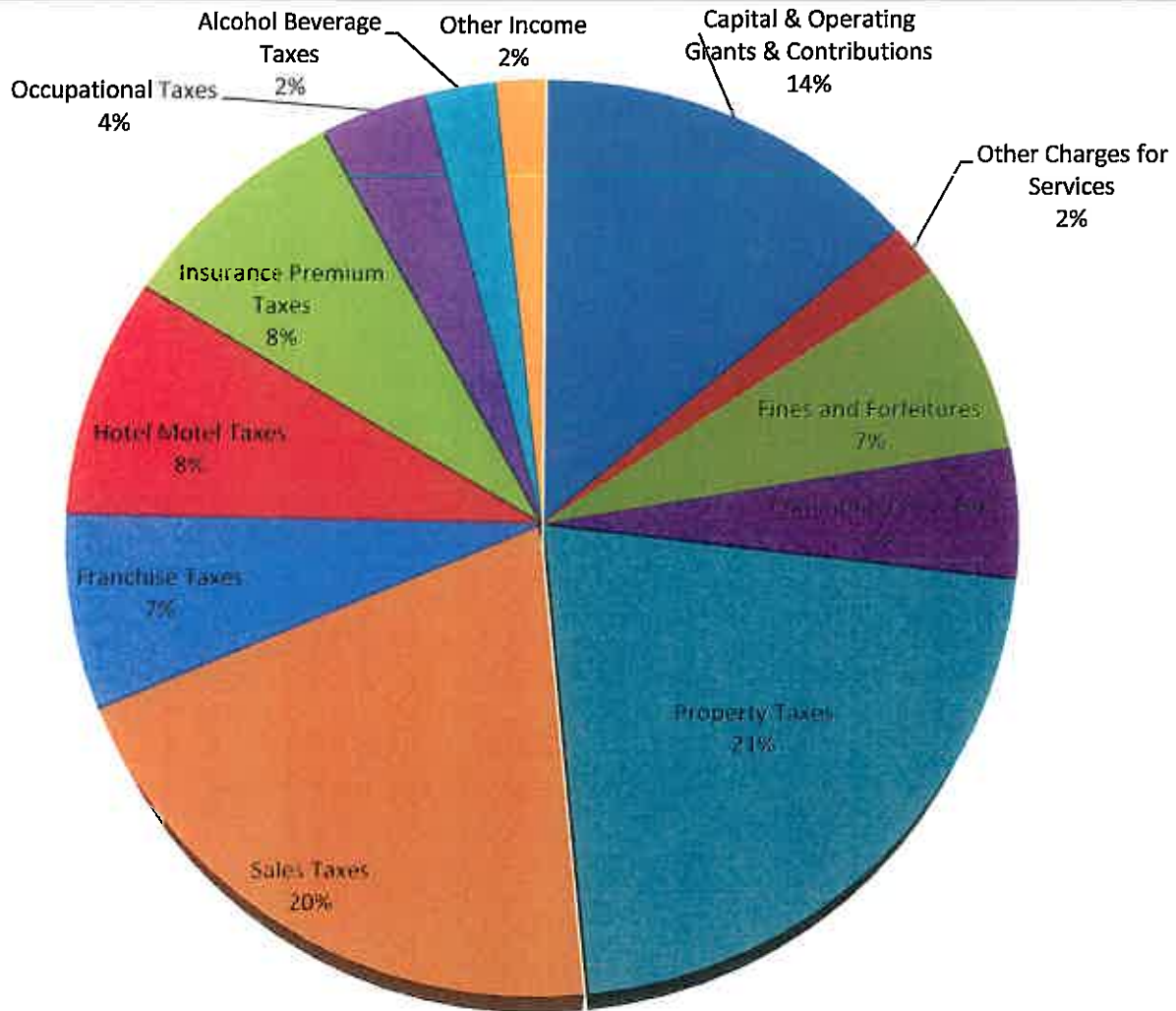
**City of McDonough**  
**Governmental Activities:**

For the year ended June 30, 2018, an increase in net position of \$1,941,589 was reported in Governmental Activities when compared to period ending June 30, 2017. General revenues increased from \$12,089,586 in 2017 to \$12,915,090 for the fiscal year ended June 30, 2018. The increase of \$825,504 is attributed the increases in collections of local option sales taxes, hotel motel taxes, occupational taxes, and insurance premium taxes.

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



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



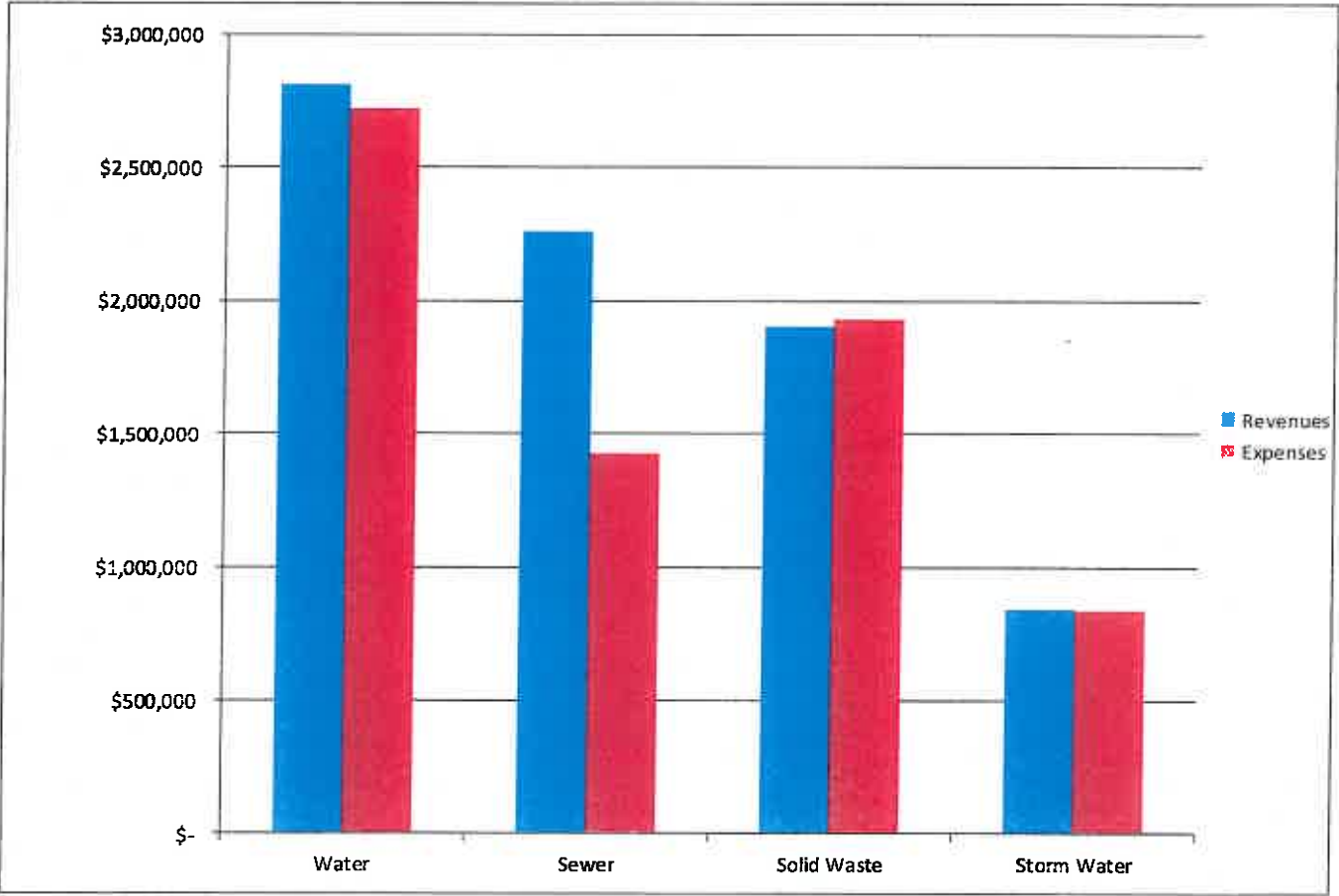
**City of McDonough**

**Business-type activities.** Business-type activities increased the City’s net position by \$1,339,648 of which an increase of \$1,349,001 was from Water and Sewer activities, a decrease of (\$26,633) was from Solid Waste Management Activities, and an increase of \$17,280 was from Storm Water Management Activities.

The City uses an outside contractor to perform most of its solid waste services. The Solid Waste Management Fund reported a decrease in net position for the year of (\$26,633) reducing net position at the end of the year to a deficit of \$8,591.

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

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



**Financial Analysis of the Government’s Funds**

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



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

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

At June 30, 2018, the city's governmental funds reported combined ending fund balances of \$17,062,846, a decrease of \$923,537 in comparison to the prior period. Of this amount, \$5,859,706 (34.3 percent) is unassigned fund balance. A portion of fund balance is restricted to indicate that it is to be used for specified purposes: 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax, Development Impact Fees, and Urban Redevelopment Revenue Bonds (\$8,280,065), and 2) for Perpetual Care of the City's cemetery (\$22,552). The remainder of fund balance is nonspendable for such items as prepaid items of \$478,923, cemetery trust corpus of \$171,600, and budget appropriation for fiscal year 2019 of \$750,000. During FY 2018, \$1,500,000 of unassigned fund balance was committed by the Mayor and Council into the stabilization reserve.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,859,706 while the total fund balance amounted to \$8,588,629. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39.7 percent of the total general fund expenditures, while total fund balance represents 58.2 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$34,265. The decrease was primarily the result of an increase in capital outlay expenditures.

The City of McDonough received \$1,422,518 in Special Purpose Local Option Sales Taxes for the year. The City began receiving its share of SPLOST proceeds under the SPLOST III intergovernmental agreement during 2008. In addition, Henry County issued bonds in order to begin projects approved by the voters in November 2008. The new SPLOST IV agreement started collecting taxes in April 2015. The City received \$9,200,000 and \$7,325,000 in 2015 and 2008, respectively, from the County's bond issue. Projects approved by voters in the SPLOST referendum include public safety facilities and equipment, public works facilities and equipment, park improvements and roads, bridges, sidewalks and transportation facilities. As a condition of the Bonds, SPLOST Revenues were first used to pay the principle and interest on the bonds secured and guaranteed by Henry County SPLOST. Any remaining SPLOST Revenues were used to funds other SPLOST projects. During FY 2018, the City spent \$645 for public safety facilities and equipment; \$1,395,825 for roads, bridges and sidewalks; \$420,649 for parks and recreation, 663,201 for cultural, historic & recreation facilities, and \$1,355 for community development facilities.

The City also received Development Impact Fees during the year totaling \$437,932. These funds can only be expended for the category of system improvements (public safety and parks) within the service area for which the fee was assessed and collected. During FY 2018 this fund expended \$689,283 for public safety and \$25,318 for administrative purposes.. The fund balance of this fund at June 30, 2018 amounted to \$961,604.

The Urban Redevelopment Authority (URA) received proceeds from revenue bonds of \$4,235,000 and bond issuance premiums of \$185,132 during FY 2016. In addition, it benefited from the receipt of a transfer-in from the Water Sewer Fund of \$250,000, and \$279,020 from the General Fund. The URA expended \$2,768 during FY 2018 towards the construction of the McDonough Municipal Courthouse which was 100 percent complete as of June 30, 2018. The URA paid \$140,000 of bond principal and \$204,044 of bond interest during the year ended June 30, 2018.

## Financial Analysis of the Business-type Funds

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

Unrestricted net position (deficit) of the proprietary funds at the end of the year was \$8,553,666 of which the Water and Sewer Fund had \$5,767,758; Solid Waste Management Fund had (\$54,079); the Storm Water Management Fund had \$2,839,987; and the Cemetery Enterprise Fund had \$0.

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



## City of McDonough

### General Fund Budgetary Highlights

The original general fund budgeted expenditures of \$16,660,805 were amended to a total of \$16,770,506 or 101 percent of the original budget. Budget amendments were made mainly for the increase in insurance costs and capital outlays.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities at June 30, 2018, amounted to \$61,044,216, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, construction in progress, automobiles and equipment, sidewalks, bridges and roads.

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

#### Construction in Progress:

Park Improvements	\$	425,447	
Phillips Drive Improvements		25,557	
Sidewalk Connectivity		280,600	
C.O. Polk Museum Improvements		651,884	
Water Sewer Plant Expansion		1,152,086	
Police Precinct Building		29,364	\$ 2,564,938

#### Property Plant & Equipment:

##### Governmental Activities:

Land acquisition	556,431	
Building acquisition and improvements	345,619	
Water line relocation - D.O.T. Project	524,080	
Vehicles - Public Safety	671,118	
Vehicles - Public Works	89,735	
Vehicles - Building Inspection	50,791	
Emergency generators	211,707	
Computer equipment and data storage	56,396	
Other Machinery and equipment	132,102	2,637,979

##### Business-Type Activities:

Pole barn structures	73,100	
Neptune meters- Water and Sewer	113,938	
Water lines and drainage improvements	163,616	
Other machinery and equipment	117,789	
Vehicles and vacuum truck - Stormwater	245,791	714,234

<b>Total Capital Asset Events</b>		<b>\$ 5,917,151</b>
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Additional information on the City's capital assets can be found in note 7.

## City of McDonough

**Long-term debt.** At the end of the current fiscal year, the City had \$14,633,745 in outstanding debt consisting of the following:

### Governmental Activities:

Accrued Compensated Absences	\$ 249,342
Series 2015 Revenue Bonds	3,980,000
Bond Premium	164,094
Capital Leases	23,624
Unearned Rental Income (Obligation)	145,713
Net Pension Obligation	3,467,518
Net OPEB Obligation	<u>786,276</u>
Total Government Activities	<u>8,816,567</u>

### Business-Type Activities:

Series 2014 Revenue Bonds	2,152,000
GEFA Notes Payable	2,601,730
Net Pension Liability	866,879
Net OPEB Liability	<u>196,569</u>
Total Business-Type Activities	<u>5,817,178</u>

Total Long-Term Debt	<u>\$ 14,633,745</u>
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The City's total long-term debt decreased by a net of \$862,503 during the year ended June 30, 2018.

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

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

## Status of the City of McDonough's Economy

- The unemployment rate for the regional development center in which the City of McDonough is located was approximately 4.40 percent which is consistent with the state and national rates. Inflationary trends in the region compare favorably to national indices. Recent job growth in the region was 1.5%. Future job growth over the next 10 years is predicted to be 25% to 30%.
- Building permits, both commercial and residential, have shown significant increases in recent months.
- Local option sales tax receipts continue to meet budgeted expectations.

## Requests for Information

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

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

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**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets and Deferred Outflows</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 308,909	\$ 3,121,394	\$ 3,430,303
Investments	7,513,219	5,928,956	13,442,175
Receivables, net			
Taxes	750,812	-	750,812
Fines	165,405	-	165,405
Accounts	-	1,204,382	1,204,382
Intergovernmental	-	-	-
Other	9,902	-	9,902
Internal balances	-	-	-
Prepaid items	478,923	35,001	513,924
Restricted assets			
Cash	4,611,808	352,898	4,964,706
Investments	4,064,915	-	4,064,915
Non-depreciable capital assets	13,818,074	3,459,856	17,277,930
Depreciable capital assets, net	28,007,938	15,758,348	43,766,286
<b>Total Assets</b>	<u>59,729,905</u>	<u>29,860,835</u>	<u>89,590,740</u>
<b>Deferred Outflows</b>			
Deferred pension outflows	<u>1,057,307</u>	<u>264,327</u>	<u>1,321,634</u>
<b>Total Assets and Deferred Outflows</b>	<u>60,787,212</u>	<u>30,125,162</u>	<u>90,912,374</u>

See accompanying notes to the basic financial statements.

Continued

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
<b>Liabilities</b>			
Accounts payable			
Trade	\$ 275,800	\$ 271,008	\$ 546,808
Construction	-	255,367	255,367
Accrued liabilities			
Salaries	70,850	-	70,850
Compensated absences	-	50,637	50,637
Customer deposits	44,540	197,286	241,826
Other	77,184	-	77,184
Unearned revenues	2,026	-	2,026
Liabilities payable from restricted assets			
Revenue bonds	-	302,000	302,000
Notes payable	-	136,515	136,515
Accrued interest	113	20,789	20,902
Accounts payable	178,112	-	178,112
Long-term liabilities			
Due within one year	255,053	-	255,053
Due in more than one year	8,561,514	5,378,663	13,940,177
<b>Total Liabilities</b>	<u>9,465,192</u>	<u>6,612,265</u>	<u>16,077,457</u>
<b>Deferred Inflows</b>			
Deferred pension inflows	567,438	141,859	709,297
<b>Total Liabilities and Deferred Inflows</b>	<u>10,032,630</u>	<u>6,754,124</u>	<u>16,786,754</u>
<b>NET POSITION</b>			
Net investment in capital assets	37,512,581	14,464,474	51,977,055
Restricted for			
Perpetual care			
Expendable	22,552	-	22,552
Nonexpendable	171,600	-	171,600
Police activities	-	-	-
Capital projects	8,280,065	-	8,280,065
Promotional activities	-	-	-
Debt covenants	-	352,898	352,898
Unrestricted	4,767,784	8,553,666	13,321,450
<b>Total Net Position</b>	<u>\$ 50,754,582</u>	<u>\$ 23,371,038</u>	<u>\$ 74,125,620</u>

See accompanying notes to the basic financial statements.

Concluded

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 3,057,434	\$ 231,816	\$ -	\$ 13,607
Public Safety and Courts	8,726,590	1,202,104	20,000	373,990
Public Works	1,998,333	39,103	-	1,240,719
Cemetery	26,572	1,000	-	-
Parks and Recreation	504,432	-	-	494,056
Community Development	589,421	811,059	-	259,122
Economic Development	974,434	59,045	8,964	-
Code Enforcement	161,152	-	-	-
Interest	129,718	-	-	-
Bond issuance costs and fees	-	-	-	-
Total Governmental Activities	<u>16,168,086</u>	<u>2,344,127</u>	<u>28,964</u>	<u>2,381,494</u>
<b>Business-Type Activities</b>				
Water	2,720,391	2,811,167	-	427,449
Sewer	1,426,150	2,258,213	-	366,468
Cemetery Enterprise	-	-	-	-
Solid Waste Management	1,927,725	1,901,092	-	-
Storm Water Management	832,939	838,257	-	-
Total Business-Type Activities	<u>6,907,205</u>	<u>7,808,729</u>	<u>-</u>	<u>793,917</u>
<b>Total Government</b>	<u>\$ 23,075,291</u>	<u>\$ 10,152,856</u>	<u>\$ 28,964</u>	<u>\$ 3,175,411</u>

**General Revenues**

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

Investment earnings

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year, Adjusted

Net Position - End of Year

See accompanying notes to the basic financial statements.

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (2,812,011)	\$ -	\$ (2,812,011)
(7,130,496)	-	(7,130,496)
(718,511)	-	(718,511)
(25,572)	-	(25,572)
(10,376)	-	(10,376)
480,760	-	480,760
(906,425)	-	(906,425)
(161,152)	-	(161,152)
(129,718)	-	(129,718)
<u>(11,413,501)</u>	<u>-</u>	<u>(11,413,501)</u>
-	518,225	518,225
-	1,198,531	1,198,531
-	-	-
-	(26,633)	(26,633)
-	5,318	5,318
-	<u>1,695,441</u>	<u>1,695,441</u>
<u>(11,413,501)</u>	<u>1,695,441</u>	<u>(9,718,060)</u>
3,801,007	-	3,801,007
1,207,349	-	1,207,349
3,546,756	-	3,546,756
661,324	-	661,324
1,463,138	-	1,463,138
432,799	-	432,799
1,496,576	-	1,496,576
101,513	-	101,513
95,115	62,580	157,695
109,513	21,627	131,140
12,915,090	84,207	12,999,297
440,000	(440,000)	-
<u>13,355,090</u>	<u>(355,793)</u>	<u>12,999,297</u>
1,941,589	1,339,648	3,281,237
48,812,993	22,031,390	70,844,383
<u>\$ 50,754,582</u>	<u>\$ 23,371,038</u>	<u>\$ 74,125,620</u>

**CITY OF McDONOUGH, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	GENERAL	SPLOST III	SPLOST IV
<b>ASSETS</b>			
Cash and cash equivalents	\$ 308,909	\$ 629,500	\$ 3,106,796
Investments	7,513,219	19,343	3,591,837
Receivables			
Taxes	494,711	-	-
Intergovernmental	-	-	-
Fines	165,405	-	-
Other	4,214	57	5,631
Due from other funds	294,818	-	-
Prepaid items	478,923	-	-
Total Assets	<u>\$ 9,260,199</u>	<u>\$ 648,900</u>	<u>\$ 6,704,264</u>
<b>LIABILITIES</b>			
Accounts payable			
Trade	\$ 275,800	\$ -	\$ -
Construction	-	-	48,207
Accrued expenditures			
Payroll	70,850	-	-
Court Bonds	44,540	-	-
Other	77,184	-	-
Unearned revenues	2,026	-	-
Due to other funds	8,635	-	27,351
Total Liabilities	<u>479,035</u>	<u>-</u>	<u>75,558</u>
<b>DEFERRED INFLOWS</b>			
Unavailable revenues	<u>192,535</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Nonspendable -			
Prepaid items	478,923	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	648,900	6,628,706
Cemetery	-	-	-
Committed -			
Stabilization reserve	1,500,000	-	-
Assigned -			
Appropriated for next year's budget	750,000	-	-
Unassigned	5,859,706	-	-
Total Fund Balance	<u>8,588,629</u>	<u>648,900</u>	<u>6,628,706</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 9,260,199</u>	 <u>\$ 648,900</u>	 <u>\$ 6,704,264</u>

See accompanying notes to the financial statements.



DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 705,032	\$ 119,457	\$ 51,023	\$ 4,920,717
261,431	-	192,304	11,578,134
-	-	256,101	750,812
-	-	-	-
-	-	-	165,405
-	-	-	9,902
8,635	-	-	303,453
-	-	-	478,923
<u>\$ 975,098</u>	<u>\$ 119,457</u>	<u>\$ 499,428</u>	<u>\$ 18,207,346</u>
\$ -	\$ -	\$ 112,044	\$ 387,844
13,494	4,367	-	66,068
-	-	-	70,850
-	-	-	44,540
-	-	-	77,184
-	-	-	2,026
-	74,235	193,232	303,453
<u>13,494</u>	<u>78,602</u>	<u>305,276</u>	<u>951,965</u>
-	-	-	192,535
-	-	-	478,923
-	-	171,600	171,600
961,604	40,855	-	8,280,065
-	-	22,552	22,552
-	-	-	1,500,000
-	-	-	750,000
-	-	-	5,859,706
<u>961,604</u>	<u>40,855</u>	<u>194,152</u>	<u>17,062,846</u>
<u>\$ 975,098</u>	<u>\$ 119,457</u>	<u>\$ 499,428</u>	<u>\$ 18,207,346</u>

**CITY OF McDONOUGH, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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

Total fund balances -- total governmental funds	\$ 17,062,846
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,826,012
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	192,535
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:	
Deferred outflows	1,057,307
Deferred inflows	(567,438)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital lease	(23,624)
Long-term portion of compensated absences	(249,342)
Bonds payable	(3,980,000)
Unamortized bond premium	(164,094)
Unearned rental revenue (obligation)	(145,713)
Accrued interest	(113)
Net pension liability	(3,467,518)
Net OPEB liability	(786,276)
Net position of governmental activities.	<u>\$ 50,754,582</u>

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

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**CITY OF McDONOUGH, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	GENERAL	SPLOST III	SPLOST IV
<b>REVENUES</b>			
Taxes	\$ 11,185,555	\$ -	\$ -
Licenses and permits			
Business license	192,608	-	-
Building permits and fees	619,652	-	-
Intergovernmental	28,964	-	1,874,477
Charges for services	198,188	-	-
Fines and forfeitures	1,201,407	-	-
Interest	92,572	671	64,959
Miscellaneous	156,454	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	13,675,400	671	1,939,436
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current			
Governing Body	312,015	-	-
General Administration	2,412,412	-	-
Municipal Court	917,051	-	-
Probation	235,190	-	-
Public Safety	6,767,822	-	-
Highways & Streets	1,207,100	-	-
Cemetery	20,961	-	-
Parks and Recreation	275,200	-	-
Community Development	576,301	-	-
Economic Development	302,638	-	-
Code Enforcement	159,275	-	-
Debt service			
Principal	47,289	-	-
Interest	2,753	-	-
Bond issuance costs	-	-	-
Capital outlay	1,511,876	43,331	2,438,344
	<hr/>	<hr/>	<hr/>
Total Expenditures	14,747,883	43,331	2,438,344
	<hr/>	<hr/>	<hr/>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ -	\$ 1,496,576	\$ 12,682,131
-	-	-	192,608
-	-	-	619,652
-	-	-	1,903,441
437,932	-	-	636,120
-	-	158	1,201,565
3,458	-	2,543	164,203
-	-	-	156,454
441,390	-	1,499,277	17,556,174
-	-	-	312,015
25,318	-	-	2,437,730
-	-	-	917,051
-	-	-	235,190
-	-	226	6,768,048
-	-	-	1,207,100
-	-	-	20,961
-	-	-	275,200
-	-	-	576,301
-	-	669,602	972,240
-	-	-	159,275
-	140,000	-	187,289
-	204,044	-	206,797
-	-	-	-
689,283	2,768	7,119	4,692,721
714,601	346,812	676,947	18,967,918

Continued

**CITY OF McDONOUGH, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ (1,072,483)	\$ (42,660)	\$ (498,908)
Other Financing Sources (Uses)			
Proceeds from debt issue	-	-	-
Proceeds from disposition of capital asset	48,207	-	-
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers	990,011	-	-
Total Other Financing Sources (Uses)	<u>1,038,218</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(34,265)	(42,660)	(498,908)
Fund Balance - Beginning of Year	<u>8,622,894</u>	<u>691,560</u>	<u>7,127,614</u>
Fund Balance - End of Year	<u>\$ 8,588,629</u>	<u>\$ 648,900</u>	<u>\$ 6,628,706</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>\$ (273,211)</u>	<u>\$ (346,812)</u>	<u>\$ 822,330</u>	<u>\$ (1,411,744)</u>
-	-	-	-
-	-	-	48,207
-	-	-	-
-	-	-	-
<u>-</u>	<u>276,963</u>	<u>(826,974)</u>	<u>440,000</u>
<u>-</u>	<u>276,963</u>	<u>(826,974)</u>	<u>488,207</u>
(273,211)	(69,849)	(4,644)	(923,537)
<u>1,234,815</u>	<u>110,704</u>	<u>198,796</u>	<u>17,986,383</u>
<u>\$ 961,604</u>	<u>\$ 40,855</u>	<u>\$ 194,152</u>	<u>\$ 17,062,846</u>

Concluded

**CITY OF McDONOUGH, GEORGIA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balances -- total governmental funds \$ (923,537)

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	4,039,181
Depreciation	(1,491,380)

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

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

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

28,867

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	187,289
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	(85,674)
Change in net pension liability and related deferred items	93,191
Change in unearned rental income (obligation)	36,429
Change in accrued interest	68,664
Amortization of bond premium	8,415
Change in long-term portion of accrued compensated absences	(19,856)

Change in net position of governmental activities. \$ 1,941,589

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, 2018**

	Budget Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 11,028,150	\$ 11,028,150	\$ 11,185,555	\$ 157,405
Licenses and permits				
Business license	201,000	201,000	192,608	(8,392)
Building permits and fees	446,000	446,000	619,652	173,652
Intergovernmental	128,000	156,964	28,964	(128,000)
Charges for services	89,050	89,450	198,188	108,738
Fines and forfeitures	1,855,000	1,855,000	1,201,407	(653,593)
Interest	12,355	12,355	92,572	80,217
Administration fees *	354,000	362,000	362,400	400
Miscellaneous	116,700	159,700	156,454	(3,246)
Total Revenues	<u>14,230,255</u>	<u>14,310,619</u>	<u>14,037,800</u>	<u>(272,819)</u>
<b>EXPENDITURES</b>				
Current				
Governing Body	400,502	378,722	312,015	66,707
General Government -				
City Administrator	712,973	738,183	1,089,454	(351,271)
City Clerk	1,023,782	1,023,782	917,202	106,580
Finance	451,986	483,986	469,605	14,381
Legal	202,741	202,741	172,348	30,393
IT	832,533	832,533	688,722	143,811
Human Resources	247,207	247,207	219,876	27,331
Municipal Court	1,124,053	1,124,053	917,051	207,002
Probation	274,645	280,145	235,190	44,955
Public Safety -				
Police	5,339,502	5,440,502	4,780,079	660,423
Fire	2,557,006	2,578,681	2,464,531	114,150
Highways & Streets	1,281,851	1,424,701	1,329,690	95,011
Cemetery	31,090	31,090	20,961	10,129
Parks and Recreation	403,096	406,060	338,814	67,246
Community Development				
Planning and Zoning	571,665	582,590	354,507	228,083
Building Inspection	325,277	332,727	275,359	57,368
Economic Development				
Main Street	331,741	362,041	304,994	57,047
Business Development	18,000	18,000	10,568	7,432
Code Enforcement	129,308	157,878	159,275	(1,397)
Debt Service**	401,847	124,884	50,042	74,842
Capital outlay **	-	-	-	-
Total Expenditures	<u>16,660,805</u>	<u>16,770,506</u>	<u>15,110,283</u>	<u>1,660,223</u>

See accompanying notes to the financial statements.

Continued

**CITY OF McDONOUGH, GEORGIA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts			
	Original	Final	Actual	Variance
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ (2,430,550)	\$ (2,459,887)	\$ (1,072,483)	\$ 1,387,404
Other Financing Sources and (Uses)				
Proceeds from capital leases	574,726	870,037	-	(870,037)
Proceeds from disposition of assets	8,400	-	48,207	48,207
Transfers	1,127,324	1,279,186	990,011	(289,175)
Total Other Financing Sources (Uses)	1,710,450	2,149,223	1,038,218	(1,111,005)
Net Change in Fund Balance	(720,100)	(310,664)	(34,265)	276,399
Fund Balance - Beginning of Year	8,622,894	8,622,894	8,622,894	-
Fund Balance - End of Year	\$ 7,902,794	\$ 8,312,230	\$ 8,588,629	\$ 276,399

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

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

See accompanying notes to the financial statements.

Concluded

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current Assets			
Cash	\$ 1,506,088	\$ 54,401	\$ 1,560,905
Investments	5,024,422	-	904,534
Receivables			
Accounts (net)	623,863	89,245	491,274
Other	-	-	-
Due from other funds	-	-	-
Due from other government	-	-	-
Prepaid expenses	29,887	2,711	2,403
Restricted Assets			
Cash	352,898	-	-
Total Current Assets	<u>7,537,158</u>	<u>146,357</u>	<u>2,959,116</u>
Noncurrent Assets			
Capital assets			
Land	1,144,569	-	222,162
Buildings	953,543	-	166,141
Improvements other than buildings	24,440,567	-	2,418,686
Machinery and equipment	1,463,194	96,566	673,743
Autos and trucks	668,505	77,919	292,365
Construction in progress	1,267,091	-	-
Accumulated depreciation	(14,752,509)	(128,997)	(648,394)
Capital assets (net of depreciation)	<u>15,184,960</u>	<u>45,488</u>	<u>3,124,703</u>
Total Assets	<u>22,722,118</u>	<u>191,845</u>	<u>6,083,819</u>
Deferred Outflows			
Deferred pension outflows	<u>224,678</u>	<u>13,216</u>	<u>26,433</u>
Total Assets and Deferred Outflows	<u>22,946,796</u>	<u>205,061</u>	<u>6,110,252</u>

See accompanying notes to the basic financial statements.

Continued

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 3,121,394
-	5,928,956
-	1,204,382
-	-
-	-
-	35,001
-	352,898
-	10,642,631
826,034	2,192,765
-	1,119,684
37,019	26,896,272
-	2,233,503
-	1,038,789
-	1,267,091
-	(15,529,900)
863,053	19,218,204
863,053	29,860,835
-	264,327
863,053	30,125,162

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current Liabilities			
Accounts payable			
Trade	\$ 99,645	\$ 150,851	\$ 20,512
Construction	255,367	-	-
Accrued liabilities			
Deposits	197,286	-	-
Accrued compensated absences	43,582	2,536	4,519
Accrued salaries	-	-	-
Due to other funds	-	-	-
Current liabilities payable from restricted assets			
Revenue bonds	302,000	-	-
Notes payable	136,515	-	-
Accrued interest	20,789	-	-
Total Current Liabilities	<u>1,055,184</u>	<u>153,387</u>	<u>25,031</u>
Noncurrent Liabilities			
Revenue bonds	1,850,000	-	-
Notes payable	2,465,215	-	-
Net pension liability	736,847	43,344	86,688
Net OPEB liability	167,084	9,828	19,657
Total Noncurrent Liabilities	<u>5,219,146</u>	<u>53,172</u>	<u>106,345</u>
Total Liabilities	<u>6,274,330</u>	<u>206,559</u>	<u>131,376</u>
Deferred Inflows			
Deferred pension inflows	<u>120,580</u>	<u>7,093</u>	<u>14,186</u>
Total Liabilities and Deferred Inflows	<u>6,394,910</u>	<u>213,652</u>	<u>145,562</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,431,230	45,488	3,124,703
Restricted under debt ordinance	352,898	-	-
Unrestricted	<u>5,767,758</u>	<u>(54,079)</u>	<u>2,839,987</u>
Total Net Position	<u>\$ 16,551,886</u>	<u>\$ (8,591)</u>	<u>\$ 5,964,690</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 271,008
-	255,367
-	197,286
-	50,637
-	-
-	-
-	302,000
-	136,515
-	20,789
-	<u>1,233,602</u>
-	1,850,000
-	2,465,215
-	866,879
-	196,569
-	<u>5,378,663</u>
-	<u>6,612,265</u>
-	141,859
-	<u>6,754,124</u>
863,053	14,464,474
-	352,898
-	<u>8,553,666</u>
<u>\$ 863,053</u>	<u>\$ 23,371,038</u>

**CITY OF McDONOUGH, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
<b>OPERATING REVENUES</b>			
Charges for services			
Water sales	\$ 2,662,224	\$ -	\$ -
Sewer charges	2,160,525	-	-
Sanitation fees	-	1,901,092	-
Storm water fees	-	-	838,257
Connection fees	-	-	-
Water	51,255	-	-
Sewer	-	-	-
Penalties and reconnect fees	180,275	-	-
Miscellaneous	15,101	-	-
Total Operating Revenues	<u>5,069,380</u>	<u>1,901,092</u>	<u>838,257</u>
<b>OPERATING EXPENSES</b>			
Purchased products / services	-	1,697,359	-
Personal services and benefits	1,789,551	80,889	224,059
Purchased / contracted services	475,531	39,488	282,997
Supplies	628,111	15,905	67,842
Cost allocations	210,145	64,032	39,823
Depreciation and amortization	784,498	15,527	183,218
Other	185,907	14,525	35,000
Total Operating Expenses	<u>4,073,743</u>	<u>1,927,725</u>	<u>832,939</u>
Operating Income (Loss)	<u>995,637</u>	<u>(26,633)</u>	<u>5,318</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest earned	50,618	-	11,962
Interest expense	(72,798)	-	-
Gain (Loss) on disposition of capital assets	21,627	-	-
Total Non-Operating Income (Expense)	<u>(553)</u>	<u>-</u>	<u>11,962</u>
Net Income before Transfers and Capital Contributions	995,084	(26,633)	17,280
Capital Contributions			
Water	427,449	-	-
Sewer	366,468	-	-
Cemetery	-	-	-
Transfers	<u>(440,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,349,001	(26,633)	17,280
Net Position - Beginning of Year (Adjusted)	<u>15,202,885</u>	<u>18,042</u>	<u>5,947,410</u>
Net Position - End of Year	<u>\$ 16,551,886</u>	<u>\$ (8,591)</u>	<u>\$ 5,964,690</u>

See accompanying notes to the basic financial statements.



<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 2,662,224
-	2,160,525
-	1,901,092
-	838,257
-	51,255
-	-
-	180,275
-	15,101
<u>-</u>	<u>7,808,729</u>
-	1,697,359
-	2,094,499
-	798,016
-	711,858
-	314,000
-	983,243
-	235,432
<u>-</u>	<u>6,834,407</u>
-	974,322
-	62,580
-	(72,798)
-	21,627
<u>-</u>	<u>11,409</u>
-	985,731
-	427,449
-	366,468
-	-
<u>-</u>	<u>(440,000)</u>
-	1,339,648
<u>863,053</u>	<u>22,031,390</u>
<u>\$ 863,053</u>	<u>\$ 23,371,038</u>

**CITY OF McDONOUGH, GEORGIA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Cash flows from operating activities:			
Cash received from customers and users	\$ 5,070,154	\$ 1,920,403	\$ 821,500
Cash paid to suppliers for goods	(2,005,456)	(1,850,763)	(474,135)
Cash paid to employees	(1,254,159)	(44,417)	(162,003)
Net Cash Flows from Operating Activities	<u>1,810,539</u>	<u>25,223</u>	<u>185,362</u>
Cash flows from investing activities:			
Interest received	50,618	-	11,962
(Purchase) / redemption of investments	(1,252,678)	-	(11,964)
Net Cash Flows from Investing Activities	<u>(1,202,060)</u>	<u>-</u>	<u>(2)</u>
Cash flows from non-capital financing activities:			
Transfers	(440,000)	-	-
Change in due to/from other funds	-	-	-
Net Cash Flows from Non-Capital Financing Activities	<u>(440,000)</u>	<u>-</u>	<u>-</u>
Cash flows from capital financing activities:			
Purchases / construction of capital assets	(1,201,242)	-	(409,710)
Capital contributions	793,917	-	-
Principal payments on long-term debt	(431,618)	-	-
Change in net pension liability	(55,369)	(3,257)	(6,514)
Change in net OPEB liability	18,206	1,072	2,140
Proceeds from disposition of capital assets	21,627	-	-
Interest paid	(75,408)	-	-
Net Cash Flows from Capital Financing Activities	<u>(929,887)</u>	<u>(2,185)</u>	<u>(414,084)</u>
Net Change in Cash and Cash Equivalents	(761,408)	23,038	(228,724)
Cash and Cash Equivalents - Beginning	<u>2,620,394</u>	<u>31,363</u>	<u>1,789,629</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,858,986</u>	<u>\$ 54,401</u>	<u>\$ 1,560,905</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 7,812,057
-	(4,330,354)
-	(1,460,579)
<u>-</u>	<u>2,021,124</u>
-	62,580
-	(1,264,642)
<u>-</u>	<u>(1,202,062)</u>
-	(440,000)
<u>-</u>	<u>-</u>
-	(440,000)
-	(1,610,952)
-	793,917
-	(431,618)
-	(65,140)
-	21,418
-	21,627
<u>-</u>	<u>(75,408)</u>
-	(1,346,156)
-	(967,094)
- 0	4,441,386
<u>\$ -</u>	<u>\$ 3,474,292</u>

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

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

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Operating Income (Loss)	\$ 995,637	\$ (26,633)	\$ 5,318
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	784,498	15,527	183,218
(Increase) decrease in -			
Accounts receivable	(1,179)	19,311	(16,757)
Prepaid expense	(3,084)	808	(463)
Deferred outflows	(28,464)	(1,674)	(3,349)
Increase (decrease) in -			
Accounts payable	1,345	14,221	9,612
Deposits	1,953	-	-
Deferred inflows	64,029	3,767	7,533
Accrued liabilities	(4,196)	(104)	250
Total Adjustments	<u>814,902</u>	<u>51,856</u>	<u>180,044</u>
Net Cash Flows from Operating Activities	<u>\$ 1,810,539</u>	<u>\$ 25,223</u>	<u>\$ 185,362</u>

**NON-CASH TRANSACTIONS**

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

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 974,322
-	983,243
-	1,375
-	(2,739)
-	(33,487)
-	25,178
-	1,953
-	75,329
-	(4,050)
-	1,046,802
\$ -	\$ 2,021,124
\$ -	\$ -

**CITY OF McDONOUGH, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**A. Basis of Presentation**

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

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

**B. The Reporting Entity**

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

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

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

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

(See Independent Auditor's Report)

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

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

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

**Blended Component Unit --**

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

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

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

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

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

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

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

(See Independent Auditor's Report)

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

**Proprietary Fund Type, Continued --**

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

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

**E. Measurement Focus**

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

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

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

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

**F. Basis of Accounting**

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

**1. Accrual**

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

(See Independent Auditor's Report)

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

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

**F. Basis of Accounting, continued**

**2. Modified Accrual:**

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

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

**G. Cash and Investments**

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

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2018:

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

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

**H. Inventory**

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

(See Independent Auditor's Report)

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

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

**I. Prepaid Expenses**

Payments made to vendors for service that will benefit periods beyond June 30, 2018 are recorded as prepaid items and are expensed during the period benefited

**J. Restricted Assets**

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

**K. Capital Assets**

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

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized in the Water and Sewer Fund during the year ended June 30, 2018. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

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

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

(See Independent Auditor's Report)

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

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

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

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

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

**N. Revenues**

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

**O. Expenditures**

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

**P. Compensated Absences**

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

**Q. Interfund Activity**

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

**R. Encumbrances**

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

(See Independent Auditor's Report).

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has one item that qualifies for reporting in this category as of June 30, 2018 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 inflows in its Statements of Net Position and also recognizes unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and probation fines.

**T. Net Position**

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

The City's government-wide statement of net position reports \$8,827,115 of restricted net position, of which \$8,239,210 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, 2018, 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.

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

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

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

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

**Unassigned** – all other spendable amounts.

As of June 30, 2018, fund balances are composed of the following:

	<u>General</u>	<u>SPLOST Funds</u>	<u>Development Impact Fee</u>	<u>Urban Redevelopment Authority</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable						
Prepays	\$ 478,923	\$ -	\$ -	\$ -	\$ -	\$ 478,923
Cemetery Trust Corpus	-	-	-	-	171,600	171,600
Restricted -						
Capital projects	-	7,277,606	961,604	40,855	-	8,280,065
Cemetery	-	-	-	-	22,552	22,552
Committed -						
Stabilization reserve	1,500,000	-	-	-	-	1,500,000
Assigned -						
Appropriated for 2018 budget	750,000	-	-	-	-	750,000
Unassigned	<u>5,859,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,859,706</u>
 Total Fund Balances	 <u>\$ 8,588,629</u>	 <u>\$ 7,277,606</u>	 <u>\$ 961,604</u>	 <u>\$ 40,855</u>	 <u>\$ 194,152</u>	 <u>\$ 17,062,846</u>

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

**V. Contributions of Capital**

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

**W. Estimates**

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

(See Independent Auditor's Report)

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

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

**X. Budgets and Budgetary Accounting**

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

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a department. Budgets, as reported in the financial statements, are as originally approved or as amended in December 2018. 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, 2018, \$7,983,515 of the government's bank balance of \$8,862,061 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent	7,983,515
Total	<u>\$ 7,983,515</u>

**Investments**

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

The City's investments are classified as follows at June 30, 2018:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturities</u>	<u>Rating</u>	<u>Organization</u>
All Funds With Investments -				
Georgia Fund 1	\$ 17,507,090	10	AAAf	S&P

(See Independent Auditor's Report).

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

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

**Investments , continued**

“Georgia Fund 1”, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standards and Poor’s criteria for AAAA-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 18, 2016 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, 2018 amounted to \$ 83,316.

**4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES**

Intergovernmental revenues and receivables reported in the governmental fund financial statements for the year ended June 30, 2018 consist of the following:

	Receivable	Revenues
General Fund		
GMA Safety and Liability Grant	\$ -	\$ 20,000
Henry County Chamber Grant	-	8,964
SPLOST Funds		
Henry County - SPLOST	-	1,422,518
Department of Transportation	-	451,959
	<u>\$ -</u>	<u>\$ 1,903,441</u>

**5. RECEIVABLES**

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

<b>Governmental Funds</b>	General	SPLOST	Non-Major	Total
Taxes	\$ 494,711	\$ -	\$ 256,101	\$ 750,812
Fines	330,810	-	-	330,810
Other	4,214	5,688	-	9,902
Intergovernmental	-	-	-	-
Gross receivables	829,735	5,688	256,101	1,091,524
Less allowance for bad debt	(165,405)	-	-	(165,405)
Net Total Receivables	<u>\$ 664,330</u>	<u>\$ 5,688</u>	<u>\$ 256,101</u>	<u>\$ 926,119</u>
<b>Proprietary Funds</b>	Water/Sewer	Solid Waste	Stormwater	Total
Accounts	\$ 1,173,863	\$ 249,245	\$ 801,274	\$ 2,224,382
Less allowance for bad debt	(550,000)	(160,000)	(310,000)	(1,020,000)
Net Total Receivable	<u>\$ 623,863</u>	<u>\$ 89,245</u>	<u>\$ 491,274</u>	<u>\$ 1,204,382</u>

(See Independent Auditor’s Report).



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

**6. INTER-FUND TRANSACTIONS**

Individual fund interfund receivable and payable balances at June 30, 2018 were as follows:

Payable From	Payable To		
	General Fund	Dev. Impact Fee Fund	Total
General	\$ -	\$ 8,635	\$ 8,635
SPLOST IV	27,351	-	27,351
Urban Redevelopment	74,235	-	74,235
Non-Major	193,232	-	193,232
Totals	<u>\$ 294,818</u>	<u>\$ 8,635</u>	<u>\$ 303,453</u>

The City's General Fund's operating bank account receives all deposits from the general fund and water and sewer fund operations. All monies collected for the Water and Sewer Fund and all expenditures paid for the Water and Sewer Fund are made through the General Fund's operating bank account. The amount due from Development Impact Fund to the General Fund of \$8,864 is for expenses paid by the General Fund which the Development Impact Fee Fund has not yet repaid. The SPLOST Funds owed the General Fund \$27,351 for expenditures paid by the General Fund and not reimbursed by the SPLOST Funds as of June 30, 2018.

Individual fund interfund transfers for the year ended June 30, 2018 were as follows:

Transfer To	Transfer From			
	General	Non- Major	Water & Sewer	Totals
General	\$ -	\$ 826,974	\$ 440,000	\$ 1,266,974
Cemetery	-	-	-	-
Urban Redevelopment Authority	276,963	-	-	276,963
Solid Waste	-	-	-	-
	<u>\$ 276,963</u>	<u>\$ 826,974</u>	<u>\$ 440,000</u>	<u>\$ 1,543,937</u>

The City created the Hotel / Motel Tax Fund during 2006 in order to comply with state law. The City reports the income from hotel / motel taxes in this fund along with the required payments to the McDonough Hospitality and Tourism Board and other qualifying expenditures. The remaining monies are transferred to the General Fund to help fund the General Fund budgetary appropriations. For the year ended June 30, 2018 the Hotel / Motel Tax Fund transferred \$826,974 to the General Fund and as of June 30, 2018 the Hotel / Motel Tax Fund owed the General Fund \$193,232 for unreimbursed expenditures and transfers. The Water and Sewer Fund transferred \$440,000 to the General Fund to support the fund balance of the General Fund. The General Fund transferred \$276,963 to the Urban Redevelopment Fund to finance debt service on the URA revenue bonds.

(See Independent Auditor's Report)

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

**7. PROPERTY, PLANT AND EQUIPMENT**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,327,787	\$ 556,431	\$ -	\$ 12,884,218
Construction in progress	1,896,586	1,401,202	(2,363,932)	933,856
Total	14,224,373	1,957,633	(2,363,932)	13,818,074
Capital assets being depreciated:				
Buildings	17,871,943	329,643	-	18,201,586
Improvements other than buildings	10,228,594	2,903,987	-	13,132,581
Vehicles, including related equipment	5,274,996	811,644	(302,044)	5,784,596
Machinery and equipment	4,332,579	400,205	-	4,732,784
Furniture and fixtures	610,530	-	-	610,530
Total capital assets being depreciated	38,318,642	4,445,479	(302,044)	42,462,077
Less accumulated depreciation for:				
Buildings	3,790,080	448,072	-	4,238,152
Improvements other than buildings	2,737,087	308,298	-	3,045,385
Vehicles, including related equipment	3,694,252	392,581	(302,044)	3,784,789
Machinery and equipment	2,752,018	317,757	-	3,069,775
Furniture and fixtures	291,367	24,671	-	316,038
Total accumulated depreciation	13,264,804	1,491,379	(302,044)	14,454,139
Total capital assets being depreciated, net	25,053,838	2,954,100	-	28,007,938
Governmental capital assets, net	\$ 39,278,211	\$ 4,911,733	\$ (2,363,932)	\$ 41,826,012

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

Administrative	\$ 208,496
Public Safety and Courts	876,877
Highways and Streets	188,758
Cemetery	4,543
Parks and Recreation	197,899
Community Development	6,242
Economic Development	8,564
Total depreciation expense	\$ 1,491,379

(See Independent Auditor's Report)

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,192,765	\$ -	\$ -	\$ 2,192,765
Construction in progress	115,005	1,152,086	-	1,267,091
Total	2,307,770	1,152,086	-	3,459,856
Capital assets being depreciated:				
Buildings	1,046,584	73,100	-	1,119,684
Improvements other than buildings	26,618,718	277,554	-	26,896,272
Machinery and equipment	2,115,714	117,789	-	2,233,503
Vehicles	826,798	245,791	(33,800)	1,038,789
Total capital assets being depreciated	30,607,814	714,234	(33,800)	31,288,248
Less accumulated depreciation for:				
Buildings	841,534	10,824	-	852,358
Improvements other than buildings	11,797,445	712,925	-	12,510,370
Machinery and equipment	1,316,633	166,760	-	1,483,393
Vehicles	624,845	92,734	(33,800)	683,779
Total capital assets being depreciated	14,580,457	983,243	(33,800)	15,529,900
Total capital assets being depreciated, net	16,027,357	(269,009)	-	15,758,348
Business-Type Activities capital assets, net	\$ 18,335,127	\$ 883,077	\$ -	\$ 19,218,204

Depreciation expense was charged to functions/programs as follows:

Water	\$ 258,884
Sewer	525,614
Storm Water	183,218
Solid Waste Management	15,527
Total depreciation expense	\$ 983,243

(See Independent Auditor's Report)

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

**8. UNAVAILABLE REVENUES**

Deferred revenues as of June 30, 2018, 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	\$ 97,845
Business licenses	6,385
Alcohol beverage taxes	13,219
Property taxes	<u>75,086</u>
Total unavailable revenues - Governmental Funds	<u>\$ 192,535</u>

**9. LONG-TERM DEBT**

**Changes in Long-Term Debt**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
Accrued Compensated Absences	\$ 229,485	\$ 354,257	\$ (334,400)	\$ 249,342	\$ 50,000
Revenue bonds	4,120,000	-	(140,000)	3,980,000	145,000
Bond premium	172,509	-	(8,415)	164,094	-
Capital Leases	70,913	-	(47,289)	23,624	23,624
Unearned Rental Income (Obligation)	182,142	-	(36,429)	145,713	36,429
Net Pension Liability	3,728,078	-	(260,560)	3,467,518	-
Net OPEB Liability	<u>700,602</u>	<u>85,674</u>	<u>-</u>	<u>786,276</u>	<u>-</u>
Total Governmental Activity					
Long-Term Debt	<u>\$ 9,203,729</u>	<u>\$ 439,931</u>	<u>\$ (827,093)</u>	<u>\$ 8,816,567</u>	<u>\$ 255,053</u>
<b>Business-Type Activities</b>					
Revenue Bonds	\$ 2,449,000	\$ -	\$ (297,000)	\$ 2,152,000	\$ 302,000
GEFA Notes Payable	2,736,349	-	(134,619)	2,601,730	136,515
Net Pension Liability	932,019	-	(65,140)	866,879	-
Net OPEB Liability	<u>175,151</u>	<u>21,418</u>	<u>-</u>	<u>196,569</u>	<u>-</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$ 6,292,519</u>	<u>\$ 21,418</u>	<u>\$ (496,759)</u>	<u>\$ 5,817,178</u>	<u>\$ 438,515</u>

The beginning balance for long-term debt and obligations has been restated due to the implementation of GASB 75 related to the City's OPEB Plan. For further discussions, see Note 21.

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

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

(See Independent Auditor's Report)

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

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

**Governmental Activities Long-Term Obligations -**

Governmental activities long-term obligations as of June 30, 2018 consist of the following:

**Capital Lease Obligations – See Note 10** \$ 23,624

Annual repayment requirements under the capital lease obligation agreements are as follows:

Year Ending 6/30	<u>CAPITAL LEASES</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 23,624</u>	<u>\$ 352</u>	<u>\$ 23,976</u>
Totals	<u>\$ 23,624</u>	<u>\$ 352</u>	<u>\$ 23,976</u>

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

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

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

\$3,980,000

(See Independent Auditor's Report)

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

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

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

Year Ending 6/30	REVENUE BONDS		
	Principal	Interest	Total
2019	\$ 145,000	\$ 134,163	\$ 279,163
2020	150,000	129,813	279,813
2021	155,000	125,313	280,313
2022	160,000	120,663	280,663
2023	165,000	115,862	280,862
2024	165,000	110,912	275,912
2025	175,000	105,962	280,962
2026	180,000	100,712	280,712
2027	185,000	94,862	279,862
2028	190,000	88,850	278,850
2029	195,000	82,200	277,200
2030	205,000	75,375	280,375
2031	210,000	68,200	278,200
2032	220,000	60,850	280,850
2033	230,000	54,250	284,250
2034	230,000	47,350	277,350
2035	240,000	38,150	278,150
2036	250,000	28,550	278,550
2037	260,000	18,550	278,550
2038	270,000	9,450	279,450
Totals	\$ 3,980,000	\$ 1,610,037	\$ 5,590,037

**Water and Sewer Long-Term Debt –**

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

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

Note payable to GEFA, in the total amount of \$3,000,000, interest at 1.4%, due in monthly installments of \$14,339 through June 2035.	<u>\$2,601,730</u>
Revenue Bonds Payable, Series 2014, in the amount of \$3,309,000, interest at 1.65%, due in annual installments of up to \$335,826 with varying maturity dates through July, 2026.	<u>\$2,152,000</u>

(See Independent Auditor's Report)

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

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

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

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

Year Ending 6/30	<u>NOTES PAYABLE</u>		<u>REVENUE BONDS</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 136,515	\$ 35,551	\$ 302,000	\$ 33,016	\$ 507,082
2020	138,439	33,627	307,000	27,992	507,058
2021	140,389	31,677	312,000	22,886	506,952
2022	142,367	29,699	219,000	18,505	409,571
2023	144,374	27,692	196,000	15,081	383,147
2024	146,407	25,659	199,000	11,822	382,888
2025	148,471	23,595	202,000	8,514	382,580
2026	150,562	21,504	206,000	5,148	383,214
2027	152,684	19,382	209,000	1,724	382,790
2028	154,836	17,230	-	-	172,066
2029	157,017	15,049	-	-	172,066
2030	159,229	12,837	-	-	172,066
2031	161,473	10,593	-	-	172,066
2032	163,748	8,318	-	-	172,066
2033	166,055	6,011	-	-	172,066
2034	168,395	3,671	-	-	172,066
2035	170,769	1,297	-	-	172,066
Totals	<u>\$ 2,601,730</u>	<u>\$ 323,392</u>	<u>\$ 2,152,000</u>	<u>\$ 144,688</u>	<u>\$ 5,221,810</u>

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.

(See Independent Auditor's Report)

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

**10. CAPITAL LEASE OBLIGATION**

During fiscal year ended June 30, 2014 the City entered into two capital lease obligations with a private corporation for the purchase of telephone and network equipment. The lease agreements principal amounts totaled \$219,750 and interest was imputed at 5%. The leased assets, which are being depreciated along with other capital assets, had depreciation expense of \$21,975 and accumulated depreciation of \$102,713 as of and for the year ended June 30, 2018.

The following is a schedule by year of the remaining minimum lease payments under the terms of the lease agreements together with the present value of the net minimum lease payments as of June 30, 2018:

<u>Fiscal Year</u>	<u>Amount</u>
2019	<u>\$ 23,976</u>
Less the amount representing interest	<u>(352)</u>
Present value of minimum lease payments	<u><u>\$ 23,624</u></u>

(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)	\$41,356,838
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, 2018, 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, 2018. No provisions have been made in the financial statements for the year ended June 30, 2018 for any estimate of potential unpaid claims.

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

(See Independent Auditor's Report)

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

**11. Risk Management (continued)**

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

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

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

**12. HOTEL / MOTEL TAX**

Prior to August 2013 the City levied a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 40% of the monies collected under this provision to the McDonough Tourism and Hospitality Organization, a not-for-profit entity. Starting in August 2013 the City began to levy an 8% hotel / motel tax in accordance with the provisions of O.C.G.A. 48-13-50. In order to comply with the expenditure requirements of this code section the City must expend 62.5% of the monies collected under this provision for the purpose of promoting tourism, conventions, trade shows or tourism product development. The following is a summary of the collections and expenditures for the year ended June 30, 2018:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 1,496,576	100.00%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 654,752	43.75%
Product development	\$ 280,608	18.75%

**13. RELATED ORGANIZATION**

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

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

(See Independent Auditor's Report)

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

**14. JOINT VENTURES**

**Atlanta Regional Commission**

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

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

**Flint Circuit Drug Task Force**

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

**15. CONTINGENCIES AND COMMITMENTS**

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

Development impact fee credits – During the year ended June 30, 2007, the City received public safety and park improvements from a private developer in the amount of \$6,812,407. As part of a development agreement with the developer, the developer contributed these improvements in exchange for Development Impact Fee Credits prior to being issued a building permit, which is when the fees are actually due. As of June 30, 2018, the developer had actually used approximately \$3,009,467 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$3,802,940. The City recognizes impact fees as revenues when received.

(See Independent Auditor's Report)

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

**15. CONTINGENCIES AND COMMITMENTS – Continued**

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

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

**16. EMPLOYEE BENEFIT PENSION PLANS**

**Deferred Compensation Plan-**

Under the terms of the deferred compensation plan, any employee can voluntarily defer receipt of up to 25% of gross compensation per year. Each participant selects one of three options to administer the investment of the deferred funds. All administration costs of the plan are deducted from the participants' accounts. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). Total amounts deferred by employees for the year ended June 30, 2018 amounted to \$65,831.

**Mayor and Council Retirement Plans-**

In 1999, the City created the City of McDonough Exclusive Benefit Governmental 401(a) Nontrusteed Retirement Plan, a defined contribution plan, for the retirement benefit of the Mayor and Council. The plan is administered by the Security Benefit Group and currently has 2 participants. In addition, the City created the 401a Defined Contribution Plan which began January 1, 2011 and is administered by the Georgia Municipal Employees Benefit System (GMEBS). The two plans provide that the City should contribute the amount of compensation allowed under IRS regulations for each participant's account. The balance in the account shall become distributable in accordance with the payout options in the annuity contract. Annual contributions to the plans are determined by the City Council and can be up to 100% of eligible salaries. For the year ended June 30, 2018, contributions to the plans amounted to \$39,972, which is 44.4% of eligible salaries. The amount of payroll covered under the plan for the year ended June 30, 2018 amounted to \$90,149. This plan was established by an adoption agreement executed by the City Council.

(See Independent Auditor's Report)

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

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

**Defined Benefit Plan – GMA Administered**

**Plan Description**

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

As provided by State law, benefit provisions for Participants in GMEBS are established and amended by the respective employers. As authorized by the City Council, the Plan provides pension benefits and death and disability benefits for Plan members and beneficiaries. All employees, excluding elected officials, who work thirty hours or more per week, are eligible to participate immediately upon hiring. Benefits vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2.00% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he or she has a minimum of 25 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Ten years of service is required for nonservice related disability benefits. Disability benefits are paid out at 20% of an employee's current salary. Death benefits are calculated using an actuarial reserve.

At January 1, 2018, the date of the most recent actuarial valuation, there were 225 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	29
Terminated vested participants not yet receiving benefits	38
Active employees - vested	90
Active employees - nonvested	<u>68</u>
Total	<u>225</u>

**Contributions**

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standard law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For fiscal year 2018, the actuarially determined contribution rate was 12.19% of covered payroll.

For fiscal year ended June 30, 2018, the City's recommended and actual contribution was \$869,950 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, 2018 and the Statements of Net Position for the fiscal year ended June 30, 2018 amounted to \$755,368.

(See Independent Auditor's Report)

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

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

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

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

At June 30, 2018, the City reported a liability of \$4,334,397 for its net pension liability. The net pension liability was measured as of September 30, 2017 and was determined by an actuarial valuation as of January 1, 2018. The changes in the Net Pension Liability for the year ended September 30, 2017 (the measurement date) were as follow:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 12,721,815	\$ 8,061,718	\$ 4,660,097
Changes for the year-			
Service cost	412,374	-	412,374
Interest	964,619	-	964,619
Differences between expected and actual experience	121,141	-	121,141
Contributions - Employer	-	850,523	(850,523)
Net investment income	-	1,231,717	(1,231,717)
Benefit payments, including refunds of employee contributions	(550,242)	(550,242)	-
Administrative expense	-	(29,411)	29,411
Other	228,995	-	228,995
Net Changes	1,176,887	1,502,587	(325,700)
Balance at September 30, 2016	<u>\$ 13,898,702</u>	<u>\$ 9,564,305</u>	<u>\$ 4,334,397</u>

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

For the year ended June 30, 2018, the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	\$ 412,374
Interest on The Pension Liability (TPL)	964,619
Administrative expenses	29,411
Expected return on assets	(635,279)
Expensed portion of current year period differences between expected and actual experience in TPL	20,191
Current year recognition of deferred inflows and outflows established in prior years	45,173
Expensed portion of current year period assumption changes	38,165
Expensed portion of current year period differences between projected and actual investment earnings	(119,286)
Total expense	<u>\$ 755,368</u>

(See Independent Auditor's Report)

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

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

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

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

\$652,469 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, 2018. 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
2019	\$ 204,034	\$ (219,793)	\$ (15,759)
2020	204,034	(179,186)	24,848
2021	112,052	(179,186)	(67,134)
2022	90,688	(131,132)	(40,444)
2023	58,356	-	58,356
2024 and thereafter			
	<u>\$ 669,164</u>	<u>\$ (709,297)</u>	<u>\$ (40,133)</u>

Outstanding balances of deferred outflows/inflows of resources related to pensions as of June 30, 2018 are as follow:

	Outflows	Inflows
Contributions subsequent to measurement date	\$ 652,469	\$ -
Demographic	287,590	(47,376)
Investment	183,964	(661,921)
Assumption change	197,610	-
Total	<u>\$ 1,321,633</u>	<u>\$ (709,297)</u>

**Actuarial Assumptions**

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Actuarial Assumptions:**

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

(See Independent Auditor's Report)

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

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

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

**Actuarial Assumptions, continued**

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45.00%	6.71%
International equity	20.00%	7.71%
Real estate	10.00%	5.21%
Global fixed income	5.00%	3.36%
Domestic fixed income	20.00%	2.11%
Total	100.00%	

**Discount Rate**

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

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability	\$ 6,240,746	\$ 4,334,397	\$ 2,757,108

**Pension Plan Net Fiduciary Net Position**

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

(See Independent Auditor's Report)



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

**17. OTHER POSTEMPLOYMENT BENEFIT**

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

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

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

*Plan Membership* – Membership of the PHB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Actives fully eligible to retire	28
Actives not yet fully eligible to retire	107
Retirees and dependents	
	<hr/>
	135

*Contributions* – The City’s contribution is determined by the actuary; however, the Plan is on a “pay as you go” basis. For the fiscal year ended June 30, 2018, the City contributed \$3,455 for the pay as you go benefits for the PHB Plan.

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

The City’s total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016 with the actuary using standard techniques to roll forward the liability to the measurement date.

*Actuarial assumptions.* The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Discount Rate:	3.13%
Healthcare Cost Trend Rate:	8.0% for 2016/17 fiscal year graded down by .5% per year to 5% in 2022/23
Payroll increase:	3.0%

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

*Discount Rate* – The discount rate used to measure the total OPEB liability was 3.13%. This rate was determined using the S&P Municipal Bond 20-year high Grade Index.

(See Independent Auditor’s Report)

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

**17. OTHER POSTEMPLOYMENT BENEFIT - Continued**

*Changes in the Total OPEB Liability of the City* – The changes in the total OPEB liability of the City for the fiscal year ended June 30, 2018, were as follows:

	<u>Total OPEB Liability</u>
Balances at June 30, 2016	\$ 875,753
Plus OPEB expense for the 2016/17 fiscal year	107,092
Minus employer contribution for the 2016/17 fiscal year	-
Plus change in balance of deferred outflows of resources	-
Minus change in balance of deferred inflows of resources	<u>-</u>
Net OPEB liability as of June 30, 2017	<u>\$ 982,845</u>

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

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

	2.13%	3.13%	4.13%
	1.0%	Current	1.0%
	<u>Decrease</u>	<u>Rate</u>	<u>Increase</u>
Total OPEB Liability	\$ 1,081,557	\$ 982,845	\$ 881,594

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2018 and the current sharing pattern of costs between employer and inactive employees.

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$107,092. At June 30, 2018, the City reported no deferred outflows of resources and no deferred inflows of resources related to OPEB. This is the result of the beginning total OPEB liability is based on the same assumptions and data as the current total OPEB liability. This was done for purposes of determining an opening TOL for the financial statements for implementation of Statement 75 in the current year. Therefore, there are no differences between actual and expected experience that are being deferred in the current year.

(See Independent Auditor's Report)

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

**18. RESTRICTED ASSETS**

Pursuant to the Water and Sewer Revenue Bonds and notes payable, the City was required to create various funds and accounts. Balances in these bond restricted funds and other various restricted funds and accounts as of June 30, 2018 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 352,898
Hotel / Motel Tax fund	49,175
Capital projects-	
Special purpose local option sales funds	7,347,476
Development impact fee funds	966,463
Urban Redevelopment authority	119,457
Cemetery perpetual care funds	<u>194,152</u>
	<u>\$ 9,029,621</u>

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

During fiscal year ended June 30, 2015, the City entered into an agreement with Henry County which transferred property owned by the County, valued at \$255,000, to the City in exchange for rental of a piece of property owned by the City for a period of seven years, which rental value for the period was also \$255,000. The transaction has been recorded by the City in the Statement of Net Position under Governmental Activities by reporting the land purchase and the corresponding unearned rental income obligation. The obligation will be amortized over a seven year period at \$36,429 annually. The outstanding balance as of June 30, 2018 is 145,713.

**20. CONDUIT DEBT OBLIGATION**

In June 2018 the Downtown Development Authority of the City of McDonough, Georgia issued \$250,000 principal amount of a loan from the Georgia Department of Community Affairs. Proceeds from the loan was loaned to 19 Griffin Street, LLC in accordance with the terms of the loan agreement dated June 1, 2018. The proceeds will be used for the purpose of helping to finance renovations of a building at 19 Griffin Street in downtown McDonough. The loan does 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 loan has not been reported as a liability in the accompanying financial statements. As of June 30, 2018, \$250,000 was outstanding under the loan agreement.

(See Independent Auditor's Report)

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

**21. CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note 9, the City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. This new standard significantly changed the System's accounting for Other Postemployment Benefits (OPEB). As a result of this change in account principle, the City was required to restate beginning Net Position as shown below:

	Governmental Activities	Business- Type Activities	Water & Sewer	Sanitation	Stormwater
Net position, as previously reported	\$ 49,180,596	\$ 22,206,541	\$ 15,351,763	\$ 26,799	\$ 5,964,926
Remove old Net OPEB Obligation from Liabilities and Net Position	333,000				
Remove Total OPEB Liability as of June 30, 2017 from Net Position and add to liabilities	<u>(700,603)</u>	<u>(175,151)</u>	<u>(148,878)</u>	<u>(8,757)</u>	<u>(17,516)</u>
Net position, as restated	<u>\$ 48,812,993</u>	<u>\$ 22,031,390</u>	<u>\$ 15,202,885</u>	<u>\$ 18,042</u>	<u>\$ 5,947,410</u>

**22. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

- A) Deficit fund balances or net position balances of individual funds – As of June 30, 2018, the Sanitation Fund had a deficit net position of \$8,591. Management expects to cure this situation through additional revenues or General Fund transfers.
- B) Excess expenditures over budget – Two of the City's funds had material excesses (if over 5 percent and greater than \$5,000) of expenditures over appropriations at the department level (the legal level of control).

	Budget	Actual	Variance
General Fund -			
City Administrator	\$ 738,183	\$ 1,089,454	\$ (351,271)
Development Impact Fee fund			
Fire Department	377,728	620,018	(242,290)

**23. SUBSEQUENT EVENT – LAND PURCHASE**

In September 2018 the City Council authorized the purchase of 90.2 acres of land for the expansion of the City's water storage capabilities. The cost of the land purchase was \$3,247,200 and was financed through the Water and Sewer Fund.

(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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total Pension Liability</b>										
Service cost	\$ 412,374	\$ 392,336	\$ 381,005	\$ 374,655						
Interest	964,619	890,810	840,753	777,801						
Differences between expected and actual experience	121,141	193,990	(82,909)	133,731						
Changes of assumptions	228,995	-	-	15,821						
Benefit payments	(550,242)	(499,291)	(486,606)	(492,844)						
Net changes in total pension liability	1,176,887	977,845	652,243	809,164						
Total pension liability - beginning	12,721,815	11,743,970	11,091,727	10,282,563						
Total pension liability - ending	\$ 13,898,702	\$ 12,721,815	\$ 11,743,970	\$ 11,091,727						
										(Historical information prior to implementation of GASB 67/68 is not required)
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 850,523	\$ 827,632	\$ 813,118	\$ 800,328						
Net investment income	1,231,717	791,561	62,378	651,380						
Benefit payments	(550,242)	(499,291)	(486,606)	(492,844)						
Administrative expense	(29,411)	(14,925)	(16,223)	(12,347)						
Other	-	-	-	-						
Net change in fiduciary net position	1,502,587	1,104,977	372,667	946,517						
Plan fiduciary net position - beginning	8,061,718	6,956,741	6,584,074	5,637,557						
Plan fiduciary net position - ending	\$ 9,564,305	\$ 8,061,718	\$ 6,956,741	\$ 6,584,074						
										(Historical information prior to implementation of GASB 67/68 is not required)
<b>Net Pension Liability</b>										
Net pension liability	\$ 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	68.81%	63.37%	59.24%	59.36%						
Covered-employee payroll	\$ 7,063,470	\$ 7,025,189	\$ 6,598,557	\$ 6,384,685						
Net pension liability as a percentage of covered payroll	61.36%	66.33%	72.55%	70.60%						
										(Historical information prior to implementation of GASB 67/68 is not required)

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

	Fiscal Year End									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contributions	869,950	841,514	823,005	809,822						
Contributions in relation to the actuarially determined contribution	(869,950)	(841,514)	(823,005)	(809,822)						
Contribution deficiency (excess)	-	-	-	-						(Historical information prior to implementation of GASB 67/68 is not required)
Covered-employee payroll	7,025,189	6,598,557	6,384,685	5,752,771						
Contributions as a percentage of covered-employee payroll	12.19%	12.55%	12.89%	14.08%						

**CITY OF MCDONOUGH, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1**

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

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

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

**Actuarial Assumptions:**

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



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

	Fiscal Year End									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total OPEB Liability</b>										
Service cost	\$ 80,665									
Interest	29,882									
Differences between expected and actual experience	-									
Changes of assumptions	-									
Benefit payments	(3,455)									
							(Historical information prior to implementation of GASB 75 is not required)			
Net changes in total OPEB liability	107,092									
Total OPEB liability - beginning	875,753									
Total OPEB liability - ending	\$ 982,845									
Covered-employee payroll	\$ 6,088,242						(Historical information prior to implementation of GASB 75 is not required)			
Total OPEB liability as a percentage of covered payroll	16.14%									

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

	Fiscal Year End									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contributions										
Contributions in relation to the actuarially determined contribution										
Contribution deficiency (excess)										
Covered-employee payroll										
Contributions as a percentage of covered-employee payroll	6,088,242									
	N/A									

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

Notes to the Schedule:

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

**CITY OF MCDONOUGH, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1**

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

Employer's reporting date:	June 30, 2018
Measurement date:	June 30, 2017
Actuarial valuation date:	July 1, 2016

**ACTUARIAL ASSUMPTIONS -**

Discount rate:	3.13% per annum based on the S&P Municipal Bond 20-year High Grade Index
Salary increases:	3.00% per annum
Cost of living increases:	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates
Healthcare Cost Trend Rate:	8.0% for 2016/17 fiscal year graded down by .5% per year to 5% in 2022/23

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**CITY OF McDONOUGH, GEORGIA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Hotel/ Motel Tax Fund</u>	<u>Confiscated Assets Fund</u>	<u>SPLOST II Fund</u>	<u>LMIG Grant Funds</u>
<b>ASSETS</b>				
Cash	\$ 49,175	;	\$ -	\$ -
Investments	-	-	-	-
Receivables				
Taxes	256,101	-	-	-
Accounts	-	-	-	-
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 305,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 112,044	\$ -	\$ -	\$ -
Due to other funds	193,232	-	-	-
Unearned revenues	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>305,276</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>				
Nonspendable -				
Cemetery corpus	-	-	-	-
Restricted for specified purposes	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 305,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Permanent Fund Cemetery Perpetual Care Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 1,848	\$ 51,023
192,304	192,304
-	256,101
-	-
-	-
<u>\$ 194,152</u>	<u>\$ 499,428</u>

\$ -	\$ 112,044
-	193,232
-	-
-	305,276

171,600	171,600
22,552	22,552
-	-
<u>194,152</u>	<u>194,152</u>
<u>\$ 194,152</u>	<u>\$ 499,428</u>

**CITY OF McDONOUGH, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Special Revenue Funds</b>		<b>Capital Projects Funds</b>	
	<b>Hotel/ Motel Tax Fund</b>	<b>Confiscated Assets Fund</b>	<b>SPLOST II Fund</b>	<b>LMIG Grant Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,496,576	\$ -	\$ -	\$ -
Forfeitures	-	158	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>1,496,576</b>	<b>158</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current				
Purchased / contracted services	14,850	-	-	-
Supplies	-	226	-	-
Payments to others	654,752	-	-	-
Capital outlay	-	-	7,119	-
<b>Total Expenditures</b>	<b>669,602</b>	<b>226</b>	<b>7,119</b>	<b>-</b>
Excess Revenues Over (Under)				
Expenditures Before Other				
Financing Sources (Uses)	826,974	(68)	(7,119)	-
Other Financing Sources (Uses)				
Transfers	(826,974)	-	-	-
<b>Total Other Financing</b>	<b>(826,974)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess Revenues Over (Under)				
Expenditures and Other Financing				
Sources (Uses)	-	(68)	(7,119)	-
Fund Balance - Beginning of Year	-	68	7,119	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -



<b>Permanent Fund Cemetery Perpetual Care Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 1,496,576
-	158
-	-
2,543	2,543
-	-
<u>2,543</u>	<u>1,499,277</u>
-	14,850
-	226
-	654,752
-	<u>7,119</u>
-	<u>676,947</u>
<u>2,543</u>	<u>822,330</u>
-	<u>(826,974)</u>
-	<u>(826,974)</u>
2,543	(4,644)
<u>191,609</u>	<u>198,796</u>
<u>\$ 194,152</u>	<u>\$ 194,152</u>

**CITY OF McDONOUGH, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**HOTEL / MOTEL TAX FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018			2017
	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Taxes	\$ 1,637,000	\$ 1,496,576	\$ (140,424)	\$ 1,238,703
Interest	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenue</b>	<u>1,637,000</u>	<u>1,496,576</u>	<u>(140,424)</u>	<u>1,238,703</u>
<b>EXPENDITURES</b>				
Current				
Contracted Services	206,250	14,850	191,400	13,500
Tourism and Hospitality	716,250	654,752	61,498	541,932
Capital				
Tourism Product	-	-	-	-
<b>Total Expenditures</b>	<u>922,500</u>	<u>669,602</u>	<u>252,898</u>	<u>555,432</u>
<b>Excess Revenues Over (Under)</b>				
Expenditures	714,500	826,974	112,474	683,271
<b>Other Financing Sources (Uses)</b>				
Transfers	<u>(714,500)</u>	<u>(826,974)</u>	<u>(112,474)</u>	<u>(683,271)</u>
<b>Total Other Financing</b>				
<b>Sources (Uses)</b>	<u>(714,500)</u>	<u>(826,974)</u>	<u>(112,474)</u>	<u>(683,271)</u>
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF McDONOUGH, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**CONFISCATED ASSETS SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018			2017
	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Forfeitures	\$ -	\$ 158	\$ 158	\$ -
Sales of confiscated property	-	-	-	-
Interest	-	-	-	-
Contributions	-	-	-	-
<b>Total Revenue</b>	<u>-</u>	<u>158</u>	<u>158</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Purchased / contracted services	-	-	-	-
Supplies	-	226	(226)	-
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>226</u>	<u>(226)</u>	<u>-</u>
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>-</u>	<u>(68)</u>	<u>(68)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
<b>Transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing</b>				
<b>Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(68)</u>	<u>(68)</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	<u>68</u>	<u>68</u>	<u>-</u>	<u>68</u>
<b>Fund Balance - End of Year</b>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ (68)</u>	<u>\$ 68</u>

**CITY OF McDONOUGH, GEORGIA**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX II FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - PROJECT LENGTH**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Intergovernmental - SPLOST	\$ 6,637,436	\$ -	\$ 6,637,436	\$ 6,637,436
Intergovernmental - other	275,243	-	275,243	-
Interest	281,465	-	281,465	-
 Total Revenues	<u>7,194,144</u>	<u>-</u>	<u>7,194,144</u>	<u>6,637,436</u>
<b>EXPENDITURES</b>				
Capital Outlay				
General government - including debt service	2,615,020	-	2,615,020	2,600,000
Public safety - including debt service	1,099,710	-	1,099,710	1,500,000
Highways and streets	1,547,429	-	1,547,429	2,000,000
Water and sewer improvements	230,926	-	230,926	237,436
Parks - including debt service	1,693,940	7,119	1,701,059	300,000
 Total Expenditures	<u>7,187,025</u>	<u>7,119</u>	<u>7,194,144</u>	<u>6,637,436</u>
 Excess Revenues Over (Under) Expenditures	7,119	(7,119)	-	-
 Other Financing Uses (Sources) Transfers	-	-	-	-
 Net Change in Fund Balance	<u>\$ 7,119</u>	<u>(7,119)</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund Balance - Beginning of Year		<u>7,119</u>		
 Fund Balance - End of Year		<u>\$ -</u>		

**CITY OF McDONOUGH, GEORGIA  
SPLOST III CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - PROJECT LENGTH  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Intergovernmental - SPLOST	\$ 7,368,585	\$ -	\$ 7,368,585	\$ 26,842,500
Interest	<u>78,940</u>	<u>671</u>	<u>79,611</u>	<u>-</u>
Total Revenues	<u>7,447,525</u>	<u>671</u>	<u>7,448,196</u>	<u>26,842,500</u>
<b>EXPENDITURES</b>				
Current				
Capital Outlay				
Community development facilities	357,394	-	357,394	250,000
Public safety facilities and equipment	4,081,944	-	4,081,944	8,342,500
Roads, bridges, sidewalks & facilities	584,520	-	584,520	2,500,000
Public works facilities and equipment	995,476	-	995,476	3,250,000
Parks and recreation	3,294,907	43,331	3,338,238	7,000,000
Water storage tank	2,183,443	-	2,183,443	-
Repayment of public debt associated with above projects or previously issued G.O. debt	<u>2,583,281</u>	<u>-</u>	<u>2,583,281</u>	<u>5,500,000</u>
Total Expenditures	<u>14,080,965</u>	<u>43,331</u>	<u>14,124,296</u>	<u>26,842,500</u>
Excess Revenues Over (Under) Expenditures	<u>(6,633,440)</u>	<u>(42,660)</u>	<u>(6,676,100)</u>	<u>-</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	7,325,000	-	7,325,000	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,325,000</u>	<u>-</u>	<u>7,325,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 691,560</u>	<u>(42,660)</u>	<u>\$ 648,900</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>691,560</u>		
Fund Balance - End of Year		<u>\$ 648,900</u>		

**CITY OF McDONOUGH, GEORGIA**  
**SPLOST IV CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - PROJECT LENGTH**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Amended Project Authorization</b>	<b>Original Project Authorization</b>
<b>REVENUES</b>					
Intergovernmental - SPLOST	\$14,624,555	\$ 1,422,518	\$16,047,073	\$ 24,236,500	\$ 22,962,500
Intergovernmental - LMIG	-	451,959	451,959	-	-
Interest	67,591	64,959	132,550	-	-
<b>Total Revenues</b>	<u>14,692,146</u>	<u>1,939,436</u>	<u>16,631,582</u>	<u>24,236,500</u>	<u>22,962,500</u>
<b>EXPENDITURES</b>					
Capital Outlay					
Cultural, historic & recreation facilities	144,670	663,201	807,871	5,000,000	4,000,000
Public safety facilities and equipment	2,305,969	645	2,306,614	2,424,000	2,424,000
Roads, bridges, sidewalks & facilities	2,642,411	1,395,825	4,038,236	10,673,500	10,673,500
Community development facilities	1,000,000	1,355	1,001,355	1,774,000	1,500,000
Parks and recreation	1,471,482	377,318	1,848,800	4,365,000	4,365,000
<b>Total Expenditures</b>	<u>7,564,532</u>	<u>2,438,344</u>	<u>10,002,876</u>	<u>24,236,500</u>	<u>22,962,500</u>
Excess Revenues Over (Under)					
Expenditures	<u>7,127,614</u>	<u>(498,908)</u>	<u>6,628,706</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	-	-	-	-
Transfers	-	-	-	-	-
<b>Total Other Financing     Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 7,127,614</u>	<u>(498,908)</u>	<u>\$ 6,628,706</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund Balance - Beginning of Year		<u>7,127,614</u>			
Fund Balance - End of Year		<u>\$ 6,628,706</u>			

**CITY OF McDONOUGH, GEORGIA  
DEVELOPMENT IMPACT FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018			2017
	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Impact fees	\$ 260,000	\$ 437,932	\$ 177,932	\$ 801,648
Interest	650	3,458	2,808	1,463
Total Revenues	260,650	441,390	180,740	803,111
<b>EXPENDITURES</b>				
Current				
Administration	42,250	25,318	16,932	23,290
Capital outlay				
Public Safety				
Police	437,677	69,265	368,412	174,495
Fire	377,728	620,018	(242,290)	210,220
Parks	70,000	-	70,000	-
Debt service - Parks				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	927,655	714,601	213,054	408,005
Excess Revenues Over (Under)				
Expenditures	(667,005)	(273,211)	393,794	395,106
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Net Change in Fund Balance	(667,005)	(273,211)	393,794	395,106
Fund Balance - Beginning of Year	1,234,815	1,234,815	-	839,709
Fund Balance - End of Year	\$ 567,810	\$ 961,604	\$ 393,794	\$ 1,234,815

**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, 2018**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Administration	500	-	500	-
Capital Outlay				
Municipal court facilities	4,952,583	2,768	4,955,351	4,808,082
Debt Service				
Principal	115,000	140,000	255,000	-
Interest	164,020	204,044	368,064	-
Debt issuance cost	<u>106,345</u>	<u>-</u>	<u>106,345</u>	<u>112,050</u>
Total Expenditures	<u>5,338,448</u>	<u>346,812</u>	<u>5,685,260</u>	<u>4,920,132</u>
Excess Revenues Over (Under) Expenditures	<u>(5,338,448)</u>	<u>(346,812)</u>	<u>(5,685,260)</u>	<u>(4,920,132)</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	4,420,132	-	4,420,132	4,420,132
Transfers	<u>1,029,020</u>	<u>276,963</u>	<u>1,305,983</u>	<u>500,000</u>
Total Other Financing Sources (Uses)	<u>5,449,152</u>	<u>276,963</u>	<u>5,726,115</u>	<u>4,920,132</u>
Net Change in Fund Balance	<u>\$ 110,704</u>	<u>(69,849)</u>	<u>\$ 40,855</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>110,704</u>		
Fund Balance - End of Year		<u>\$ 40,855</u>		



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