

# City of McDonough



MCDONOUGH, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023



MCDONOUGH  
G E O R G I A



**CITY OF McDONOUGH, GEORGIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McDonough, Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of McDonough, Georgia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McDonough, Georgia, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, ARPA Fund and the Hotel / Motel Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of McDonough, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of McDonough, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of McDonough, Georgia's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Changes in the Pension Liability and Related Ratios information on pages 4-13 and 61-63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our 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.



### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McDonough, Georgia's basic financial statements. The accompanying combining and individual fund financial statements and budgetary schedules, schedules of projects financed with transportation and regular special purpose option sales tax proceeds and the schedules of development impact fees (collectively, "the supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2024, on our consideration of the City of McDonough, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of McDonough, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of McDonough, Georgia's internal control over financial reporting and compliance.

*James L. Whitaker, P. C.*

Snellville, Georgia  
November 8, 2024



## **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, 2023, (the current period). We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

### **Financial Highlights**

- Assets and deferred outflows of the City of McDonough (Primary Government) exceeded its liabilities and deferred inflows at June 30, 2023, by \$121,532,597. Of this amount, unrestricted net position of \$30,586,329 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position of the Primary Government increased by \$20,039,566. Of this amount, a net increase of \$17,792,134 was associated with governmental activities and an increase of \$2,247,432 was associated with business-type activities.
- The total net position of the Downtown Development Authority (Component Unit) of \$105,084 may be used to meet the Authority's ongoing obligations to its citizens and creditors.
- As of the close of the current period, the City of McDonough's governmental funds reported combined ending fund balances of \$51,588,634, an increase of \$17,240,971 in comparison with the prior period. Of this amount \$20,971,534 is unassigned, \$27,124,672 is restricted for capital projects and other specific future uses, \$833,279 is assigned for the FY 2024 budget, \$837,759 is nonspendable for such amounts as prepaid items of \$661,159, and the cemetery trust corpus of \$176,600, \$32,254 is restricted for the Cemetery, \$50,573 for police activities, \$116,006 for ARPA projects, and \$1,622,557 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 \$20,971,534 or 106.3 percent of total general fund expenditures.
- The millage rate was unchanged from FY 2022 at 3.0330.

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

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

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

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

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

## City of McDonough

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

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

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

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

The City maintains six major governmental funds. The City's major governmental funds are the General Fund, two special revenue funds (1) the ARPA Fund and (2) the Hotel/Motel Tax Fund, the T-SPLOST Capital Projects Fund, and two SPLOST Capital Project Funds. 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 22 to demonstrate compliance with the FY 2023 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, the Confiscated Assets Fund, Development Impact Fee Fund, and Urban Redevelopment Agency with 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, 2023, the City's net position amounted to \$121,532,597. The City's net position reflects its investment in capital assets \$63,093,265 (51.91 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, \$27,853,003 (22.92 percent) is restricted for capital projects and other specified activities and \$30,586,329 (25.17 percent) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The comparative primary government-wide information for the years ended June 30, 2023 and June 30, 2022 is as follows:

**City of McDonough's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 61,836,816	\$ 40,519,363	\$ 13,352,066	\$ 12,051,470	\$ 75,188,882	\$ 52,570,833
Capital assets	47,522,532	45,753,879	22,873,281	21,823,796	70,395,813	67,577,675
Deferred outflows	2,768,581	1,566,574	692,144	391,643	3,460,725	1,958,217
Total assets and deferred outflows	112,127,929	87,839,816	36,917,491	34,266,909	149,045,420	122,106,725
Current liabilities	10,130,246	6,002,785	1,968,139	1,534,193	12,098,385	7,536,978
Long-term liabilities	10,708,952	7,471,870	3,893,511	3,705,550	14,602,463	11,177,420
Deferred inflows	656,483	1,580,488	155,492	374,249	811,975	1,954,737
Total liabilities and deferred inflows	21,495,681	15,055,143	6,017,142	5,613,992	27,512,823	20,669,135
Net position:						
Net investment in capital assets	43,008,070	42,253,445	20,085,195	18,696,353	63,093,265	60,949,798
Restricted	27,500,105	15,049,653	352,898	352,898	27,853,003	15,402,551
Unrestricted	20,124,073	15,481,575	10,462,256	9,603,666	30,586,329	25,085,241
Total net position	\$ 90,632,248	\$ 72,784,673	\$ 30,900,349	\$ 28,652,917	\$ 121,532,597	\$ 101,437,590

A portion of the net position, 22.9 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$30,386,329 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.



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

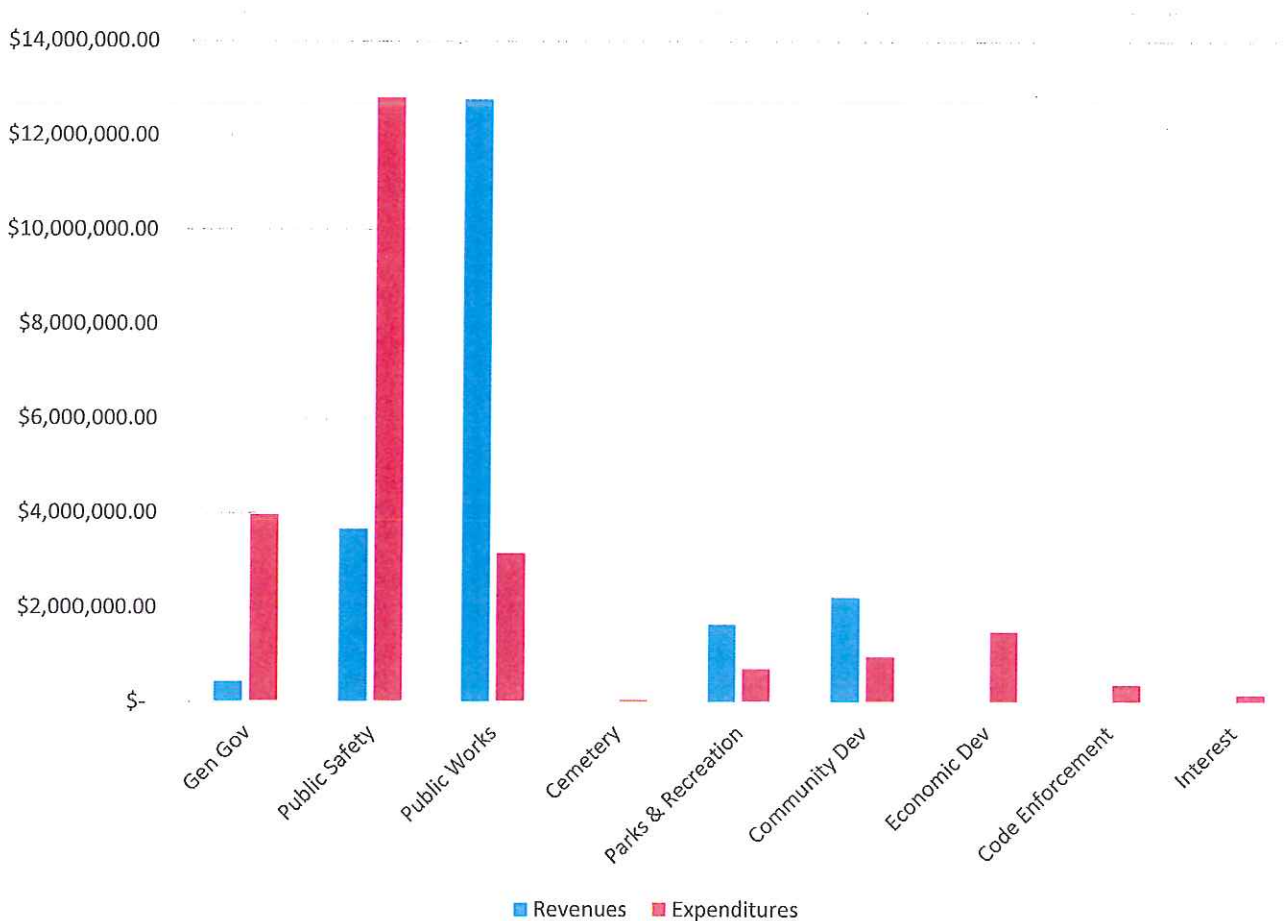
For the year ended June 30, 2023, an increase in net position of \$17,792,134 was reported in Governmental Activities thereby accounting for 88.8% of the total increase in the net position of the City of McDonough. Key elements of this increase are as follows:

**City of McDonough's Change in Net Position**  
**For The Years Ended June 30, 2023 and 2022**

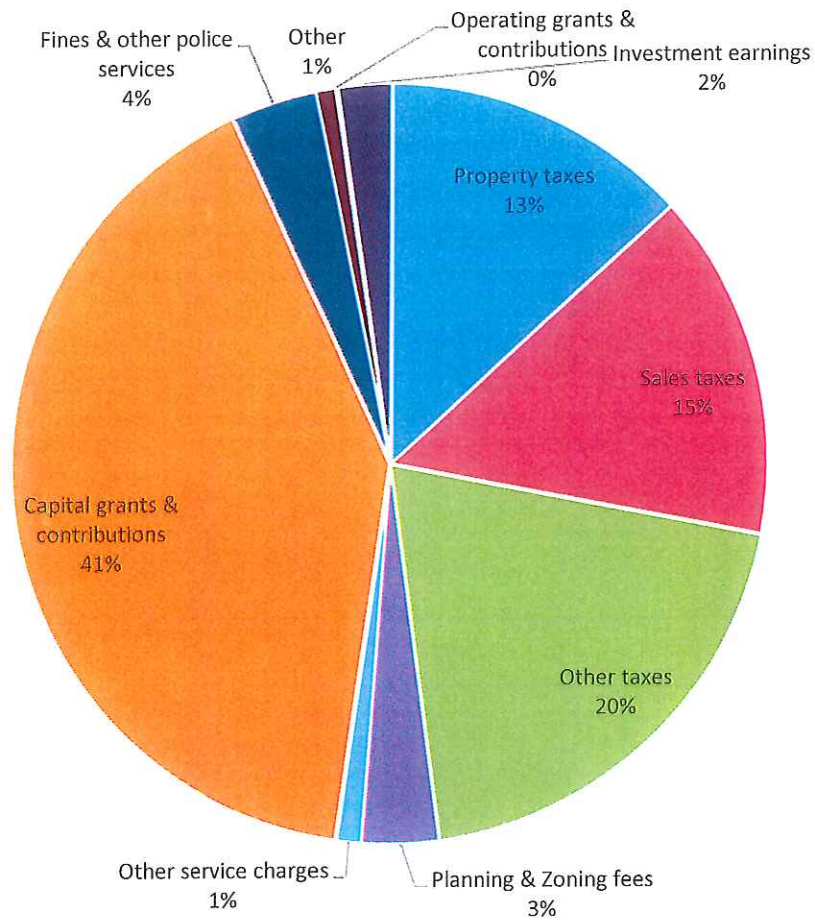
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program Revenues						
Charges for services	\$ 3,397,717	\$ 3,005,104	\$ 10,153,119	\$ 10,263,801	\$ 13,550,836	\$ 13,268,905
Operating grants and contributions	34,379	129,111	-	-	34,379	129,111
Capital grants and contributions	17,302,401	13,015,515	1,121,327	969,317	18,423,728	13,984,832
General Revenues						
Property taxes	5,599,541	5,541,491	-	-	5,599,541	5,541,491
Sales taxes	6,274,893	5,495,212	-	-	6,274,893	5,495,212
Other taxes	8,407,013	7,280,661	-	-	8,407,013	7,280,661
Interest	979,018	41,266	160,965	9,787	1,139,983	51,053
Other	360,193	419,378	613	-	360,806	419,378
	<u>42,355,155</u>	<u>34,927,738</u>	<u>11,436,024</u>	<u>11,242,905</u>	<u>53,791,179</u>	<u>46,170,643</u>
<b>Expenses:</b>						
General government	3,958,298	2,987,211	-	-	3,958,298	2,987,211
Public safety and courts	12,788,360	10,790,294	-	-	12,788,360	10,790,294
Public Works	3,138,571	2,376,832	-	-	3,138,571	2,376,832
Cemetery	40,697	63,587	-	-	40,697	63,587
Parks and recreation	705,533	691,831	-	-	705,533	691,831
Community Development	963,370	767,928	-	-	963,370	767,928
Economic development	1,489,470	1,276,428	-	-	1,489,470	1,276,428
Code enforcement	370,355	310,391	-	-	370,355	310,391
Interest on long-term debt	150,879	110,854	-	-	150,879	110,854
Water	-	-	3,371,292	3,152,879	3,371,292	3,152,879
Sewer	-	-	2,163,430	1,818,883	2,163,430	1,818,883
Solid waste	-	-	3,461,109	3,332,754	3,461,109	3,332,754
Stormwater	-	-	1,150,249	981,947	1,150,249	981,947
	<u>23,605,533</u>	<u>19,375,356</u>	<u>10,146,080</u>	<u>9,286,463</u>	<u>33,751,613</u>	<u>28,661,819</u>
Increase (decrease) in net assets before transfers and special items	18,749,622	15,552,382	1,289,944	1,956,442	20,039,566	17,508,824
Special item-Gain on discontinuance of OPEB Plan	-	1,134,190	-	283,547	-	1,417,737
Transfers	(957,488)	195,833	957,488	(195,833)	-	-
Increase (decrease) in net position	17,792,134	16,882,405	2,247,432	2,044,156	20,039,566	18,926,561
Net position - beginning of year, adjusted	72,840,114	55,902,268	28,652,917	26,608,761	101,493,031	82,511,029
Net position - end of year	<u>\$ 90,632,248</u>	<u>\$ 72,784,673</u>	<u>\$ 30,900,349</u>	<u>\$ 28,652,917</u>	<u>\$ 121,532,597</u>	<u>\$ 101,437,590</u>

- Overall, revenues from governmental activities increased by \$7,427,417 or 21.3% over 2022. The increase was due in large part from T-SPLOST proceeds received by the City in the amount of \$7,673,506. Other revenue sources that increased significantly included local option sales taxes of \$779,681 or 14.2%; ARPA Grant proceeds recognized as revenue in the amount of \$1,469,340 or 100%; Insurance Premium Taxes of \$679,341 or 37.6%; Investment Interest of \$937,752 or 2,272.4%; and Development Impact Fees of \$287,088 or 18.8%.
- Expenditures for governmental activities for 2023 increased by \$4,230,177 or 21.8% over 2022. Overall, 2023 departmental expenditures remained consistent with the prior year. The increase in expenditures was mainly due to increases in ARPA Grant expenditures, Development Impact Fee expenditures, SPLOST and T-SPLOST expenditures.

### CITY OF MCDONOUGH GOVERNMENTAL PROGRAM REVENUES AND EXPENDITURES



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





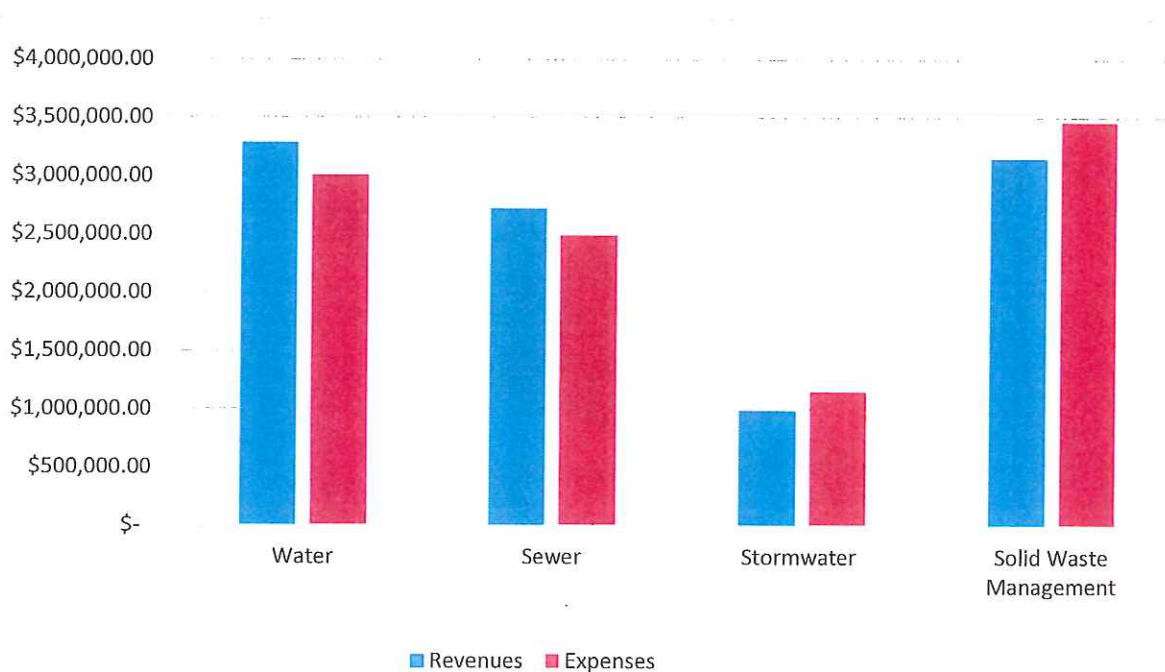
### City of McDonough

**Business-type activities.** Business-type activities increased the City's net position by \$2,247,432 of which an increase of \$2,421,778 was from Water and Sewer activities, a decrease of (\$46,902) was from Solid Waste Management Activities, and a decrease of (\$127,444) 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 (\$46,902) decreasing net position at the end of the year to a deficit of (\$5,976).

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.

**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, 2023, the city's governmental funds reported combined ending fund balances of \$51,588,634, an increase of \$17,240,971 in comparison to the prior period. Of this amount, \$20,971,534 (40.6 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 and Development Impact Fees, \$27,124,672; 2) for Perpetual Care of the City's cemetery, \$32,254; 3) for Police Activities, \$50,573; 4) ARPA projects, \$116,006; 5) nonspendable amounts for prepaid items that are not available for current government's spending discretion, \$661,159; 6) Cemetery Trust Corpus of \$176,500; 7) budget appropriation for fiscal year 2024, \$833,279; and 8) the Stabilization Reserve of \$1,622,557.

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 \$20,971,534 while the total fund balance amounted to \$24,971,534. 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 106.3 percent of the total general fund expenditures, while total fund balance represents 122.1 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$4,790,519. The increase was primarily the result of an increase in taxes, fines and forfeitures, interest income, and proceeds from capital leases and subscriptions.

Amounts received in ARPA proceeds are not recognized as revenues until they are spent, which is when they are considered earned. The City received ARPA proceeds in the amounts of \$4,998,072 and \$4,998,072 during FY 2022 and FY 2023, respectively. During the current year ARPA proceeds of \$1,469,340 were recognized as revenue.

The City received \$2,502,550 in Hotel/Motel Tax revenues during FY 2023 and disbursed \$1,112,524 to the McDonough Hospitality and Tourism Board and \$1,390,026 to the City's general fund for product development and other purposes.

The City of McDonough received \$6,595,542 in Special Purpose Local Option Sales Taxes (SPLOST) during FY 2023 compared to \$11,302,643 in FY 2022. During FY 2023, the City received its initial funds from a Transportation SPLOST in the amount of \$7,673,506. During FY 2023, SPLOST and T-SPLOST funds of \$1,622,672 were used for road, bridges, and sidewalks, \$81,700 for cultural and recreation facilities, \$2,264,335, \$52,911 for public works facilities and equipment, and \$40,000 for administrative costs.

The City also received Development Impact Fees during the year totaling \$1,815,723. 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 2023 this fund expended \$460,539 for public safety, \$854,733 for parks, and \$8,400 for administrative purposes. The fund balance of this fund at June 30, 2023 amounted to \$3,142,944.

**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 \$10,462,256 of which the Water and Sewer Fund had \$8,002,177, Solid Waste Management Fund had (\$63,158), the Storm Water Management Fund had \$2,523,237, and the Cemetery Enterprise Fund had \$0.

### **General Fund Budgetary Highlights**

The original general fund budgeted expenditures of \$23,934,795 were amended to a total of \$24,505,080, a difference of \$570,285. However, the actual expenditures for the General Fund amounted to \$20,459,714 resulting in a positive budget variance of \$4,045,366.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities at June 30, 2023, amounted to \$70,395,813, 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:

Park Land	\$1,303,027
Lease and Subscription Assets	\$ 817,470
Public Safety Equipment	\$ 253,796
Vehicles and Equipment	\$ 239,547
Computer Infrastructure and Equipment	\$ 227,944
Cemetery Land and Improvements	\$ 138,858

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

**Long-term debt.** As of June 30, 2023, the City had \$7,693,712 in outstanding debt consisting of the following:

### Governmental Activities-

Accrued compensated absences	\$ 391,164
Bonds payable, net	3,327,019
Leases payable	143,637
Subscriptions payable	1,043,806

### Business-Type Activities-

Revenue Bonds	816,000
GEFA notes payable	<u>1,972,086</u>

Total	<u><u>\$ 7,693,712</u></u>
-------	----------------------------

The City's total long-term debt increased by a net of \$56,722 during the year ended June 30, 2023.

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

In addition to the above debt, the City also had other long-term obligations as of June 30, 2023, which consisted of a net pension liability of \$7,254,157. This obligation is discussed in note 16.



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

- The City's financial position improved during FY 2023 and will begin FY 2024 in a strong financial position.
- Collections of Local Option Sales Taxes and Property Taxes should remain strong during FY 2024.
- Expenditures under SPLOST and T-SPLOST are expected to increase during FY 2024.
- The 2023 Tax Digest increased by approximately 23.9% and the City voted to keep its millage rate at 3.033.
- The City will continue to expend its American Rescue Plan Act funds during FY 2024.

### **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, Georgia 30253

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
<b>Assets and Deferred Outflows</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 501,555	\$ 2,720,186	\$ 3,221,741	\$ 19,509
Investments	21,863,901	8,554,248	30,418,149	-
Receivables, net				
Taxes	1,348,896	-	1,348,896	-
Fines	121,767	-	121,767	-
Accounts	35,368	1,471,758	1,507,126	-
Intergovernmental	5,179,466	-	5,179,466	-
Other	-	-	-	97,500
Internal balances	(169,861)	169,861	-	-
Prepaid items	661,159	83,115	744,274	-
Restricted assets				
Cash	31,806,143	352,898	32,159,041	-
Investments	488,422	-	488,422	-
Leased assets, net	159,823	-	159,823	-
Subscription assets, net	1,144,777	-	1,144,777	-
Non-depreciable capital assets	14,632,706	6,084,959	20,717,665	-
Depreciable capital assets, net	31,585,226	16,788,322	48,373,548	-
<b>Total Assets</b>	<u>109,359,348</u>	<u>36,225,347</u>	<u>145,584,695</u>	<u>117,009</u>
<b>Deferred Outflows</b>				
Deferred pension outflows	<u>2,768,581</u>	<u>692,144</u>	<u>3,460,725</u>	<u>-</u>
<b>Total Assets and Deferred Outflows</b>	<u>112,127,929</u>	<u>36,917,491</u>	<u>149,045,420</u>	<u>117,009</u>

See accompanying notes to the basic financial statements.

Continued

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
<b>LIABILITIES AND DEFERRED INFLOWS</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,186,641	\$ 890,323	\$ 2,076,964	\$ 11,925
Accrued liabilities				
Salaries	278,432	52,915	331,347	-
Compensated absences	-	65,982	65,982	-
Customer deposits	-	604,479	604,479	-
Other	77,681	-	77,681	-
Unearned revenues	8,587,492	-	8,587,492	-
Liabilities payable from restricted assets				
Revenue bonds	-	199,000	199,000	-
Notes payable	-	146,407	146,407	-
Accrued interest	-	9,033	9,033	-
Long-term obligations				
Debt due within one year	552,516	-	552,516	-
Debt due in more than one year	4,353,110	2,442,679	6,795,789	-
Net pension liability	5,803,326	1,450,832	7,254,158	-
Net Opeb liability	-	-	-	-
<b>Total Liabilities</b>	<b>20,839,198</b>	<b>5,861,650</b>	<b>26,700,848</b>	<b>11,925</b>
<b>Deferred Inflows</b>				
Deferred lease inflows	34,516	-	34,516	-
Deferred pension inflows	621,967	155,492	777,459	-
<b>Total Liabilities and Deferred Inflows</b>	<b>21,495,681</b>	<b>6,017,142</b>	<b>27,512,823</b>	<b>11,925</b>
<b>NET POSITION</b>				
Net investment in capital assets	43,008,070	20,085,195	63,093,265	-
Restricted for				
Perpetual care				
Expendable	32,254	-	32,254	-
Nonexpendable	176,600	-	176,600	-
Police activities	50,573	-	50,573	-
ARPA projects	116,006	-	116,006	-
Capital projects	27,124,672	-	27,124,672	-
Promotional activities	-	-	-	-
Debt covenants	-	352,898	352,898	-
Unrestricted	20,124,073	10,462,256	30,586,329	105,084
<b>Total Net Position</b>	<b>\$ 90,632,248</b>	<b>\$ 30,900,349</b>	<b>\$ 121,532,597</b>	<b>\$ 105,084</b>

See accompanying notes to the basic financial statements.

Concluded



**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 3,958,298	\$ 367,117	\$ 11,200	\$ 53,151
Public Safety and Courts	12,788,360	1,533,126	23,179	2,097,773
Public Works	3,138,571	93,206	-	12,665,820
Cemetery	40,697	750	-	-
Parks and Recreation	705,533	-	-	1,646,949
Community Development	963,370	1,380,842	-	838,708
Economic Development	1,489,470	22,676	-	-
Code Enforcement	370,355	-	-	-
Interest	150,879	-	-	-
Bond issuance costs and fees	-	-	-	-
Total Governmental Activities	<u>23,605,533</u>	<u>3,397,717</u>	<u>34,379</u>	<u>17,302,401</u>
<b>Business-Type Activities</b>				
Water	3,371,292	3,185,226	-	546,869
Sewer	2,163,430	2,824,911	-	574,458
Cemetery Enterprise	-	-	-	-
Solid Waste Management	3,461,109	3,153,279	-	-
Storm Water Management	1,150,249	989,703	-	-
Total Business-Type Activities	<u>10,146,080</u>	<u>10,153,119</u>	<u>-</u>	<u>1,121,327</u>
<b>Total Government</b>	<u>33,751,613</u>	<u>13,550,836</u>	<u>34,379</u>	<u>18,423,728</u>
<b>Component Unit:</b>				
Downtown Development Authority	\$ 3,322	\$ -	\$ -	\$ -

**General Revenues**

Taxes
Property
Franchise
Local option sales
Occupational
Insurance premium
Alcohol beverage
Hotel/motel
Other
Intergovernmental
Investment earnings
Other
Transfers
Total General Revenues and Transfers

Change in Net Position  
Net Position - Beginning of Year, adjusted  
Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business- Type Activities	Total	Downtown Development Authority
\$ (3,526,830)	\$ -	\$ (3,526,830)	\$ -
(9,134,282)	-	(9,134,282)	-
9,620,455	-	9,620,455	-
(39,947)	-	(39,947)	-
941,416	-	941,416	-
1,256,180	-	1,256,180	-
(1,466,794)	-	(1,466,794)	-
(370,355)	-	(370,355)	-
(150,879)	-	(150,879)	-
-	-	-	-
(2,871,036)	-	(2,871,036)	-
-	360,803	360,803	-
-	1,235,939	1,235,939	-
-	-	-	-
-	(307,830)	(307,830)	-
-	(160,546)	(160,546)	-
-	1,128,366	1,128,366	-
(2,871,036)	1,128,366	(1,742,670)	-
-	-	-	(3,322)
5,599,541	-	5,599,541	-
1,683,970	-	1,683,970	-
6,274,893	-	6,274,893	-
899,384	-	899,384	-
2,487,454	-	2,487,454	-
609,378	-	609,378	-
2,502,550	-	2,502,550	-
224,277	-	224,277	-
260,928	-	260,928	-
979,018	160,965	1,139,983	-
99,265	613	99,878	-
(957,488)	957,488	-	-
20,663,170	1,119,066	21,782,236	-
17,792,134	2,247,432	20,039,566	(3,322)
72,840,114	28,652,917	101,493,031	108,406
\$ 90,632,248	\$ 30,900,349	\$ 121,532,597	\$ 105,084

**CITY OF McDONOUGH, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	GENERAL	ARPA	HOTEL / MOTEL TAX
<b>ASSETS</b>			
Cash and cash equivalents	\$ 501,555	\$ 9,004,596	\$ 302,021
Investments	21,863,901	-	-
Receivables			
Taxes	773,856	-	575,040
Intergovernmental	11,925	-	-
Fines	121,767	-	-
Other	35,368	-	-
Due from other funds	925,842	-	-
Prepaid items	661,159	-	-
Total Assets	<u>\$ 24,895,373</u>	<u>\$ 9,004,596</u>	<u>\$ 877,061</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 330,232	\$ -	\$ 553,600
Accrued expenditures			
Payroll	278,432	-	-
Court Bonds	3,946	-	-
Other	52,005	-	-
Unearned revenues	2,563	8,526,804	-
Due to other funds	-	361,786	323,461
Total Liabilities	<u>667,178</u>	<u>8,888,590</u>	<u>877,061</u>
<b>DEFERRED INFLOWS</b>			
Lease revenues	34,516	-	-
Unavailable revenues	105,150	-	-
Total Deferred Inflows	<u>139,666</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Nonspendable -			
Prepaid items	661,159	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	-	-
Cemetery	-	-	-
ARPA projects	-	116,006	-
Police activities	-	-	-
Economic development	-	-	-
Committed -			
Stabilization reserve	1,622,557	-	-
Assigned -			
Appropriated for next year's budget	833,279	-	-
Unassigned	20,971,534	-	-
Total Fund Balance	<u>24,088,529</u>	<u>116,006</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 24,860,857</u>	<u>\$ 9,004,596</u>	<u>\$ 877,061</u>

See accompanying notes to the financial statements.



SPLOST IV	SPLOST V	T-SPLOST	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 2,359,090	\$ 12,060,175	\$ 5,041,731	\$ 3,038,530	\$ 32,307,698
-	-	-	488,422	22,352,323
-	-	-	-	1,348,896
-	2,622,159	2,545,382	-	5,179,466
-	-	-	-	121,767
-	-	-	-	35,368
-	-	-	-	925,842
-	-	-	-	661,159
<u>\$ 2,359,090</u>	<u>\$ 14,682,334</u>	<u>\$ 7,587,113</u>	<u>\$ 3,526,952</u>	<u>\$ 62,932,519</u>
\$ -	\$ 2,702	\$ 300,107	\$ -	\$ 1,186,641
-	-	-	-	278,432
-	-	-	-	3,946
-	-	-	-	52,005
-	-	-	58,125	8,587,492
-	344,000	-	66,456	1,095,703
<u>-</u>	<u>346,702</u>	<u>300,107</u>	<u>124,581</u>	<u>11,204,219</u>
-	-	-	-	34,516
-	-	-	-	105,150
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,666</u>
-	-	-	-	661,159
-	-	-	176,600	176,600
2,359,090	14,335,632	7,287,006	3,142,944	27,124,672
-	-	-	32,254	32,254
-	-	-	-	116,006
-	-	-	50,573	50,573
-	-	-	-	-
-	-	-	-	1,622,557
-	-	-	-	833,279
-	-	-	-	20,971,534
<u>2,359,090</u>	<u>14,335,632</u>	<u>7,287,006</u>	<u>3,402,371</u>	<u>51,588,634</u>
<u>\$ 2,359,090</u>	<u>\$ 14,682,334</u>	<u>\$ 7,587,113</u>	<u>\$ 3,526,952</u>	<u>\$ 62,932,519</u>

**CITY OF McDONOUGH, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

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

Total fund balances -- total governmental funds	\$ 51,588,634
Capital and subscription assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,522,532
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	105,150
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:	
Deferred outflows	2,768,581
Deferred inflows	(621,967)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term portion of compensated absences	(391,164)
Bonds payable	(3,205,000)
Unamortized bond premium	(122,019)
Net pension liability	(5,803,326)
Lease and subscriptions payable	(1,187,443)
Accrued interest payable	(21,730)
Net position of governmental activities.	<u>\$ 90,632,248</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, 2023**

	GENERAL	ARPA	HOTEL / MOTEL TAX
<b>REVENUES</b>			
Taxes	\$ 17,776,685	\$ -	\$ 2,502,550
Licenses and permits			
Business license	319,658	-	-
Building permits and fees	1,214,429	-	-
Intergovernmental	10,000	1,469,340	-
Charges for services	169,883	-	-
Fines and forfeitures	1,576,304	-	-
Interest	856,995	115,243	-
Miscellaneous	113,814	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	22,037,768	1,584,583	2,502,550
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current			
Governing Body	321,667	-	-
General Administration	3,050,760	-	-
Municipal Court	1,059,853	-	-
Probation	243,932	-	-
Public Safety	10,156,821	-	-
Highways & Streets	1,646,778	-	-
Cemetery	36,050	-	-
Health and Human Services	26,175	-	-
Parks and Recreation	309,375	-	-
Community Development	780,888	-	-
Economic Development	339,916	-	1,112,524
Code Enforcement	348,823	-	-
Debt service			
Principal	329,823	-	-
Interest	23,170	-	-
Capital outlay	1,052,283	1,208,412	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	19,726,314	1,208,412	1,112,524
	<hr/>	<hr/>	<hr/>

See accompanying notes to the financial statements.

SPLOST IV	SPLOST V	T-SPLOST	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ 20,279,235
-	-	-	-	319,658
-	-	-	-	1,214,429
269,288	6,326,254	7,673,506	-	15,748,388
-	-	-	1,815,723	1,985,606
-	-	-	32,514	1,608,818
-	-	-	15,997	988,235
-	-	-	-	113,814
<u>269,288</u>	<u>6,326,254</u>	<u>7,673,506</u>	<u>1,864,234</u>	<u>42,258,183</u>
-	-	-	-	321,667
40,000	40,000	-	8,400	3,139,160
-	-	-	-	1,059,853
-	-	-	-	243,932
-	-	-	-	10,156,821
-	-	-	-	1,646,778
-	-	-	-	36,050
-	-	-	-	26,175
-	-	-	-	309,375
-	-	-	-	780,888
-	-	-	-	1,452,440
-	-	-	-	348,823
-	-	-	165,000	494,823
-	-	-	114,394	137,564
<u>1,277,872</u>	<u>694,574</u>	<u>386,500</u>	<u>1,350,727</u>	<u>5,970,368</u>
<u>1,317,872</u>	<u>734,574</u>	<u>386,500</u>	<u>1,638,521</u>	<u>26,124,717</u>

Continued

**CITY OF McDONOUGH, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>GENERAL</u>	<u>ARPA</u>	<u>HOTEL / MOTEL TAX</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>\$ 2,311,454</u>	<u>\$ 376,171</u>	<u>\$ 1,390,026</u>
Other Financing Sources (Uses)			
Proceeds from debt issue	809,741	-	-
Proceeds from disposition of capital asset	83,692	-	-
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers	<u>1,585,632</u>	<u>(260,928)</u>	<u>(1,390,026)</u>
Total Other Financing Sources (Uses)	<u>2,479,065</u>	<u>(260,928)</u>	<u>(1,390,026)</u>
 Net Change in Fund Balance	 4,790,519	 115,243	 -
Fund Balance - Beginning of Year	<u>19,298,010</u>	<u>763</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 24,088,529</u></u>	<u><u>\$ 116,006</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.



<u>SPLOST IV</u>	<u>SPLOST V</u>	<u>T-SPLOST</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ (1,048,584)	\$ 5,591,680	\$ 7,287,006	\$ 225,713	\$ 16,133,466
-	-	-	-	809,741
-	-	-	-	83,692
-	-	-	-	-
-	-	-	-	-
-	-	-	279,394	214,072
-	-	-	279,394	1,107,505
(1,048,584)	5,591,680	7,287,006	505,107	17,240,971
3,407,674	8,743,952	-	2,897,264	34,347,663
\$ 2,359,090	\$ 14,335,632	\$ 7,287,006	\$ 3,402,371	\$ 51,588,634

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, 2023**

Net change in fund balances -- total governmental funds \$ 17,240,971

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	4,559,684
Depreciation and amortization	(2,375,970)

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	-
Transfer of asset to the Water & Sewer Enterprise Fund	(1,171,560)
Other dispositions of capital assets	(6,457)

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

19,726

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	494,823
Proceeds from debt issues	(809,741)
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 pension liability and related deferred items	(56,432)
Change in accrued interest	(21,730)
Amortization of bond premium	8,415
Change in long-term portion of accrued compensated absences	<u>(89,595)</u>

Change in net position of governmental activities. \$ 17,792,134

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, 2023**

	Budget Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 15,704,600	\$ 15,704,600	\$ 17,776,685	\$ 2,072,085
Licenses and permits				
Business license	324,875	324,875	319,658	(5,217)
Building permits and fees	992,440	992,440	1,214,429	221,989
Intergovernmental	301,000	301,000	10,000	(291,000)
Charges for services	58,500	58,500	169,883	111,383
Fines and forfeitures	1,000,000	1,000,000	1,576,304	576,304
Interest	8,000	108,000	856,995	748,995
Administration fees *	725,000	725,000	733,400	8,400
Miscellaneous	165,901	188,860	113,814	(75,046)
Total Revenues	19,280,316	19,403,275	22,771,168	3,367,893
<b>EXPENDITURES</b>				
Current				
Governing Body	785,012	785,012	321,667	463,345
General Government -				
City Administrator	652,623	675,583	495,149	180,434
City Clerk	1,133,807	1,133,807	979,810	153,997
Finance	1,145,031	1,171,031	625,285	545,746
Legal	137,200	192,200	231,687	(39,487)
IT	1,346,698	1,465,904	2,001,991	(536,087)
Human Resources	315,266	315,266	211,955	103,311
Facilities and Asset Mgmt	577,478	577,478	523,702	53,776
Municipal Court	1,175,085	1,252,485	1,059,853	192,632
Probation	303,886	303,886	243,932	59,954
Public Safety -				
Police	7,041,683	7,162,271	5,863,762	1,298,509
Fire	4,792,043	4,830,288	4,301,027	529,261
Highways & Streets	1,930,308	2,005,308	1,753,051	252,257
Cemetery	69,960	69,960	36,050	33,910
Health and Human Services	-	21,886	26,175	(4,289)
Parks and Recreation	487,251	487,251	309,375	177,876
Community Development				
Planning and Zoning	719,495	725,495	422,266	303,229
Building Inspection	418,335	418,335	364,151	54,184
Economic Development				
Main Street	498,994	506,994	336,754	170,240
Business Development	18,000	18,000	3,249	14,751
Code Enforcement	386,640	386,640	348,823	37,817
Debt Service**	-	-	-	-
Capital outlay **	-	-	-	-
Total Expenditures	23,934,795	24,505,080	20,459,714	4,045,366

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, 2023**

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>\$ (4,654,479)</u>	<u>\$ (5,101,805)</u>	<u>\$ 2,311,454</u>	<u>\$ 7,413,259</u>
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	-	809,741	809,741
Proceeds from disposition of assets	10,000	10,000	83,692	73,692
Transfers	<u>1,044,087</u>	<u>1,324,237</u>	<u>1,585,632</u>	<u>261,395</u>
Total Other Financing Sources (Uses)	<u>1,054,087</u>	<u>1,334,237</u>	<u>2,479,065</u>	<u>1,144,828</u>
Net Change in Fund Balance	(3,600,392)	(3,767,568)	4,790,519	8,558,087
Fund Balance - Beginning of Year	<u>19,298,010</u>	<u>19,298,010</u>	<u>19,298,010</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 15,697,618</u>	<u>\$ 15,530,442</u>	<u>\$ 24,088,529</u>	<u>\$ 8,558,087</u>

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

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

See accompanying notes to the financial statements.

Concluded

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**ARPA SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Intergovernmental - ARPA	\$ 9,900,000	\$ 9,900,000	\$ 1,469,340	\$ (8,430,660)
Interest	<u>116,000</u>	<u>116,000</u>	<u>115,243</u>	<u>(757)</u>
Total Revenue	<u>10,016,000</u>	<u>10,016,000</u>	<u>1,584,583</u>	<u>(8,431,417)</u>
<b>EXPENDITURES</b>				
Current				
Purchased / contracted services	100	100	-	100
Supplies	-	-	-	-
Miscellaneous	-	-	-	-
Capital Outlay	<u>8,351,408</u>	<u>8,351,408</u>	<u>1,208,412</u>	<u>7,142,996</u>
Total Expenditures	<u>8,351,508</u>	<u>8,351,508</u>	<u>1,208,412</u>	<u>7,143,096</u>
Excess Revenues Over (Under) Expenditures	<u>1,664,492</u>	<u>1,664,492</u>	<u>376,171</u>	<u>(1,288,321)</u>
Other Financing Sources (Uses) Transfers	<u>-</u>	<u>-</u>	<u>(260,928)</u>	<u>(260,928)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(260,928)</u>	<u>(260,928)</u>
Net Change in Fund Balance	1,664,492	1,664,492	115,243	(1,549,249)
Fund Balance - Beginning of Year	<u>763</u>	<u>763</u>	<u>763</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,665,255</u>	<u>\$ 1,665,255</u>	<u>\$ 116,006</u>	<u>\$ (1,549,249)</u>

See accompanying notes to the financial statements.



**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**HOTEL / MOTEL TAX FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023			
	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 2,608,233	\$ 2,608,233	\$ 2,502,550	\$ (105,683)
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenue	<u>2,608,233</u>	<u>2,608,233</u>	<u>2,502,550</u>	<u>(105,683)</u>
<b>EXPENDITURES</b>				
Current				
Contracted Services	-	-	17,658	(17,658)
Tourism and Hospitality	1,141,102	1,141,102	1,094,866	46,236
Capital				
Tourism Product	-	-	-	-
Total Expenditures	<u>1,141,102</u>	<u>1,141,102</u>	<u>1,112,524</u>	<u>28,578</u>
Excess Revenues Over (Under) Expenditures	1,467,131	1,467,131	1,390,026	(77,105)
Other Financing Sources (Uses) Transfers	<u>(1,467,131)</u>	<u>(1,467,131)</u>	<u>(1,390,026)</u>	<u>77,105</u>
Total Other Financing Sources (Uses)	<u>(1,467,131)</u>	<u>(1,467,131)</u>	<u>(1,390,026)</u>	<u>77,105</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

<b>ASSETS AND DEFERRED OUTFLOWS</b>	<u><b>Water and Sewer</b></u>	<u><b>Solid Waste Management</b></u>	<u><b>Storm Water Management</b></u>
Current Assets			
Cash	\$ 1,586,296	\$ 87,730	\$ 1,046,160
Investments	7,580,562	-	973,686
Receivables			
Accounts (net)	702,742	159,962	609,054
Other	-	-	-
Due from other funds	169,861	-	-
Due from other government	-	-	-
Prepaid expenses	66,875	6,457	9,783
Restricted Assets			
Cash	352,898	-	-
Total Current Assets	<u>10,459,234</u>	<u>254,149</u>	<u>2,638,683</u>
Noncurrent Assets			
Capital assets			
Land	4,397,398	-	222,162
Buildings	953,543	-	173,149
Improvements other than buildings	28,568,523	-	2,934,170
Machinery and equipment	2,407,108	135,010	711,843
Autos and trucks	796,977	155,574	854,455
Construction in progress	639,365	-	-
Accumulated depreciation	(18,928,548)	(233,402)	(1,777,099)
Capital assets (net of depreciation)	<u>18,834,366</u>	<u>57,182</u>	<u>3,118,680</u>
Total Assets	<u>29,293,600</u>	<u>311,331</u>	<u>5,757,363</u>
Deferred Outflows			
Deferred pension outflows	<u>588,323</u>	<u>34,607</u>	<u>69,214</u>
Total Assets and Deferred Outflows	<u>29,881,923</u>	<u>345,938</u>	<u>5,826,577</u>

See accompanying notes to the basic financial statements.

Continued

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 2,720,186
-	8,554,248
-	1,471,758
-	-
-	169,861
-	-
-	83,115
-	352,898
-	13,352,066
826,034	5,445,594
-	1,126,692
37,019	31,539,712
-	3,253,961
-	1,807,006
-	639,365
-	(20,939,049)
863,053	22,873,281
863,053	36,225,347
-	692,144
863,053	36,917,491



**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<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	\$ 281,086	\$ 263,479	\$ 12,533
Construction	333,225	-	-
Accrued liabilities			
Deposits	604,479	-	-
Accrued compensated absences	56,804	5,165	4,013
Accrued salaries	42,480	2,953	7,482
Due to other funds	-	-	-
Current liabilities payable from restricted assets			
Revenue bonds	199,000	-	-
Notes payable	146,407	-	-
Accrued interest	9,033	-	-
Total Current Liabilities	<u>1,672,514</u>	<u>271,597</u>	<u>24,028</u>
Noncurrent Liabilities			
Revenue bonds	617,000	-	-
Notes payable	1,825,679	-	-
Net pension liability	1,233,207	72,542	145,083
Net OPEB liability	-	-	-
Total Noncurrent Liabilities	<u>3,675,886</u>	<u>72,542</u>	<u>145,083</u>
Total Liabilities	<u>5,348,400</u>	<u>344,139</u>	<u>169,111</u>
Deferred Inflows			
Deferred pension inflows	<u>132,168</u>	<u>7,775</u>	<u>15,549</u>
Total Liabilities and Deferred Inflows	<u>5,480,568</u>	<u>351,914</u>	<u>184,660</u>
<b>NET POSITION</b>			
Net investment in capital assets	16,046,280	57,182	3,118,680
Restricted under debt ordinance	352,898	-	-
Unrestricted	<u>8,002,177</u>	<u>(63,158)</u>	<u>2,523,237</u>
Total Net Position	<u>\$ 24,401,355</u>	<u>\$ (5,976)</u>	<u>\$ 5,641,917</u>

See accompanying notes to the basic financial statements.

Concluded

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 557,098
-	333,225
-	604,479
-	65,982
-	52,915
-	-
-	199,000
-	146,407
-	9,033
-	<u>1,968,139</u>
-	617,000
-	1,825,679
-	1,450,832
-	-
-	<u>3,893,511</u>
-	<u>5,861,650</u>
-	155,492
-	<u>6,017,142</u>
863,053	20,085,195
-	352,898
-	<u>10,462,256</u>
<u>\$ 863,053</u>	<u>\$ 30,900,349</u>

**CITY OF McDONOUGH, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
<b>OPERATING REVENUES</b>			
Charges for services			
Water sales	\$ 3,054,645	\$ -	\$ -
Sewer charges	2,723,162	-	-
Sanitation fees	-	3,153,279	-
Storm water fees	-	-	989,703
Connection fees			
Water	26,515	-	-
Sewer	-	-	-
Penalties and reconnect fees	203,498	-	-
Miscellaneous	2,317	-	-
Total Operating Revenues	<u>6,010,137</u>	<u>3,153,279</u>	<u>989,703</u>
<b>OPERATING EXPENSES</b>			
Purchased products / services	240,088	3,132,640	-
Personal services and benefits	2,048,948	157,090	329,835
Purchased / contracted services	809,066	11,056	380,809
Supplies	1,035,990	3,507	70,449
Cost allocations	415,023	107,482	122,496
Depreciation and amortization	814,433	19,334	216,660
Other	129,179	30,000	30,000
Total Operating Expenses	<u>5,492,727</u>	<u>3,461,109</u>	<u>1,150,249</u>
Operating Income (Loss)	<u>517,410</u>	<u>(307,830)</u>	<u>(160,546)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest earned	127,863	-	33,102
Interest expense	(41,995)	-	-
Gain (Loss) on disposition of capital assets	613	-	-
Total Non-Operating Income (Expense)	<u>86,481</u>	<u>-</u>	<u>33,102</u>
Net Income before Transfers and Capital Contributions	603,891	(307,830)	(127,444)
Capital Contributions			
Water	546,869	-	-
Sewer	574,458	-	-
ARPA	1,171,560	-	-
Transfers	<u>(475,000)</u>	<u>260,928</u>	<u>-</u>
Change in Net Position	2,421,778	(46,902)	(127,444)
Net Position - Beginning of Year	<u>21,979,577</u>	<u>40,926</u>	<u>5,769,361</u>
Net Position - End of Year	<u>\$ 24,401,355</u>	<u>\$ (5,976)</u>	<u>\$ 5,641,917</u>

See accompanying notes to the basic financial statements.

Cemetery Enterprise	Total
\$ -	\$ 3,054,645
-	2,723,162
-	3,153,279
-	989,703
-	26,515
-	-
-	203,498
-	2,317
-	10,153,119
-	3,372,728
-	2,535,873
-	1,200,931
-	1,109,946
-	645,001
-	1,050,427
-	189,179
-	10,104,085
-	49,034
-	160,965
-	(41,995)
-	613
-	119,583
-	168,617
-	546,869
-	574,458
-	1,171,560
-	(214,072)
-	2,247,432
863,053	28,652,917
\$ 863,053	\$ 30,900,349



**CITY OF McDONOUGH, GEORGIA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Cash flows from operating activities:			
Cash received from customers and users	\$ 6,182,137	\$ 3,259,867	\$ 949,915
Cash paid to suppliers for goods	(3,293,295)	(3,336,472)	(726,355)
Cash paid to employees	(1,342,893)	(96,593)	(200,595)
Net Cash Flows from Operating Activities	<u>1,545,949</u>	<u>(173,198)</u>	<u>22,965</u>
Cash flows from investing activities:			
Interest received	127,863	-	33,102
(Purchase) / redemption of investments	(2,465,387)	-	(31,891)
Net Cash Flows from Investing Activities	<u>(2,337,524)</u>	<u>-</u>	<u>1,211</u>
Cash flows from non-capital financing activities:			
Transfers	(475,000)	260,928	-
Change in due to/from other funds	(169,861)	-	-
Net Cash Flows from Non-Capital Financing Activities	<u>(644,861)</u>	<u>260,928</u>	<u>-</u>
Cash flows from capital financing activities:			
Purchases / construction of capital assets	(508,680)	-	(114,034)
Capital contributions	1,121,327	-	-
Principal payments on long-term debt	(339,367)	-	-
Proceeds from disposition of capital assets	28,211	-	-
Interest paid	(43,780)	-	-
Net Cash Flows from Capital Financing Activities	<u>257,711</u>	<u>-</u>	<u>(114,034)</u>
Net Change in Cash and Cash Equivalents	(1,178,725)	87,730	(89,858)
Cash and Cash Equivalents - Beginning	<u>3,117,919</u>	<u>-</u>	<u>1,136,018</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,939,194</u>	<u>\$ 87,730</u>	<u>\$ 1,046,160</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 10,391,919
-	(7,356,122)
-	(1,640,081)
-	<u>1,395,716</u>
-	160,965
-	<u>(2,497,278)</u>
-	<u>(2,336,313)</u>
-	(214,072)
-	<u>(169,861)</u>
-	<u>(383,933)</u>
-	(622,714)
-	1,121,327
-	(339,367)
-	28,211
-	<u>(43,780)</u>
-	<u>143,677</u>
-	(1,180,853)
-	<u>4,253,937</u>
<u>\$ -</u>	<u>\$ 3,073,084</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)	\$ 517,410	\$ (307,830)	\$ (160,546)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	814,433	19,334	216,660
(Increase) decrease in -			
Accounts receivable	126,016	106,588	(39,788)
Prepaid expense	(5,585)	(574)	(977)
Increase (decrease) in -			
Accounts payable	(16,516)	4,985	(178)
Deposits	45,984	-	-
Change in net pension liability and related deferred items	11,992	706	1,411
Accrued liabilities	52,215	3,593	6,383
Total Adjustments	<u>1,028,539</u>	<u>134,632</u>	<u>183,511</u>
Net Cash Flows from Operating Activities	<u>\$ 1,545,949</u>	<u>\$ (173,198)</u>	<u>\$ 22,965</u>

**NON-CASH TRANSACTIONS**

Capital contribution from ARPA Fund	<u>\$ 1,171,560</u>	<u>\$ -</u>	<u>\$ -</u>
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See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 49,034
-	1,050,427
-	192,816
-	(7,136)
-	(11,709)
-	45,984
-	14,109
-	62,191
-	1,346,682
\$ -	\$ 1,395,716
\$ -	\$ 1,171,560



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**A. Basis of Presentation**

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

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

**B. The Reporting Entity**

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

Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB No. 61 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on organization's for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City regardless of whether the organization has a separate elected or appointed governing board. Blended component units, although legally separate entities, are, in substance part of the government's operations and are reported with similar funds of the primary government. Using the above criteria, the City of McDonough Downtown Development Authority is a component unit of the City. The City Council appoints all members of the Development Authority's Board of Directors and pays from the City's budget expenditures, if any, related to the Authority. During F/Y 2018, the DDA began to have financial transactions and therefore, is included in this report as a component unit of the City.

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

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

(See Independent Auditor's Report)

**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.

**Hotel / Motel Tax Fund** – The Hotel / Motel Tax Fund is used to account for the proceeds of the City's eight percent Hotel / Motel Tax Ordinance. The proceeds from the tax are to be used to finance promotional activities.

**American Rescue Plan Act (ARPA) Special Revenue Fund** – This fund is used to account for monies received and the related expenditures under the American Rescue Plan Act. Recipients may use award funds to cover eligible costs incurred during the period that begins March 3, 2022 and ends December 31, 2024.

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

**The T-SPLOST Capital Projects Fund** – This fund is used to account for monies collected under the City's T-SPLOST referendum approved by the voters of Henry County in November 2021. Monies collected under this ordinance can only be expended for transportation purposes. The 1% tax will be collected over a 5-year period.

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

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

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

(See Independent Auditor's Report)

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

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

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

**Proprietary Fund Type, Continued –**

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

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

**E. Measurement Focus**

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

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

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

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

**F. Basis of Accounting**

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

**1. Accrual**

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

(See Independent Auditor's Report)



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

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

**F. Basis of Accounting, continued**

**2. Modified Accrual:**

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

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

**G. Cash and Investments**

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

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2023:

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, 2023 are recorded as prepaid items and are expensed during the period benefited

**J. Restricted Assets**

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

**K. Capital Assets**

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

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

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

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

(See Independent Auditor’s Report)



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

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

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

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

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

**N. Revenues**

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

**O. Expenditures**

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

**P. Compensated Absences**

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

**Q. Interfund Activity**

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

**R. Encumbrances**

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

(See Independent Auditor's Report).

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has one item that qualifies for reporting in this category as of June 30, 2023 which is deferred pension outflows recognized in the Statements of Net Position.

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

**T. Net Position**

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

The City's government-wide statement of net position reports \$27,853,003 of restricted net position, of which \$27,291,251 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, 2023, 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, 2023, fund balances are composed of the following:

	<u>General</u>	<u>ARPA</u>	<u>T-SPLOST</u>	<u>SPLOST Funds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable						
Prepays	\$ 661,159	\$ -	\$ -	-	\$ -	\$ 661,159
Cemetery Trust Corpus	-	-	-	-	176,600	176,600
Restricted -						
Capital projects	-	-	7,287,006	16,694,722	3,142,944	27,124,672
Cemetery	-	-	-	-	32,254	32,254
Economic development	-	-	-	-	-	-
ARPA projects	-	116,006	-	-	-	116,006
Police activities	-	-	-	-	50,573	50,573
Committed -						
Stabilization reserve	1,622,557	-	-	-	-	1,622,557
Assigned -						
Appropriated for nex year's budget	833,279	-	-	-	-	833,279
Unassigned	<u>20,971,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,971,534</u>
 Total Fund Balances	 <u>\$ 24,088,529</u>	 <u>\$ 116,006</u>	 <u>\$ 7,287,006</u>	 <u>\$ 16,694,722</u>	 <u>\$ 3,402,371</u>	 <u>\$ 51,588,634</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 last amended. 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, 2023, \$35,155,906 of the government's bank balance of \$ 35,925,737 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent or by collateral held by a third-party custodian bank as part of Georgia's Pooled Funds program	35,155,906
Total	<u>\$ 35,155,906</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, 2023:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturities</u>	<u>Rating</u>	<u>Organization</u>
<b>All Funds With Investments -</b>				
Georgia Fund 1	\$ 30,906,572	28 days	AAAf	S&P

(See Independent Auditor's Report).



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

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

**Investments , continued**

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

**3. PROPERTY TAX**

Property taxes were levied on July 19, 2022 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, 2023 amounted to \$ 40,280.

**4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES**

Intergovernmental revenues and receivables reported in the governmental fund financial statements for the year ended June 30, 2023 consist of the following:

	Receivable	Revenues
General Fund		
GMA Safety and Liability Grant	\$ -	\$ 10,000
Downtown Development Authority	11,925	-
ARPA Fund	-	1,469,340
T-SPLOST Fund	2,545,382	7,673,506
SPLOST Funds		
Henry County - SPLOST	2,622,159	6,326,254
GA. Department of Transportation	-	269,288
	<u>\$ 5,179,466</u>	<u>\$ 15,748,388</u>

**5. RECEIVABLES**

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

	General	Hotel / Motel Tax	SPLOST & T-SPLOST	Total
<b>Governmental Funds</b>				
Taxes	\$ 773,856	\$ 575,040	\$ -	\$ 1,348,896
Fines	243,535	-	-	243,535
Other	35,368	-	-	35,368
Intergovernmental	11,925	-	5,167,541	5,179,466
Gross receivables	1,064,684	575,040	5,167,541	6,807,265
Less allowance for bad debt	(121,768)	-	-	(121,768)
Net Total Receivables	<u>\$ 942,916</u>	<u>\$ 575,040</u>	<u>\$ 5,167,541</u>	<u>\$ 6,685,497</u>
<b>Proprietary Funds</b>	Water/Sewer	Solid Waste	Stormwater	Total
Accounts	\$ 1,312,742	\$ 369,962	\$ 1,089,054	\$ 2,771,758
Less allowance for bad debt	(610,000)	(210,000)	(480,000)	(1,300,000)
Net Total Receivable	<u>\$ 702,742</u>	<u>\$ 159,962</u>	<u>\$ 609,054</u>	<u>\$ 1,471,758</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, 2023 were as follows:

Payable From	Payable To	
	General Fund	Water/Sewer Fund
ARPA Fund	\$ 191,925	\$ 169,861
Hotel / Motel Tax	323,461	-
SPLOST V	344,000	-
Non-Major	66,456	-
Totals	<u>\$ 925,842</u>	<u>\$ 169,861</u>

The City's General Fund's operating bank account receives all deposits from the general fund and water and sewer fund operations. All monies collected for the Water and Sewer Fund and all expenditures paid for the Water and Sewer Fund are made through the General Fund's operating bank account. The SPLOST V Fund owed the General Fund \$344,000 for expenditures paid by the General Fund and not reimbursed by the SPLOSTV Fund as of June 30, 2023. The Confiscated Assets Fund owed the General Fund \$66,456 for qualified expenditures originally paid by the General Fund and not reimbursed as of June 30, 2023. The Hotel / Motel Tax Fund owed the General Fund \$323,461 for unreimbursed expenditures and transfers as of June 30, 2023. The ARPA Fund owed the Water and Sewer Fund \$169,861 and the General Fund \$191,925 for eligible expenditures paid by the Water and Sewer and the General Funds and was not reimbursed by the ARPA Fund as of June 30, 2023.

Individual fund interfund transfers for the year ended June 30, 2023 were as follows:

Transfer To	Transfer From				Totals
	General	Hotel / Motel Tax	ARPA	Water & Sewer	
General	\$ -	\$ 1,390,026	\$ -	\$ 475,000	\$ 1,865,026
Non-Major	279,394	-	-	-	-
Solid Waste	-	-	260,928	-	260,928
	<u>\$ 279,394</u>	<u>\$ 1,390,026</u>	<u>\$ 260,928</u>	<u>\$ 475,000</u>	<u>\$ 2,125,954</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, 2023, the Hotel / Motel Tax Fund transferred \$1,390,026 to the General Fund and as of June 30, 2023, the Hotel / Motel Tax Fund owed the General Fund \$323,461 for unreimbursed expenditures and transfers. The Water and Sewer Fund transferred \$475,000 to the General Fund to support the fund balance of the General Fund. The General Fund transferred \$279,394 to the Urban Redevelopment Fund to finance debt service on the URA revenue bonds. The ARPA Fund also transferred \$260,928 to the Solid Waste fund to help finance the City's solid waste drop-off operations.

In the Statement of Activities, additional transfers were recognized in the amount of \$1,171,560 as a result of the ARPA Fund financing the construction of infrastructure improvements for the Enterprise Funds. Governmental Funds transferred the improvements to the Water and Sewer Fund in which they were recognized as capital improvements. This increased the total transfers in the Statement of Activities to \$957,488. These transactions were recognized as capital outlay expenditures in the governmental funds and as capital contributions in the proprietary funds.

(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, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,892,973	\$ 1,400,717	\$ -	\$ 14,293,690
Construction in progress	38,909	1,471,667	(1,171,560)	339,016
Total	12,931,882	2,872,384	(1,171,560)	14,632,706
Capital assets being depreciated:				
Buildings	20,900,069	36,817	-	20,936,886
Improvements other than buildings	17,095,260	41,168	-	17,136,428
Vehicles, including related equipment	9,223,712	176,715	(22,600)	9,377,827
Machinery and equipment	5,853,226	615,118	-	6,468,344
Furniture and fixtures	678,081	-	-	678,081
Total capital assets being depreciated	53,750,348	869,818	(22,600)	54,597,566
Less accumulated depreciation for:				
Buildings	6,168,863	510,613	-	6,679,476
Improvements other than buildings	4,700,015	473,868	-	5,173,883
Vehicles, including related equipment	5,334,935	780,957	(16,143)	6,099,749
Machinery and equipment	4,301,951	306,207	-	4,608,158
Furniture and fixtures	422,587	28,487	-	451,074
Total accumulated depreciation	20,928,351	2,100,132	(16,143)	23,012,340
Total capital assets being depreciated, net	32,821,997	(1,230,314)	(6,457)	31,585,226
Total capital assets being depreciated, net not including lease or subscription assets	45,753,879	1,642,070	(1,178,017)	46,217,932
Lease and subscription assets -				
Equipment	-	166,771	-	166,771
Subscriptions	903,409	650,699	-	1,554,108
Accumulated depreciation and amortization	140,441	275,838	-	416,279
Lease & subscription assets, net	762,968	541,632	-	1,304,600
Government capital assets, net	\$ 46,516,847	\$ 2,183,702	\$ (1,178,017)	\$ 47,522,532

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

Administrative	\$ 482,262
Public Safety and Courts	1,187,144
Highways and Streets	296,239
Cemetery	4,647
Parks and Recreation	353,850
Code Enforcement	20,363
Community Development	21,888
Economic Development	9,577
Total depreciation expense	<u>\$ 2,375,970</u>

(See Independent Auditor's Report)

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 5,445,594	\$ -	\$ -	\$ 5,445,594
Construction in progress	248,217	438,638	(47,490)	639,365
Total	<u>5,693,811</u>	<u>438,638</u>	<u>(47,490)</u>	<u>6,084,959</u>
Capital assets being depreciated:				
Buildings	1,119,684	7,008	-	1,126,692
Improvements other than buildings	30,013,812	1,525,900	-	31,539,712
Machinery and equipment	3,213,925	40,036	-	3,253,961
Vehicles	1,679,597	163,406	(35,997)	1,807,006
Total capital assets being depreciated	<u>36,027,018</u>	<u>1,736,350</u>	<u>(35,997)</u>	<u>37,727,371</u>
Less accumulated depreciation for:				
Buildings	901,766	12,527	-	914,293
Improvements other than buildings	15,546,380	739,060	-	16,285,440
Machinery and equipment	2,200,776	146,507	-	2,347,283
Vehicles	1,248,101	152,331	(8,399)	1,392,033
Total capital assets being depreciated	<u>19,897,023</u>	<u>1,050,425</u>	<u>(8,399)</u>	<u>20,939,049</u>
Total capital assets being depreciated, net	<u>16,129,995</u>	<u>685,925</u>	<u>(27,598)</u>	<u>16,788,322</u>
Business-Type Activities capital assets, net	<u>\$ 21,823,806</u>	<u>\$ 1,124,563</u>	<u>\$ (75,088)</u>	<u>\$ 22,873,281</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 336,289
Sewer	478,144
Storm Water	216,660
Solid Waste Management	<u>19,334</u>
Total depreciation expense	<u>\$ 1,050,427</u>

(See Independent Auditor's Report)

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

**8. UNAVAILABLE REVENUES**

Deferred revenues as of June 30, 2023, reported in the Governmental Fund's balance sheet, consisted of the following revenue items which had been earned and were measurable but were not received within 60 days after year end and therefore were not considered available:

Fines and forfeitures	\$ 69,314
Property taxes	35,836
Lease revenue	<u>34,516</u>
Total unavailable revenues - Governmental Funds	<u>\$ 139,666</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, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities</b>					
Accrued Compensated Absences	\$ 301,576	\$ 534,436	\$ (444,848)	\$ 391,164	\$ 50,000
Revenue bonds	3,370,000	-	(165,000)	3,205,000	165,000
Bond premium	130,436	-	(8,417)	122,019	-
Leases payable (Note 18)	-	166,771	(23,134)	143,637	40,579
Subscriptions payable (Note 11)	<u>707,525</u>	<u>642,970</u>	<u>(306,689)</u>	<u>1,043,806</u>	<u>296,937</u>
Total Governmental Activity					
Long-Term Debt	<u>\$4,509,537</u>	<u>\$ 1,344,177</u>	<u>\$ (948,088)</u>	<u>\$ 4,905,626</u>	<u>\$ 552,516</u>
<b>Business-Type Activities</b>					
Revenue Bonds	\$1,012,000	\$ -	\$ (196,000)	\$ 816,000	\$ 199,000
GEFA Notes Payable	<u>2,115,453</u>	<u>-</u>	<u>(143,367)</u>	<u>1,972,086</u>	<u>146,407</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$3,127,453</u>	<u>\$ -</u>	<u>\$ (339,367)</u>	<u>\$ 2,788,086</u>	<u>\$ 345,407</u>

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

The Water and Sewer Enterprise Fund is used to liquidate all of the business-type activity long-term liabilities except each enterprise fund will be responsible for its share of the net pension 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, 2023 consist of the following:

**McDonough Urban Redevelopment Authority (Direct Borrowings/Placements)**

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

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

\$3,205,000

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

Year Ending 6/30	REVENUE BONDS		
	Principal	Interest	Total
2024	\$ 165,000	\$ 110,912	\$ 275,912
2025	175,000	105,962	280,962
2026	180,000	100,712	280,712
2027	185,000	94,862	279,862
2028	190,000	88,850	278,850
2029	195,000	82,200	277,200
2030	205,000	75,375	280,375
2031	210,000	68,200	278,200
2032	220,000	60,850	280,850
2033	230,000	54,250	284,250
2034	230,000	47,350	277,350
2035	240,000	38,150	278,150
2036	250,000	28,550	278,550
2037	260,000	18,550	278,550
2038	<u>270,000</u>	<u>9,450</u>	<u>279,450</u>
Totals	<u>\$ 3,205,000</u>	<u>\$ 984,223</u>	<u>\$ 4,189,223</u>

(See Independent Auditor's Report)



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

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

**Water and Sewer Long-Term Debt (Direct Borrowings/Placements)**

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

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

Note payable to GEFA, in the total amount of \$3,000,000, interest at 1.4%, due in monthly installments of \$14,339 through December 2036.	<u>\$1,972,086</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>\$ 816,000</u>

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

Year Ending 6/30	NOTES PAYABLE		REVENUE BONDS		Total
	Principal	Interest	Principal	Interest	
2024	\$ 146,407	\$ 25,659	\$ 199,000	\$ 11,822	\$ 382,888
2025	148,471	23,595	202,000	8,514	382,580
2026	150,562	21,504	206,000	5,148	383,214
2027	152,684	19,382	209,000	1,724	382,790
2028	154,836	17,230	-	-	172,066
2029	157,017	15,049	-	-	172,066
2030	159,229	12,837	-	-	172,066
2031	161,473	10,593	-	-	172,066
2032	163,748	8,318	-	-	172,066
2033	166,055	6,011	-	-	172,066
2034	168,395	3,671	-	-	172,066
2035	170,769	1,297	-	-	172,066
2036	72,440	13,594	-	-	86,034
Totals	<u>\$ 1,972,086</u>	<u>\$ 178,740</u>	<u>\$ 816,000</u>	<u>\$ 27,208</u>	<u>\$ 2,994,034</u>

(See Independent Auditor's Report)

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

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

**Water and Sewer Long-Term Debt (Direct Borrowings/Placements) – Continued**

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

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

**10. HOTEL / MOTEL TAX**

Prior to August 2013 the City levied a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 40% of the monies collected under this provision to the McDonough Tourism and Hospitality Organization, a not-for-profit entity. Starting in August 2013 the City began to levy an 8% hotel / motel tax in accordance with the provisions of O.C.G.A. 48-13-50. In order to comply with the expenditure requirements of this code section the City must expend 62.5% of the monies collected under this provision for the purpose of promoting tourism, conventions, trade shows or tourism product development. The following is a summary of the collections and expenditures for the year ended June 30, 2023:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 2,502,550	100.00%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 1,094,866	43.75%
Product development	\$ 469,228	18.75%

(See Independent Auditor's Report)

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

**11. SUBSCRIPTION PAYABLE**

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. The statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under the Statement an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The City did implement the new standard by recording subscription assets at a cost of \$903,409 less accumulated amortization of \$140,441 and corresponding liabilities in the amount of \$707,525 as of June 30, 2022. An adjustment of \$55,443 was made to the Governmental Activities net position.

The City has entered into subscription-based information technology arrangements (SBITAs) involving various desktop and server software subscriptions, cloud backup services software and various department service-type software.

The following is a summary of changes in subscription liabilities reported in the government-wide financial statements:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Subscriptions payable	<u>\$ 707,525</u>	<u>\$ 642,970</u>	<u>\$ (306,689)</u>	<u>\$ 1,043,806</u>	<u>\$ 296,937</u>

The interest rates imputed under the subscription arrangements is stated at the City's current borrowing rate of 2.9%.

Principal and interest requirements to maturity is as follows:

<u>Year Ending 6/30</u>	<u>Subscriptions Payable</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	\$ 30,269	\$ 296,937	\$ 327,206
2025	21,659	305,548	327,207
2026	12,797	309,109	321,906
2027	<u>3,865</u>	<u>132,212</u>	<u>136,077</u>
	<u>\$ 68,590</u>	<u>\$ 1,043,806</u>	<u>\$ 1,112,396</u>

The total costs of the City's subscription assets are recorded as \$1,554,108, less accumulated amortization of \$409,331. The total amortization expense for the year ended June 30, 2023 was \$268,889.

(See Independent Auditor's Report)



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

**12. 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)	\$54,068,620
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, 2023, 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, 2023. No provisions have been made in the financial statements for the year ended June 30, 2023 for any estimate of potential unpaid claims.

(See Independent Auditor's Report)



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

**12. 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.

**13. RELATED ORGANIZATION**

The City of McDonough Housing Authority is considered a related organization. The Authority operates a multi-family housing facility which is located within the city limits. The citizens who serve as the governing board are appointed by the Mayor and Council. The City has no significant influence over the management budget or policies of the Authority. Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations.

(See Independent Auditor's Report)

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

**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

**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, 2023, the developer had actually used approximately \$3,622,185 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$3,190,223. The City recognizes impact fees as revenues when received.

(See Independent Auditor's Report)

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

**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, 2023 amounted to \$51,934.

**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, 2023, contributions to the plans amounted to \$37,304, which is 42.3% of eligible salaries. The amount of payroll covered under the plan for the year ended June 30, 2023 amounted to \$88,230. This plan was established by an adoption agreement executed by the City Council.

(See Independent Auditor's Report)



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

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

**Defined Benefit Plan – GMA Administered**

**Plan Description**

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

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

At January 1, 2023, the date of the most recent actuarial valuation, there were 277 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	46
Terminated vested participants not yet receiving benefits	65
Active employees - vested	99
Active employees - nonvested	<u>67</u>
Total	<u>277</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 2023, the actuarially determined contribution rate was 14.71% of covered payroll.

For fiscal year ended June 30, 2023, the City's recommended and actual contribution was \$1,260,042 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, 2023 and the Statements of Net Position for the fiscal year ended June 30, 2023 amounted to \$1,441,853.

(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, 2023, the City reported a liability of \$7,254,157 for its net pension liability. The net pension liability was measured as of September 30, 2022 and was determined by an actuarial valuation as of January 1, 2023. The changes in the Net Pension Liability for the year ended September 30, 2022 (the measurement date) were as follow:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning	\$ 21,445,179	\$ 16,857,857	\$ 4,587,322
Changes for the year-			
Service cost	546,636	-	546,636
Interest	1,592,690	-	1,592,690
Differences between expected and actual experience	(913,575)	-	(913,575)
Contributions - Employer	-	1,398,110	(1,398,110)
Net investment income	-	(2,810,695)	2,810,695
Benefit payments, including refunds of employee contributions	(792,048)	(792,048)	-
Administrative expense	-	(28,499)	28,499
Other	-	-	-
Net Changes	<u>433,703</u>	<u>(2,233,132)</u>	<u>2,666,835</u>
Balance, ending	<u>\$ 21,878,882</u>	<u>\$ 14,624,725</u>	<u>\$ 7,254,157</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, 2023, the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	\$ 546,636
Interest on The Pension Liability (TPL)	1,592,690
Administrative expenses	28,499
Expected return on assets	(1,264,565)
Expensed portion of current year period differences between expected and actual experience in TPL	(182,715)
Current year recognition of deferred inflows and outflows established in prior years	(93,744)
Current year plan changes	-
Expensed portion of current year period differences between projected and actual investment earnings	<u>815,052</u>
Total expense	<u>\$ 1,441,853</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**

\$945,031 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, 2023. 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
2024	\$ 725,561	\$ (198,248)	\$ 527,313
2025	601,940	(198,248)	403,692
2026	373,141	(198,248)	174,893
2027	815,052	(182,715)	632,337
2028	-	-	-
2029 and thereafter	-	-	-
	<u>\$ 2,515,694</u>	<u>\$ (777,459)</u>	<u>\$ 1,738,235</u>

Outstanding balances of deferred outflows/inflows of resources related to pensions as of June 30, 2023 are as follow:

	<u>Outflows</u>	<u>Inflows</u>
Contributions subsequent to measurement date	\$ 945,031	\$ -
Demographic	134,022	(777,459)
Investment	1,905,282	-
Assumption change	<u>476,390</u>	<u>-</u>
Total	<u>\$ 3,460,725</u>	<u>\$ (777,459)</u>

**Actuarial Assumptions**

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Actuarial Assumptions:**

Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates - Healthy	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25
Disabled	Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

(See Independent Auditor's Report)

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

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

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

**Actuarial Assumptions, continued**

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45.00%	6.40%
International equity	20.00%	6.80%
Domestic fixed income	20.00%	0.40%
Real estate	10.00%	3.90%
Global fixed income	5.00%	0.46%
Cash	0.00%	
Total	100.00%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's net pension liability calculated using the discount rate of 7.375 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	<u>6.375%</u>	<u>7.375%</u>	<u>8.375%</u>
Net Pension Liability	\$ 10,351,443	\$ 7,254,157	\$ 4,700,392

**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. 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, 2023 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 352,898
ARPA fund	9,004,596
Hotel / Motel Tax Fund	302,021
Confiscated assets fund	175,154
Capital projects-	
Special purpose local option sales funds	14,419,265
T-SPLOST Fund	5,041,731
Development impact fee funds	3,142,944
Cemetery perpetual care funds	208,854
	<u>\$ 32,647,463</u>

**18. LEASING ACTIVITIES**

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

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

City as Lessee

The City, as lessee, has entered into a lease agreement involving 18 copiers. The total of the City's leased assets is recorded at cost of \$166,771, less accumulated depreciation of \$6,949.

The future lease payments under the lease agreement, with interest rates imputed at the City's current borrowing rate of 2.9% are as follows:

Year Ending 6/30	Leases Payable		
	Principal	Interest	Total
2024	\$ 40,579	\$ 3,629	\$ 44,208
2025	41,772	2,436	44,208
2026	42,999	1,209	44,208
2027	18,287	186	18,473
	<u>\$ 143,637</u>	<u>\$ 7,460</u>	<u>\$ 151,097</u>

(See Independent Auditor's Report)

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

**18. LEASING ACTIVITIES, Continued**

City as Lessor

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

Year Ending 6/30	Leases Receivable		
	Principal	Interest	Total
2024	\$ 9,742	\$ 2,258	\$ 12,000
2025	10,498	1,502	12,000
2026	11,313	687	12,000
2027	2,963	37	3,000
	<u>\$ 34,516</u>	<u>\$ 4,484</u>	<u>\$ 39,000</u>

**19. CONDUIT DEBT OBLIGATION**

As of June 2023, the Downtown Development Authority of the City of McDonough, Georgia had issued \$1,088,000 in principal loan amounts from the Georgia Department of Community Affairs and from the Georgia Cities Foundation. Proceeds from the loans were loaned to various businesses located inside the City of McDonough in accordance with the terms of the loan agreements. The proceeds will be used for the purpose of helping to finance building acquisitions, renovations of buildings and to acquire furniture, fixtures and equipment. The loans do not constitute a debt, moral obligation, liability, or a loan, or credit or pledge of full faith and credit of the taxpayers of the City of McDonough, Georgia. Accordingly, the loans have not been reported as liabilities in the accompanying financial statements. As of June 30, 2023, the following is a list of businesses and related loan information that have the conduit debt obligations:

Business	Purpose	Loan	
		Original Amount	Balance at June 30, 2023
19 Griffin Street, LLC	Renovations	\$ 500,000	\$ 198,838
Southern Investment Group, LLC	Construction, furniture, equip	\$ 450,000	\$ -
KCRT Restaurant Corporation	Building acquisition	\$ 138,000	\$ -

(See Independent Auditor's Report)

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

**20. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

- A) Deficit fund balances or net position balances of individual funds – As of June 30, 2023, the City’s Solid Waste Management Fund had a deficit net position of \$5,976. Management expects to correct the deficit by future revenues.
- B) Excess expenditures over budget – The City’s General Fund had two departments that incurred material excesses (if over 5 percent and greater than \$5,000) of expenditures over appropriations at the department level (the legal level of control) as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Legal	\$ 192,200	\$ 231,687	\$ (39,487)
Information Technology	1,465,904	2,001,991	(536,087)

Management will ensure that in the future the budget will be monitored on a monthly basis and when needed an amended budget will be prepared and taken to Mayor and Council for their approval. In addition, the budget variance in the Information Technology department was due to the implementation of the new GASB 96 standard. Management will also ensure that the effects of future standard changes will be taken into account for budget purposes.

**21. SUBSEQUENT EVENTS**

During March 2024, the City entered into a loan agreement with the Georgia Environmental Finance Authority under its Drinking Water State Revolving Fund to finance a portion of improvements to the City’s water treatment plant. Under the agreement, the City may borrow up to \$9,671,000 at an interest rate of 2.9%. The estimated total cost of the improvements is \$10,754,750 and the estimated completion date is June 2026. Total drawdowns under the loan agreement as of the date of this report amounted to approximately \$5,940,000.

(See Independent Auditor’s Report)



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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014*
<b>Total Pension Liability</b>										
Service cost	\$ 546,636	\$ 537,406	\$ 518,239	\$ 467,965	\$ 395,007	\$ 412,374	\$ 392,336	\$ 381,005	\$ 374,655	
Interest	1,592,690	1,492,452	1,401,768	1,213,570	1,049,972	964,619	890,810	840,753	777,801	
Differences between expected and actual experience	(913,575)	21,485	(93,200)	276,012	174,761	121,141	193,990	(82,909)	133,731	
Change in plan benefit terms	-	-	-	-	1,082,629	-	-	-	-	
Changes of assumptions	-	-	-	1,429,171	-	228,995	-	-	15,821	
Benefit payments	(792,048)	(610,779)	(621,943)	(599,866)	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)	
Net changes in total pension liability	433,703	1,440,564	1,204,864	2,786,852	2,114,197	1,176,887	977,845	652,243	809,164	
Total pension liability - beginning	21,445,179	20,004,615	18,799,751	16,012,899	13,898,702	12,721,815	11,743,970	11,091,727	10,282,563	
Total pension liability - ending	\$ 21,878,882	\$ 21,445,179	\$ 20,004,615	\$ 18,799,751	\$ 16,012,899	\$ 13,898,702	\$ 12,721,815	\$ 11,743,970	\$ 11,091,727	
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 1,398,110	\$ 1,276,021	\$ 1,039,244	\$ 1,037,355	\$ 806,729	\$ 850,523	\$ 827,632	\$ 813,118	\$ 800,328	
Net investment income	(2,810,695)	3,213,779	1,137,870	346,823	959,943	1,231,717	791,561	62,378	651,380	
Benefit payments	(792,048)	(610,779)	(621,943)	(599,866)	(588,172)	(550,242)	(499,291)	(486,606)	(492,844)	
Administrative expense	(28,499)	(27,652)	(25,921)	(34,457)	(25,422)	(29,411)	(14,925)	(16,223)	(12,347)	
Other	-	-	-	-	-	-	-	-	-	
Net change in fiduciary net position	(2,233,132)	3,851,369	1,529,250	759,855	1,153,078	1,502,587	1,104,977	372,667	946,517	
Plan fiduciary net position - beginning	16,857,857	13,006,488	11,477,238	10,717,383	9,564,305	8,061,718	6,956,741	6,584,074	5,637,557	
Plan fiduciary net position - ending	\$ 14,624,725	\$ 16,857,857	\$ 13,006,488	\$ 11,477,238	\$ 10,717,383	\$ 9,564,305	\$ 8,061,718	\$ 6,956,741	\$ 6,584,074	
<b>Net Pension Liability</b>										
Net pension liability	\$ 7,254,157	\$ 4,587,322	\$ 6,998,127	\$ 7,322,513	\$ 5,295,516	\$ 4,334,397	\$ 4,660,097	\$ 4,787,229	\$ 4,507,653	
Plan's fiduciary net position as a percentage of the total pension liability	66.84%	78.61%	65.02%	61.05%	66.93%	68.81%	63.37%	59.24%	59.36%	
Covered-employee payroll	\$ 8,634,933	\$ 8,468,575	\$ 8,550,742	\$ 8,102,836	\$ 7,627,559	\$ 7,063,470	\$ 7,025,189	\$ 6,598,557	\$ 6,384,685	
Net pension liability as a percentage of covered payroll	84.01%	54.17%	81.84%	90.37%	69.43%	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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014*
Actuarially determined contributions	\$ 1,260,042	\$ 1,295,770	\$ 1,276,021	\$ 1,102,098	\$ 914,197	\$ 869,950	\$ 841,514	\$ 823,005	\$ 809,822	
Contributions in relation to the actuarially determined contribution	\$ (1,260,042)	\$ (1,295,770)	\$ (1,276,021)	\$ (1,102,098)	\$ (914,197)	\$ (869,950)	\$ (841,514)	\$ (823,005)	\$ (809,822)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered-employee payroll	\$ 8,634,933	\$ 8,468,575	\$ 8,550,742	\$ 7,627,559	\$ 7,063,470	\$ 7,025,189	\$ 6,598,557	\$ 6,384,685	\$ 5,752,771	
Contributions as a percentage of covered-employee payroll	14.59%	15.30%	14.92%	14.45%	12.94%	12.19%	12.55%	12.89%	14.08%	

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

**CITY OF MCDONOUGH, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Note 1**

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

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

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

**Actuarial Assumptions:**

Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates -	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - unisex rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

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



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**CITY OF McDONOUGH, GEORGIA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	Special Revenue Fund Confiscated Assets Fund	Capital Project Fund Urban Redevelopment Fund	Capital Project Fund Dev Impact Fee Fund	Permanent Fund Cemetery Perpetual Care Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>					
Cash	\$ 175,154	\$ -	\$ 2,861,527	\$ 1,849	\$ 3,038,530
Investments	-	-	281,417	207,005	488,422
Receivables					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	<u>\$ 175,154</u>	<u>\$ -</u>	<u>\$ 3,142,944</u>	<u>\$ 208,854</u>	<u>\$ 3,526,952</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	66,456	-	-	-	66,456
Unearned revenues	58,125	-	-	-	58,125
Total Liabilities	<u>124,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,581</u>
Fund Balance					
Nonspendable -					
Cemetery corpus	-	-	-	176,600	176,600
Restricted for specified purposes	50,573	-	3,142,944	32,254	3,225,771
Unassigned	-	-	-	-	-
Total Fund Balance	<u>50,573</u>	<u>-</u>	<u>3,142,944</u>	<u>208,854</u>	<u>3,402,371</u>
Total Liabilities and Fund Balance	<u>\$ 175,154</u>	<u>\$ -</u>	<u>\$ 3,142,944</u>	<u>\$ 208,854</u>	<u>\$ 3,526,952</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, 2023**

	Special Revenue Fund	Capital Project Fund	Capital Project Fund	Permanent Fund	Total Non-Major Governmental Funds
	Confiscated Assets Fund	Urban Redevelopment Fund	Dev Impact Fee Fund	Cemetery Perpetual Care Fund	
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Forfeitures	32,514	-	-	-	32,514
Intergovernmental	-	-	-	-	-
Charges for services	-	-	1,815,723	-	1,815,723
Interest	-	-	9,217	6,780	15,997
Miscellaneous	-	-	-	-	-
Total Revenues	32,514	-	1,824,940	6,780	1,864,234
<b>EXPENDITURES</b>					
Current					
Purchased / contracted services	-	-	8,400	-	8,400
Supplies	-	-	-	-	-
Debt service	-	279,394	-	-	279,394
Capital outlay	35,455	-	1,315,272	-	1,350,727
Total Expenditures	35,455	279,394	1,323,672	-	1,638,521
Excess Revenues Over (Under)					
Expenditures Before Other					
Financing Sources (Uses)	(2,941)	(279,394)	501,268	6,780	225,713
Other Financing Sources (Uses)					
Transfers	-	279,394	-	-	279,394
Total Other Financing Sources (Uses)	-	279,394	-	-	279,394
Excess Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	(2,941)	-	501,268	6,780	505,107
Fund Balance - Beginning of Year	53,514	-	2,641,676	202,074	2,897,264
Fund Balance - End of Year	\$ 50,573	\$ -	\$ 3,142,944	\$ 208,854	\$ 3,402,371



**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, 2023**

	2023			2022
	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Forfeitures	\$ -	\$ 32,514	\$ 32,514	\$ 16,894
Sales of confiscated property	-	-	-	-
Interest	-	-	-	-
Contributions	-	-	-	-
Total Revenue	-	32,514	32,514	16,894
<b>EXPENDITURES</b>				
Current				
Purchased / contracted services	-	-	-	-
Supplies	-	-	-	1,850
Miscellaneous	-	-	-	-
Capital Outlay	37,538	35,455	2,083	-
Total Expenditures	37,538	35,455	2,083	1,850
Excess Revenues Over (Under)				
Expenditures	(37,538)	(2,941)	34,597	15,044
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(37,538)	(2,941)	34,597	15,044
Fund Balance - Beginning of Year	53,514	53,514	-	38,470
Fund Balance - End of Year	\$ 15,976	\$ 50,573	\$ 34,597	\$ 53,514

**CITY OF McDONOUGH, GEORGIA**  
**T-SPLOST 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, 2023**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Original Budget</u>
<b>REVENUES</b>				
Intergovernmental - SPLOST	\$ -	\$ 7,673,506	\$ 7,673,506	\$ 27,332,655
Interest	-	-	-	-
Total Revenues	-	7,673,506	7,673,506	27,332,655
<b>EXPENDITURES</b>				
Current				
Capital Outlay				
SR 42 from HWY 42 to SR 138	-	-	-	1,100,000
SR 81 from Postmaster Dr. to N. Bethany	-	22,552	22,552	7,740,000
SR 20 at McGarity Rd & Lawrenceville St	-	-	-	1,100,000
Turner Church Rd at State Route 20	-	-	-	250,000
Racetrack Rd at Travis Rd	-	-	-	1,125,000
State Route 155 from I75 N to State Route 42	-	-	-	155,000
McDonough Pkwy to Bridges Rd	-	-	-	1,125,000
Racetrack Rd at Iris Drive	-	284,905	284,905	800,000
McDonough pkwy from SR 155 to Turner Church	-	-	-	750,000
Bridges Rd to Simpson St	-	-	-	1,500,000
Geranium Park at HWY 155 / Judy Dr	-	-	-	510,000
Veterans Dr to Oak Park	-	-	-	375,000
Alexander Park West Trails	-	-	-	812,600
Jonesboro Rd Park	-	-	-	203,150
Avalon Park	-	-	-	225,000
W. Alexander Park & McDonough PKWY	-	-	-	725,000
SR 20 from Turner Church to Dual Roundabout	-	-	-	510,000
SR 155 N from Lawrenceville St to Turner Church	-	-	-	654,500
S Zach Hinton PKWY from Commerce to Bryan	-	-	-	210,000
Old Griffen Rd	-	-	-	1,500,000
67 City Steet road resurfacing	-	-	-	5,250,000
Other	-	79,043	79,043	712,405
Total Expenditures	-	386,500	386,500	27,332,655
Excess Revenues Over (Under)				
Expenditures	-	7,287,006	7,287,006	-
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ -	7,287,006	\$ 7,287,006	\$ -
Fund Balance - Beginning of Year		-		
Fund Balance - End of Year		\$ 7,287,006		

**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, 2023**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Amended Budget</u>	<u>Original Budget</u>
<b>REVENUES</b>					
Intergovernmental - SPLOST	\$ 19,764,836	\$ -	\$ 19,764,836	\$ 24,236,500	\$ 22,962,500
Intergovernmental - Other	1,516,105	269,288	1,785,393	-	-
Interest	203,438	-	203,438	-	-
 Total Revenues	<u>21,484,379</u>	<u>269,288</u>	<u>21,753,667</u>	<u>24,236,500</u>	<u>22,962,500</u>
<b>EXPENDITURES</b>					
Capital Outlay					
Cultural, historic & recreation facilities	1,814,507	81,700	1,896,207	5,000,000	4,000,000
Public safety facilities and equipment	2,306,614	-	2,306,614	2,424,000	2,424,000
Roads, bridges, sidewalks & facilities	8,413,813	1,236,172	9,649,985	10,673,500	10,673,500
Community development facilities	1,501,355	-	1,501,355	1,774,000	1,500,000
Parks and recreation	4,040,416	-	4,040,416	4,365,000	4,365,000
 Total Expenditures	<u>18,076,705</u>	<u>1,317,872</u>	<u>19,394,577</u>	<u>24,236,500</u>	<u>22,962,500</u>
Excess Revenues Over (Under)					
Expenditures	<u>3,407,674</u>	<u>(1,048,584)</u>	<u>2,359,090</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	-	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net Change in Fund Balance	<u>\$ 3,407,674</u>	<u>(1,048,584)</u>	<u>\$ 2,359,090</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund Balance - Beginning of Year		<u>3,407,674</u>			
Fund Balance - End of Year		<u>\$ 2,359,090</u>			

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**CITY OF MCDONOUGH, GEORGIA  
SPLOST V CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - PROJECT LENGTH  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Original Budget</u>
<b>REVENUES</b>				
Intergovernmental - SPLOST	\$ 11,642,097	\$ 6,326,254	\$ 17,968,351	\$ 18,480,000
Interest	-	-	-	-
Total Revenues	<u>11,642,097</u>	<u>6,326,254</u>	<u>17,968,351</u>	<u>18,480,000</u>
<b>EXPENDITURES</b>				
Current	40,000	40,000	80,000	-
Capital Outlay				
Community development facilities				
Cultural, Rec & Historic Facilities	-	-	-	600,000
Community Center	-	-	-	1,500,000
Public Properties	-	-	-	350,000
Parks & Recreation				
Big Springs Lot Improvements	-	-	-	150,000
Replace Playground Equipment	-	-	-	150,000
Replace Tennis Courts	-	-	-	260,000
Redo 6 Tennis Courts	-	-	-	120,000
Pickleball Courts	-	-	-	150,000
Public Safety Facilities & Equipment				
Public Safety Facilities and Equip	1,920,243	233,382	2,153,625	2,600,000
IT Infrastructure	186,298	316,183	502,481	700,000
Police Cars	750,000	92,098	842,098	1,550,000
Roads, bridges, sidewalks & facilities				
Sidewalks	-	-	-	1,100,000
Road Improvements	1,604	-	1,604	4,000,000
Racetrack Rd. & Iris Lane Intersect	-	-	-	800,000
McDonough Pkwy North	-	-	-	-
Bridges Rd & McD Pkwy intersect	-	-	-	1,200,000
Bridges Rd & Simpson St alignment	-	-	-	1,500,000
Travis Rd Improvements	-	-	-	300,000
City Entrance Signs	-	-	-	300,000
Sidewalk Art Circles	-	-	-	600,000
Intersection Improvements	-	-	-	300,000
Page Sub-total	2,898,145	681,663	3,579,808	18,230,000

**CITY OF MCDONOUGH, GEORGIA  
SPLOST V CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - PROJECT LENGTH  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Original Budget</u>
<b>EXPENDITURES, Continued</b>				
Sub-total from previous page	2,898,145	681,663	3,579,808	18,230,000
Public Works Facilities and Equipment				
Additional Storage Bays & Security Upgrades	- -	52,911	52,911	250,000
Total Expenditures	<u>2,898,145</u>	<u>734,574</u>	<u>3,632,719</u>	<u>18,480,000</u>
Excess Revenues Over (Under) Expenditures	<u>8,743,952</u>	<u>5,591,680</u>	<u>14,335,632</u>	<u>-</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	-	-
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 8,743,952</u>	5,591,680	<u>\$ 14,335,632</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>8,743,952</u>		
Fund Balance - End of Year		<u>\$ 14,335,632</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, 2023**

	2023			2022
	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Impact fees	\$ 1,603,978	\$ 1,815,723	\$ 211,745	\$ 1,528,635
Interest	<u>8,000</u>	<u>9,217</u>	<u>1,217</u>	<u>537</u>
Total Revenues	<u>1,611,978</u>	<u>1,824,940</u>	<u>212,962</u>	<u>1,529,172</u>
<b>EXPENDITURES</b>				
Current				
Administration	5,000	8,400	(3,400)	13,120
Capital outlay				
Public Safety				
Police	748,400	460,539	287,861	179,457
Fire	-	-	-	-
Parks	858,578	854,733	3,845	-
Debt service - Parks				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,611,978</u>	<u>1,323,672</u>	<u>288,306</u>	<u>192,577</u>
Excess Revenues Over (Under)				
Expenditures	-	501,268	501,268	1,336,595
Other Financing Sources (Uses)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	501,268	501,268	1,336,595
Fund Balance - Beginning of Year	<u>2,641,676</u>	<u>2,641,676</u>	<u>-</u>	<u>1,305,081</u>
Fund Balance - End of Year	<u>\$ 2,641,676</u>	<u>\$ 3,142,944</u>	<u>\$ 501,268</u>	<u>\$ 2,641,676</u>

**CITY OF McDONOUGH, GEORGIA  
URBAN REDEVELOPMENT AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - PROJECT LENGTH  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Original Budget</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	2,112	-	2,112	-
Capital Outlay				
Municipal court facilities	4,955,351	-	4,955,351	4,808,082
Debt Service				
Principal	1,025,000	165,000	1,190,000	-
Interest	990,147	114,394	1,104,541	-
Debt issuance cost	<u>106,345</u>	<u>-</u>	<u>106,345</u>	<u>112,050</u>
Total Expenditures	<u>7,078,955</u>	<u>279,394</u>	<u>7,358,349</u>	<u>4,920,132</u>
Excess Revenues Over (Under)				
Expenditures	<u>(7,078,955)</u>	<u>(279,394)</u>	<u>(7,358,349)</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>2,379,554</u>	<u>279,394</u>	<u>2,658,948</u>	<u>500,000</u>
Total Other Financing Sources (Uses)	<u>6,799,686</u>	<u>279,394</u>	<u>7,079,080</u>	<u>4,920,132</u>
Net Change in Fund Balance	<u>\$ (279,269)</u>	-	<u>\$ (279,269)</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>(279,269)</u>		
Fund Balance - End of Year		<u>\$ (279,269)</u>		



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## COMPLIANCE SECTION

**CITY OF McDONOUGH, GEORGIA  
SCHEDULE OF PROJECTS FINANCED  
WITH TRANSPORTATION SPECIAL SALES TAX PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Original Budget</u>
<b>REVENUES</b>				
Intergovernmental - SPLOST	\$ -	\$ 7,673,506	\$ 7,673,506	\$ 27,332,655
Interest	-	-	-	-
Total Revenues	-	7,673,506	7,673,506	27,332,655
<b>EXPENDITURES</b>				
Current				
Capital Outlay				
SR 42 from HWY 42 to SR 138	-	-	-	1,100,000
SR 81 from Postmaster Dr. to N. Bethany	-	22,552	22,552	7,740,000
SR 20 at McGarity Rd & Lawrenceville St	-	-	-	1,100,000
Turner Church Rd at State Route 20	-	-	-	250,000
Racetrack Rd at Travis Rd	-	-	-	1,125,000
State Route 155 from I75 N to State Route 42	-	-	-	155,000
McDonough Pkwy to Bridges Rd	-	-	-	1,125,000
Racetrack Rd at Iris Drive	-	284,905	284,905	800,000
McDonough pkwy from SR 155 to Turner Church	-	-	-	750,000
Bridges Rd to Simpson St	-	-	-	1,500,000
Geranium Park at HWY 155 / Judy Dr	-	-	-	510,000
Veterans Dr to Oak Park	-	-	-	375,000
Alexander Park West Trails	-	-	-	812,600
Jonesboro Rd Park	-	-	-	203,150
Avalon Park	-	-	-	225,000
W. Alexander Park & McDonough PKWY	-	-	-	725,000
SR 20 from Turner Church to Dual Roundabout	-	-	-	510,000
SR 155 N from Lawrenceville St to Turner Church	-	-	-	654,500
S Zach Hinton PKWY from Commerce to Bryan	-	-	-	210,000
Old Griffen Rd	-	-	-	1,500,000
67 City Steet road resurfacing	-	-	-	5,250,000
Other	-	79,043	79,043	712,405
Total Expenditures	-	386,500	386,500	27,332,655
Excess Revenues Over (Under)				
Expenditures	-	7,287,006	7,287,006	-
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ -	7,287,006	\$ 7,287,006	\$ -
Fund Balance - Beginning of Year		-		
Fund Balance - End of Year		\$ 7,287,006		

**CITY OF McDONOUGH, GEORGIA  
SCHEDULE OF PROJECTS FINANCED  
WITH SPECIAL SALES TAX IV PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2023**

PROJECT	ORIGINAL BUDGET	AMENDED BUDGET	EXPENDITURES			ESTIMATED PERCENT COMPLETE
			BEGINNING OF YEAR	CURRENT YEAR	TO DATE	
Roads, streets, sidewalks and transportation facilities	\$ 10,673,500	\$ 10,673,500	\$ 6,897,708	\$ 966,884	\$ 7,864,592	73.68%
Cultural, historic & recreation facilities	4,000,000	5,000,000	1,774,063	81,700	1,855,763	37.12%
Community development	1,500,000	1,774,000	1,501,355	-	1,501,355	84.63%
Public safety facilities and equipment	2,424,000	2,424,000	2,306,614	-	2,306,614	95.16%
Parks and recreation	<u>4,365,000</u>	<u>4,365,000</u>	<u>4,080,860</u>	<u>-</u>	<u>4,080,860</u>	<u>93.49%</u>
Total SPLOST funds used	22,962,500	24,236,500	16,560,600	1,048,584	17,609,184	<u>72.66%</u>
Amounts financed with other revenue sources:						
Roads, streets, sidewalks and transportation facilities	<u>-</u>	<u>-</u>	<u>1,516,105</u>	<u>269,288</u>	<u>1,785,393</u>	
Total	<u>\$ 22,962,500</u>	<u>\$ 24,236,500</u>	<u>\$ 18,076,705</u>	<u>\$ 1,317,872</u>	<u>\$ 19,394,577</u>	



**CITY OF MCDONOUGH, GEORGIA  
SCHEDULE OF PROJECTS FINANCED  
WITH SPECIAL SALES TAX V PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Original Budget</u>
Current	40,000	40,000	80,000	-
Capital Outlay				
Community development facilities				
Cultural, Rec & Historic Facilities	-	-	-	600,000
Community Center	-	-	-	1,500,000
Public Properties	-	-	-	350,000
Parks & Recreation				
Big Springs Lot Improvements	-	-	-	150,000
Replace Playground Equipment	-	-	-	150,000
Replace Tennis Courts	-	-	-	260,000
Redo 6 Tennis Courts	-	-	-	120,000
Pickleball Courts	-	-	-	150,000
Public Safety Facilities & Equipment				
Public Safety Facilities & Equipment	1,920,243	233,382	2,153,625	2,600,000
IT Infrastructure	186,298	316,183	502,481	700,000
Public Safety Vehicles	750,000	92,098	842,098	1,550,000
Roads, bridges, sidewalks & facilities				
Sidewalks	-	-	-	1,100,000
Road Improvements	1,604	-	1,604	4,000,000
Racetrack Rd. & Iris Lane Intersect	-	-	-	800,000
McDonough Pkwy North	-	-	-	-
Bridges Rd & McD Pkwy intersect	-	-	-	1,200,000
Bridges Rd & Simpson St alignment	-	-	-	1,500,000
Travis Rd Improvements	-	-	-	300,000
City Entrance Signs	-	-	-	300,000
Sidewalk Art Circles	-	-	-	600,000
Intersection Improvements	-	-	-	300,000
 Page Sub-total	 2,898,145	 681,663	 3,579,808	 18,230,000

**CITY OF MCDONOUGH, GEORGIA  
SCHEDULE OF PROJECTS FINANCED  
WITH SPECIAL SALES TAX V PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Original Budget</u>
<b>EXPENDITURES, Continued</b>				
Sub-total from previous page	2,898,145	681,663	3,579,808	18,230,000
Public Works Facilities and Equipment				
Additional Storage Bays &	-			
Security Upgrades	<u>-</u>	<u>52,911</u>	<u>52,911</u>	<u>250,000</u>
Total	<u>\$ 2,898,145</u>	<u>\$ 734,574</u>	<u>\$ 3,632,719</u>	<u>\$ 18,480,000</u>

**CITY OF McDONOUGH, GEORGIA**  
**SCHEDULE OF DEVELOPMENT IMPACT FEES**  
**PRE 8/3/2021 ORDINANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b><u>PRE 8/3/2021 ORDINANCE</u></b>				
	<b><u>PUBLIC SAFETY</u></b>	<b><u>PARKS &amp; RECREATION</u></b>	<b><u>CIE COST RECOVERY</u></b>	<b><u>ADMIN</u></b>	<b><u>TOTAL</u></b>
<b>Receipts -</b>					
Prior years	\$ 7,227,564	\$ 8,229,298	\$ 17,950	\$ 268,168	\$ 15,742,980
Current year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>7,227,564</u>	<u>8,229,298</u>	<u>17,950</u>	<u>268,168</u>	<u>15,742,980</u>
<b>Expenditures -</b>					
Prior years	6,865,211	7,447,314	51,992	252,438	14,616,955
Current year	<u>362,354</u>	<u>781,982</u>	<u>-</u>	<u>8,400</u>	<u>1,152,736</u>
Total expenditures	<u>7,227,565</u>	<u>8,229,296</u>	<u>51,992</u>	<u>260,838</u>	<u>15,769,691</u>
<b>Balance at end of year</b>	<u>\$ (1)</u>	<u>\$ 2</u>	<u>\$ (34,042)</u>	<u>\$ 7,330</u>	<u>\$ (26,711)</u>

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

**CITY OF McDONOUGH, GEORGIA**  
**SCHEDULE OF DEVELOPMENT IMPACT FEES**  
**UNDER THE 8/3/2021 ORDINANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>UNDER THE 8/3/2021 ORDINANCE</u>				
	<u>ADMIN</u>	<u>FIRE</u>	<u>POLICE</u>	<u>PARKS &amp; RECREATION</u>	<u>TOTAL</u>
<b>Receipts -</b>					
Prior years	\$ 44,143	\$ 192,197	\$ 204,451	\$ 1,074,860	\$ 1,515,651
Current year	<u>53,152</u>	<u>211,980</u>	<u>225,494</u>	<u>1,334,314</u>	<u>1,824,940</u>
Total receipts	<u>97,295</u>	<u>404,177</u>	<u>429,945</u>	<u>2,409,174</u>	<u>3,340,591</u>
<b>Expenditures -</b>					
Prior years	-	-	-	-	-
Current year	<u>-</u>	<u>-</u>	<u>98,185</u>	<u>72,751</u>	<u>170,936</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>98,185</u>	<u>72,751</u>	<u>170,936</u>
<b>Balance at end of year</b>	<u>\$ 97,295</u>	<u>\$ 404,177</u>	<u>\$ 331,760</u>	<u>\$ 2,336,423</u>	<u>\$ 3,169,655</u>



**JAMES L. WHITAKER, P.C.**

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Certified Public Accountants

Member of  
Georgia Society of  
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of McDonough, Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of McDonough's basic financial statements and have issued our report thereon dated November 8, 2024.

**Internal Control over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as items 2013.004 and 2022.004 and 2023.002 in the accompanying schedule of findings and responses to be material weaknesses.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of McDonough, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standard and is described in the accompanying schedule of findings and responses as item 2023.001.

### **City of McDonough, Georgia's Response to Findings**

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

### **Purpose of this Report**

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

*James L. Whitaker, P.C.*

Snellville, Georgia  
November 8, 2024

**CITY OF MCDONOUGH, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2023**

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SECTION I

SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
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Internal control over financial reporting:

Material weakness(es) identified?	yes
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Significant deficiency(ies) identified?	yes
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Noncompliance material to financial statements noted?	yes
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT****QUESTIONED  
COST****2013.004 UNPAID STORMWATER FEES - REPEAT FINDING**

Condition: As of June 30, 2023 the City had a significant amount of old unpaid stormwater fees amounting to approximately \$500,000. The majority of the unpaid fees are from the Henry County Board of Education and Henry County Water Authority which both total approximately \$400,000.

Criteria: The City should consistently monitor its receivables from all sources even if the County is in charge of collecting and remitting the fees to the City. The City should take action to collect all fees that are properly billed and due to the City.

Effect: The City could forfeit the ability to receive payments from customers that have not paid for several years.

Cause: No collection activity has been deemed to be necessary since the County was collecting and remitting the fees for the City.

Recommendation: The City should confer with the County to determine the collection activities that are currently being utilized by the County to collect delinquent fees. The City should then determine the proper collection activity to implement to insure all efforts are being made to collect the delinquent fees.

N/A

**View of responsible officials and planned corrective action:**

Management agrees with the finding. Management has authorized the City Attorney to write a letter to the School Board to try and resolve this matter. The two entities are currently in discussions to try and resolve this issue.

**2016.003 ADMINISTRATIVE FEES - REPEAT FINDING**

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

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

Effect: The lack of an approved formula by which administrative fees are charged could result in significant fluctuations in future years and could also be the subject of suspicion and skepticism.

Cause: Management was unaware of the need for administrative fees to have an approved formula.

Recommendation: Charge administrative fees by using an approved formula. Administrative expenses could be allocated by using such factors as: 1) total expenditures; 2) payroll or 3) some other reasonable basis.

N/A

**View of responsible officials and planned corrective action:**

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



**B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)**

**Questioned  
Cost**

**2022.004 RECORDING OF ACCOUNTS PAYABLE - REPEAT FINDING**

Condition:	The City under-reported accounts payable as of June 30, 2022 and 2023 in the amounts of \$673,150 and \$886,252 which are material to the City's financial statements.	N/A
Criteria:	All expenditures / expenses should be recorded in the period the corresponding purchase / service is incurred.	
Effect:	The City's liabilities and expenditures / expenses for 2022 and 2023 were understated by the above-mentioned amounts.	
Cause:	The lack of training and over-sight of employees responsible for recording expenditures / expenses is the main reason for the under-reporting of accounts payable as of June 30, 2022 and 2023.	
Recommendation:	Management should provide the necessary training and over-sight of employees responsible for recording accounts payable.	

View of responsible officials and planned corrective action:

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

**2023.001 BUDGET VARIANCE**

Condition:	The City's General Fund had two departments that had material excesses of expenditures over appropriations.	N/A
Criteria:	State of Georgia - Department of Audits has determined that any excess of a department's expenditures over its appropriations is a violation of State law.	
Effect:	The City has violated a State law.	
Cause:	Management did not accurately anticipate the amount of expenditures for the above mentioned departments. Some of the excesses were due to the implementation of a new accounting standard.	
Recommendation:	Management should monitor the City's budget on a monthly basis to determine if a need exists to amend the budget.	

View of responsible officials and planned corrective action:

Management agrees with the finding. Management will monitor all budgets on a monthly basis to insure amendments are made should any be needed. Management will also ensure that the effects of future standard changes will be taken into account for budget purposes.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - (Continued)**

**Questioned  
Cost**

**2023.002 NEED FOR A FULL-TIME ACCOUNTING SUPERVISOR / CONTROLLER**

Condition: The City does not have an accounting supervisor / controller with the necessary skill set to provide the City with accurate and timely financial reports or oversight of the accounting staff.

Criteria: An accounting supervisor / controller should be able to provide the City with 1) accurate and timely financial reports; 2) oversight of the accounting staff including implementation and monitoring of the accounting control system; 3) timely implementation of new accounting standards; and 4) recommendations for any new accounting policies and procedures.

Effect: The audit was significantly late in being issued due to the City not being able to implement a new accounting standard in a timely manner. The late issue date could cause compliance issues with granting agencies, including single audit submissions and the Georgia Department of Audits and Accounts.

Cause: The City has not been able to hire a full-time accounting supervisor / controller for the last two years.

Recommendation: Management needs to hire a qualified / experienced controller for the City.

N/A

**View of responsible officials and planned corrective action:**

Management agrees with the finding. Management has attempted to hire an accounting supervisor / controller with the skill set that would allow for the oversight and proper managing of the accounting department. The City did accomplish this task in October 2024.

