

CITY OF MCDONOUGH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

JAMES L. WHITAKER, P.C.

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SNELLVILLE, GEORGIA 30078

**CITY OF McDONOUGH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of McDonough, Georgia (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of McDonough, Georgia, as of December 31, 2010 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 6, 2011 on our consideration of City of McDonough's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McDonough, Georgia's basic financial statements. The combining nonmajor fund and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James L. Whitaker, P.C.

Snellville, Georgia
June 6, 2011

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 fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- The assets of the City of McDonough exceeded its liabilities at December 31, 2010 by \$51,459,389. Of this amount unrestricted net assets of \$11,139,605 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$1,338,664. Of this amount a net decrease of \$841,354 was associated with governmental activities and an increase of \$2,180,018 was associated with business-type activities.
- As of the close of the current fiscal year, the City of McDonough's governmental funds reported combined ending fund balances of \$8,631,768, a decrease of \$1,532,429 in comparison with the prior year. Of this amount \$2,479,263 is unreserved and available for spending and \$6,152,505 is reserved for capital projects and other specific future uses. The decrease of \$1,532,429 is due to the significant capital outlay in the SPLOST Funds for 2010.
- At the end of the current year, unreserved fund balance for the general fund was \$2,140,428 or 22 percent of total General Fund expenditures.
- The City of McDonough's total debt obligations (including accrued compensated absences) decreased by \$1,032,236 to a total of \$7,252,009. This is due to regular debt payments which included principal payments of \$1,036,229.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

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

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

The City of McDonough adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund beginning on page 21 to demonstrate compliance with the FY 2010 budget. A project length budget has been adopted for each Capital Projects Fund and is presented in the individual fund financial statements. Non-major special revenue funds' budget comparisons are also presented in the individual fund financial statements.

Proprietary funds. Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, its Solid Waste Management Fund and its Storm Water Management 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 individual fund financial statements with prior year comparisons.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$51,459,389. The City's net assets reflects its investment in capital assets \$33,526,849 (65 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 assets, \$6,792,935 (13 percent) is restricted for capital projects and other specified activities and \$11,139,605 (22 percent) is unrestricted.

The comparative government-wide information for the years ended December 31, 2010 and 2009 is as follows:

City of McDonough's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 10,516,417	\$ 11,615,218	\$ 9,666,765	\$ 9,555,292	\$ 20,183,182	\$ 21,170,510
Capital assets	<u>26,143,728</u>	<u>25,497,494</u>	<u>14,486,629</u>	<u>12,864,905</u>	<u>40,630,357</u>	<u>38,362,399</u>
Total assets	<u>36,660,145</u>	<u>37,112,712</u>	<u>24,153,394</u>	<u>22,420,197</u>	<u>60,813,539</u>	<u>59,532,909</u>
Current liabilities	1,394,575	642,761	1,414,233	1,160,096	2,808,808	1,802,857
Long-term liabilities	<u>2,168,119</u>	<u>2,531,146</u>	<u>4,377,223</u>	<u>5,078,181</u>	<u>6,545,342</u>	<u>7,609,327</u>
Total liabilities	<u>3,562,694</u>	<u>3,173,907</u>	<u>5,791,456</u>	<u>6,238,277</u>	<u>9,354,150</u>	<u>9,412,184</u>
Net assets:						
Invested in capital assets, net of related debt	24,124,110	23,116,565	9,402,739	7,111,806	33,526,849	30,228,371
Restricted	5,930,663	8,197,077	862,272	1,107,085	6,792,935	9,304,162
Unrestricted	<u>3,042,678</u>	<u>2,625,163</u>	<u>8,096,927</u>	<u>7,963,029</u>	<u>11,139,605</u>	<u>10,588,192</u>
Total net assets	<u>\$ 33,097,451</u>	<u>\$ 33,938,805</u>	<u>\$ 18,361,938</u>	<u>\$ 16,181,920</u>	<u>\$ 51,459,389</u>	<u>\$ 50,120,725</u>

A portion of the net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$11,139,605) may be used to meet the government's ongoing obligations to citizens and creditors.

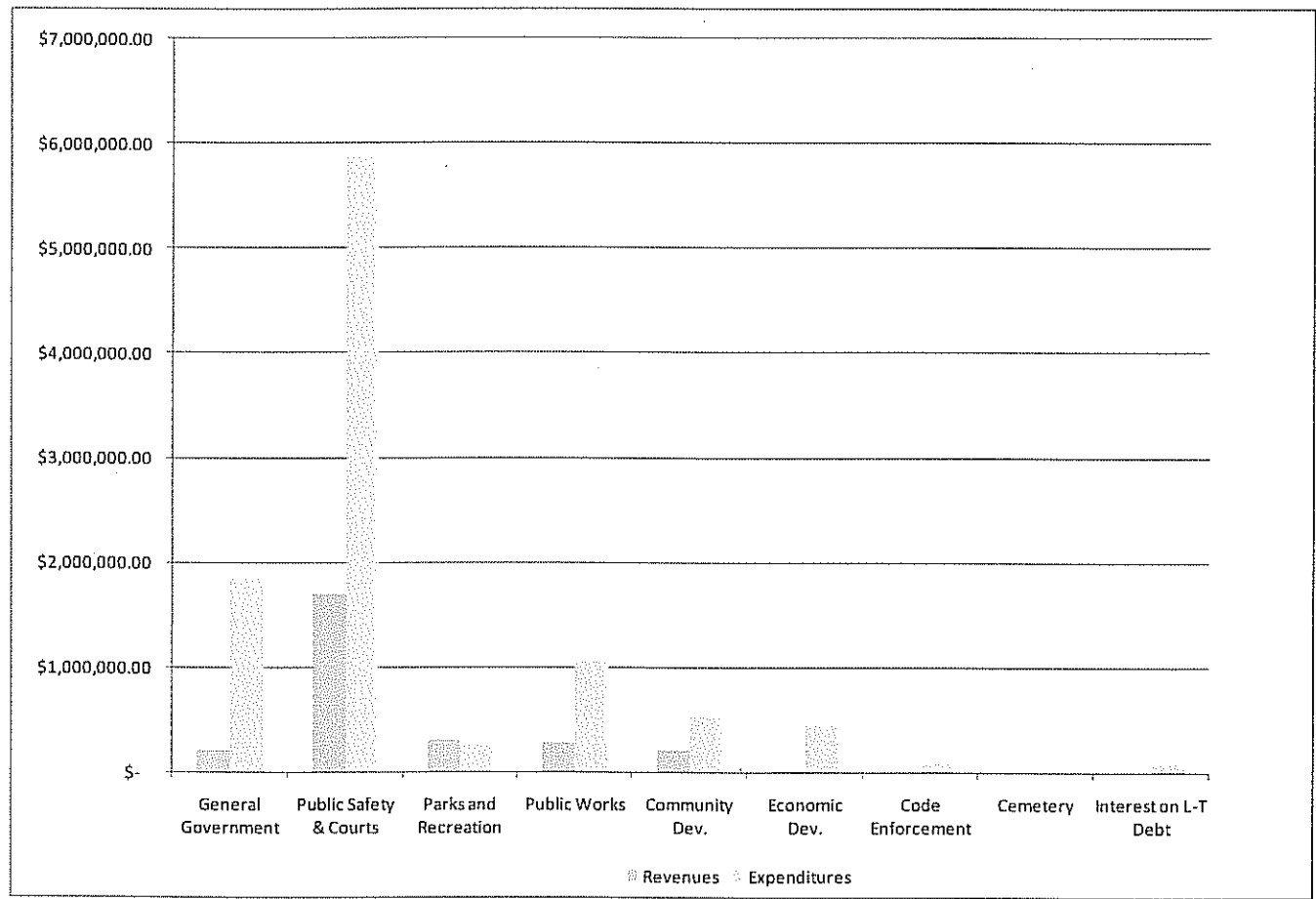
Governmental activities. Governmental activities decreased the City of McDonough's net assets by \$841,354 due primarily to transfer of SPLOST funding to the Water Sewer Fund to finance water and sewer system improvements.

**City of McDonough's Change in Net Assets
For The Years Ended December 31, 2010 and 2009**

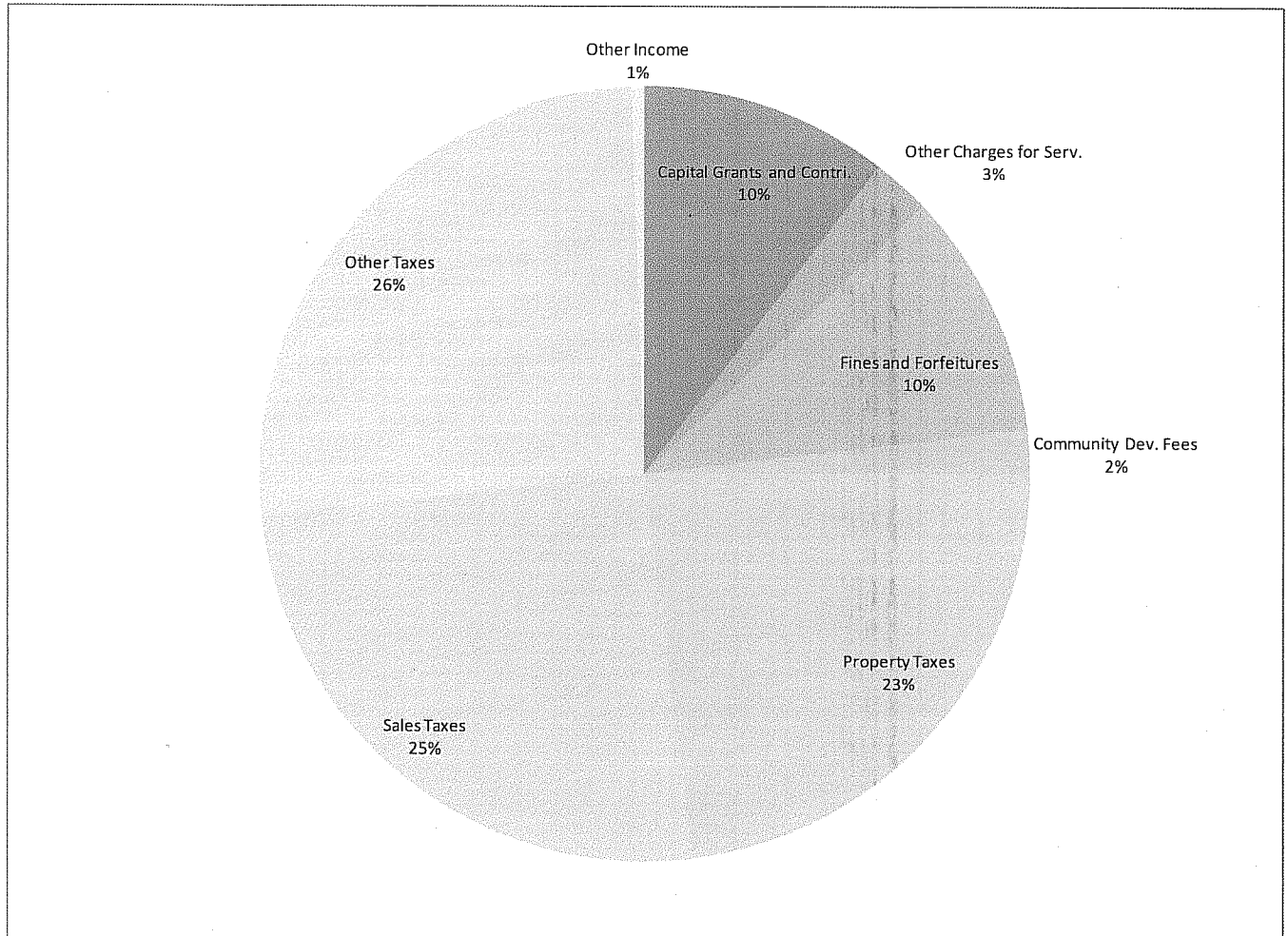
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues -						
Charges for services	\$ 1,569,420	\$ 1,375,287	\$ 5,787,088	\$ 5,654,290	\$ 7,356,508	\$ 7,029,577
Operating grants and contributions	22,978	3,397	-	-	22,978	3,397
Capital grants and contributions	1,119,300	1,010,068	66,521	95,030	1,185,821	1,105,098
General Revenues-						
Property taxes	2,465,462	2,679,123	-	-	2,465,462	2,679,123
Sales taxes	2,727,181	2,404,074	-	-	2,727,181	2,404,074
Other taxes	2,812,946	2,860,389	-	-	2,812,946	2,860,389
Interest	3,319	63,045	23,589	26,876	26,908	89,921
Gain on disposal of capital assets	-	17,608	-	-	-	17,608
Other	33,740	24,969	-	-	33,740	24,969
	<u>10,754,346</u>	<u>10,437,960</u>	<u>5,877,198</u>	<u>5,776,196</u>	<u>16,631,544</u>	<u>16,214,156</u>
Expenses:						
General government	1,852,888	2,003,831	-	-	1,852,888	2,003,831
Public safety and courts	5,872,856	5,263,294	-	-	5,872,856	5,263,294
Public works	1,065,850	924,175	-	-	1,065,850	924,175
Cemetery	9,116	29,432	-	-	9,116	29,432
Parks and recreation	264,396	278,908	-	-	264,396	278,908
Community development	544,779	469,092	-	-	544,779	469,092
Economic development	457,045	399,288	-	-	457,045	399,288
Code enforcement	93,000	97,285	-	-	93,000	97,285
Interest on long-term debt	86,927	100,238	-	-	86,927	100,238
Water	-	-	1,756,579	1,965,741	1,756,579	1,965,741
Sewer	-	-	1,682,378	1,376,890	1,682,378	1,376,890
Solid waste	-	-	1,390,015	1,312,743	1,390,015	1,312,743
Storm Water	-	-	217,051	280,812	217,051	280,812
	<u>10,246,857</u>	<u>9,565,543</u>	<u>5,046,023</u>	<u>4,936,186</u>	<u>15,292,880</u>	<u>14,501,729</u>
Increase (decrease) in net assets before transfers	507,489	872,417	831,175	840,010	1,338,664	1,712,427
Transfers	<u>(1,348,843)</u>	<u>(182,537)</u>	<u>1,348,843</u>	<u>182,537</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(841,354)	689,880	2,180,018	1,022,547	1,338,664	1,712,427
Net assets - beginning of year	<u>33,938,805</u>	<u>33,248,925</u>	<u>16,181,920</u>	<u>15,159,373</u>	<u>50,120,725</u>	<u>48,408,298</u>
Net assets - end of year	<u>\$ 33,097,451</u>	<u>\$ 33,938,805</u>	<u>\$ 18,361,938</u>	<u>\$ 16,181,920</u>	<u>\$ 51,459,389</u>	<u>\$ 50,120,725</u>

Total revenues increased by \$316,386 or 3% from 2009 amounts. The increase can be mainly contributed to increased local option sales taxes which increased \$323,107 or 13% from 2009. At the same time expenses increased \$681,514 or 7% over the 2009 amounts. Increases were noted primarily in areas of Public Safety and Public Works. The Public Safety increase was due in large part to additional police staffing in 2010 as compared to 2009 as several officers returned to work after completing military deployment. The Public Works department added staff as well in 2010, including a newly created position of Streets Department Supervisor.

Expenses and Program Revenues-Governmental Activities



Revenue by Source-Governmental Activities

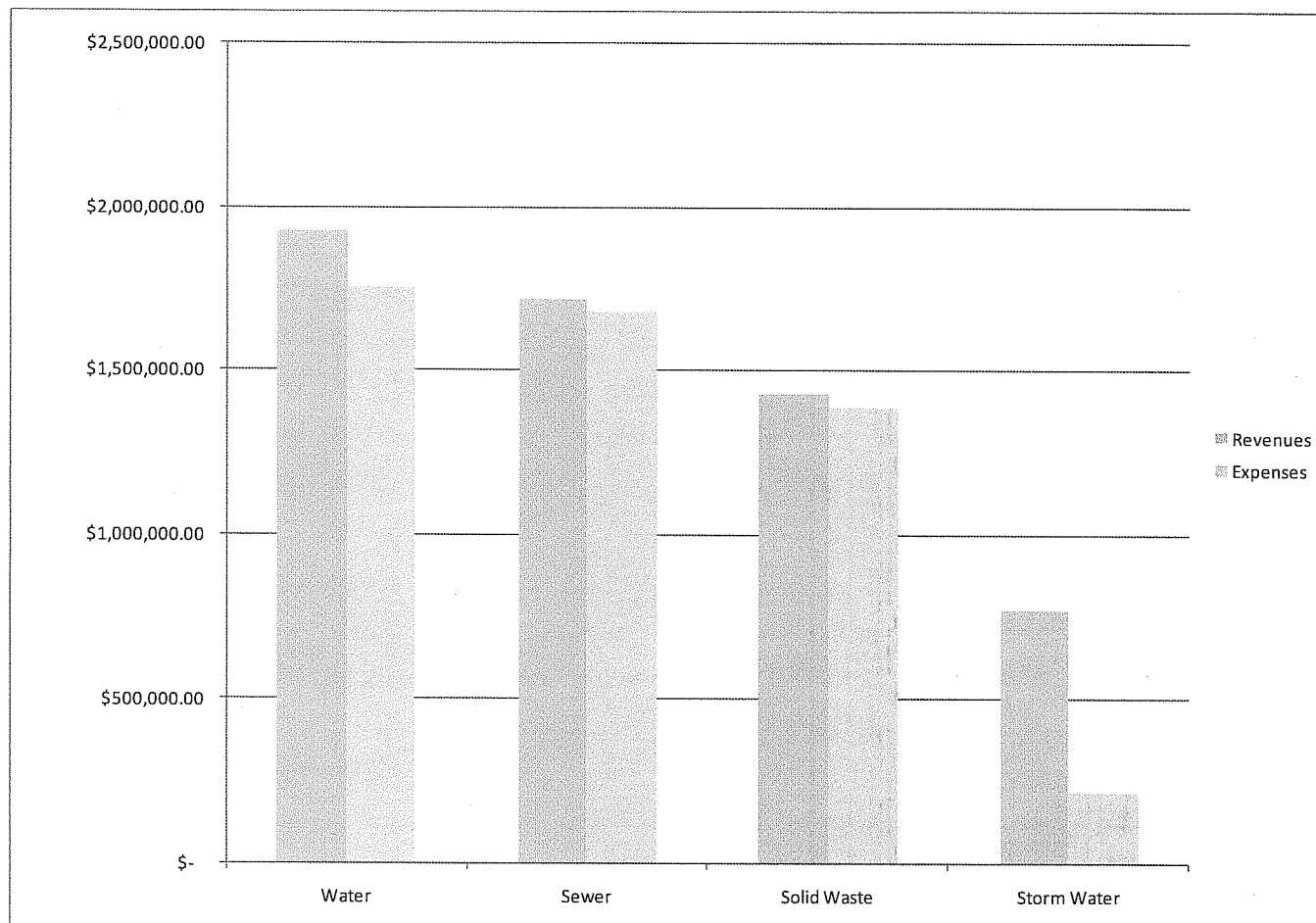


Business-type activities. Business-type activities increased the City's net assets by \$2,180,018 of which \$1,640,371 was from Water and Sewer activities, \$(30,541) was from Solid Waste Management Activities and \$570,188 was from Storm Water Management Activities. The Water and Sewer Fund received a capital contribution from SPLOST of \$1,670,074 in system improvements which resulted in the large increase in net assets in this fund.

The City uses an outside contractor to perform most of its solid waste services. The Solid Waste Management Fund reported a decrease in net assets for the year of \$30,541 which was due to the transfer of \$71,231 to the General Fund.

The Storm Water Management Fund was a new fund created during 2007 to account for activities related to solving existing flooding problems and prevent flood damage, maintaining and improving the system of storm water management infrastructure and preserving and protecting the beneficial functions of natural drainage systems. Storm water activities are funded through fees assessed on the square footage of impervious property. The fees are collected by the Henry County Tax Commissioner and remitted to the City.

Expenses and Program Revenues-Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of McDonough 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2010 the city's governmental funds reported combined ending fund balances of \$8,631,768 a decrease of \$1,532,429 in comparison to the prior year. Of this amount 2,479,263 (29 percent) is unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax and Development Impact Fees (\$5,741,743); 2) for Perpetual Care of the City's cemetery (\$188,902); for police activities (\$18) and 3) reserved for prepaid items which are not available for the current government's spending discretion (\$221,842).

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,140,428 while the total fund balance amounted to \$2,362,270. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22 percent of the total general fund expenditures, while total fund balance represents 25 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$701,200. Overall, the City's General Fund revenues increased \$806,496 from 2009 totals. The significant increases occurred in local option sales taxes which increased 13% and building permits and fees which increased 18% from 2009 totals. Fines and forfeitures also increased from \$958,929 in 2009 to \$1,101,828 in 2010, a 15% increase. At the same time, the expenditures increased \$967,307 from 2009 amounts. The main reason for the increase in expenditures was due to vehicles purchased for the police and fire departments during the year.

The City of McDonough received \$858,738 in Special Purpose Local Option Sales Taxes in 2010 compared to \$891,543 in 2009. The City started to receive its share of SPLOST proceeds under the new SPLOST III intergovernmental agreement during 2008. In addition, Henry County issued bonds in order to begin projects approved by the voters in November 2007. The City received \$7,325,000 from the County's bond issue. The projects approved by the voters in the SPLOST referendum include public safety facilities and equipment, public works facilities and equipment, park improvements and roads, bridges, sidewalks and transportation facilities. Beginning in 2009, the first proceeds from the SPLOST are used to repay the Henry County SPLOST bonds. The City spent \$1,654,032 towards a new water tank with the SPLOST III proceeds. SPLOST II spent approximately \$444,057 on park related expenditures.

The City also received Development Impact Fees during the year totaling \$153,883. 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. The fund balance of this fund at December 31, 2010 amounted to \$1,248,950.

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 assets of the proprietary funds at the end of the year were \$8,096,927 of which the Water and Sewer Fund had \$6,694,733, the Solid Waste Management Fund had \$(14,046) and the Storm Water Management Fund had \$1,417,140. Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The original General Fund budgeted expenditures of \$10,464,891 was amended to \$10,315,417, a difference of \$149,474. The major amendments to the budget were to decrease expenditures of various departments due to the current economic conditions. Significant variances between budgeted revenues and actual revenues include 1) local option sales taxes were under budget by \$62,819 due to the continued economic slowdown and 2) property taxes were under budget by \$149,745 which is due to the continued decline in property values and slow collections. Significant expenditure variances include 1) financial administration expenditures were under budget by approximately \$264,266 due to deferred capital purchases, a decrease in property and liability insurance expense, and lower than expected legal costs and 2) community development expenditures were under budget by approximately \$186,797 due to the overall decrease in residential and commercial building activity.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at December 31, 2010 amounts to \$40,630,357 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles and equipment, sidewalks, bridges and roads.

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

- \$321,652 of park improvements
- \$600,985 of land purchases mainly for park sites
- \$109,726 for 5 new police vehicles
- \$226,883 for police laptops and record management system
- \$44,156 for engineering and architect fees for the new police facilities
- \$1,642,532 for a water tank and related water lines

Additional information on the City's capital assets can be found in note 8.

Long-term debt. At the end of the current fiscal year, the City had \$7,252,009 in outstanding debt, net of bond discount and cost, consisting of the following:

CITY OF McDONOUGH'S OUTSTANDING DEBT

	<u>Balance</u>
Governmental Activities:	
Accrued compensated absences	\$ 148,501
Capital lease obligations	2,019,618
Business-Type Activities -	
Revenue bonds, net of discount	844,627
GEFA notes	<u>4,239,263</u>
 Total	 <u>\$ 7,252,009</u>

The City's total debt decreased by \$1,032,236. Additional information on the City's long-term debt can be found in note 10.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of McDonough is approximately \$72,000,000 which is significantly in excess of the City of McDonough's outstanding general obligation debt.

Status of the City of McDonough's Economy

- The unemployment rate for the regional development center in which the City of McDonough is located was approximately 10.0 percent which is consistent with the state and national rates. Inflationary trends in the region compare favorably to national indices.
- Building permits, both commercial and residential, have shown a slight improvement subsequent to year end.
- The occupancy rate of the City's downtown area has remained consistent.
- Sales tax receipts have shown an increase in recent months.

Requests for Information

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

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

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,371,359	\$ 1,090,456	\$ 3,461,815
Investments	-	6,110,744	6,110,744
Receivables, net			
Taxes	1,761,510	-	1,761,510
Intergovernmental	-	-	-
Fines	212,798	-	212,798
Accounts	-	777,775	777,775
Other	-	-	-
Internal balances	(816,845)	816,845	-
Prepaid items	221,842	-	221,842
Restricted assets			
Cash	855,510	862,272	1,717,782
Investments	5,882,351	-	5,882,351
Interest	737	-	737
Non-depreciable capital assets	11,524,252	2,572,344	14,096,596
Depreciable capital assets, net	14,619,476	11,914,285	26,533,761
Deferred loan cost, net	<u>27,155</u>	<u>8,673</u>	<u>35,828</u>
Total Assets	<u>36,660,145</u>	<u>24,153,394</u>	<u>60,813,539</u>

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable			
Trade	\$ 338,050	\$ 202,884	\$ 540,934
Construction	-	212,292	212,292
Accrued liabilities			
Salaries	147,109	34,755	181,864
Compensated absences	-	37,466	37,466
Customer deposits	-	191,773	191,773
Interest	-	-	-
Other	44,981	-	44,981
Unearned revenues	209,220	-	209,220
Liabilities payable from restricted assets			
Revenue bonds	-	410,000	410,000
Notes payable	-	296,667	296,667
Accrued interest	-	28,396	28,396
Accounts payable	655,215	-	655,215
Long-term liabilities			
Due within one year	374,770	-	374,770
Due in more than one year	1,793,349	4,377,223	6,170,572
	<u>3,562,694</u>	<u>5,791,456</u>	<u>9,354,150</u>
Total Liabilities			
	<u>3,562,694</u>	<u>5,791,456</u>	<u>9,354,150</u>
Net Assets			
Invested in capital assets, net of related debt	24,124,110	9,402,739	33,526,849
Restricted for			
Perpetual care			
Expendable	24,802	-	24,802
Nonexpendable	164,100	-	164,100
Police activities	18	-	18
Capital projects	5,741,743	-	5,741,743
Debt covenants	-	862,272	862,272
Unrestricted	3,042,678	8,096,927	11,139,605
	<u>3,042,678</u>	<u>8,096,927</u>	<u>11,139,605</u>
Total Net Assets	<u>\$ 33,097,451</u>	<u>\$ 18,361,938</u>	<u>\$ 51,459,389</u>

See accompanying notes to the basic financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 1,852,888	\$ 205,867	\$ -	\$ 4,772
Public Safety and Courts	5,872,856	1,112,889	-	579,845
Public Works	1,065,850	46,245	-	231,357
Cemetery	9,116	1,400	-	-
Parks and Recreation	264,396	3,986	6,728	293,267
Community Development	544,779	199,033	-	10,059
Economic Development	457,045	-	16,250	-
Code Enforcement	93,000	-	-	-
Interest	86,927	-	-	-
Total Governmental Activities	<u>10,246,857</u>	<u>1,569,420</u>	<u>22,978</u>	<u>1,119,300</u>
Business-Type Activities				
Water	1,756,579	1,894,697	-	34,854
Sewer	1,682,378	1,687,383	-	31,667
Solid Waste Management	1,390,015	1,430,705	-	-
Storm Water Management	217,051	774,303	-	-
Total Business-Type Activities	<u>5,046,023</u>	<u>5,787,088</u>	<u>-</u>	<u>66,521</u>
Total Government	<u>\$ 15,292,880</u>	<u>\$ 7,356,508</u>	<u>\$ 22,978</u>	<u>\$ 1,185,821</u>

General Revenues

Taxes
Property
Franchise
Local option sales
Occupational
Insurance premium
Alcohol beverage
Hotel/motel
Other
Investment earnings
Other
Gain on sale of capital assets
Total General Revenues
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning of Year
Net Assets - End of Year

See accompanying notes to the basic financial statements.

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

Governmental Activities	Business- Type Activities	Total
\$ (1,642,249)	\$ -	\$ (1,642,249)
(4,180,122)	-	(4,180,122)
(788,248)	-	(788,248)
(7,716)	-	(7,716)
39,585	-	39,585
(335,687)	-	(335,687)
(440,795)	-	(440,795)
(93,000)	-	(93,000)
(86,927)	-	(86,927)
<u>(7,535,159)</u>	<u>-</u>	<u>(7,535,159)</u>
-	172,972	172,972
-	36,672	36,672
-	40,690	40,690
-	557,252	557,252
<u>-</u>	<u>807,586</u>	<u>807,586</u>
<u>(7,535,159)</u>	<u>807,586</u>	<u>(6,727,573)</u>
2,465,462	-	2,465,462
1,156,039	-	1,156,039
2,727,181	-	2,727,181
338,593	-	338,593
457,193	-	457,193
430,840	-	430,840
413,606	-	413,606
16,675	-	16,675
3,319	23,589	26,908
33,740	-	33,740
-	-	-
<u>8,042,648</u>	<u>23,589</u>	<u>8,066,237</u>
<u>(1,348,843)</u>	<u>1,348,843</u>	<u>-</u>
<u>6,693,805</u>	<u>1,372,432</u>	<u>8,066,237</u>
(841,354)	2,180,018	1,338,664
<u>33,938,805</u>	<u>16,181,920</u>	<u>50,120,725</u>
<u>\$ 33,097,451</u>	<u>\$ 18,361,938</u>	<u>\$ 51,459,389</u>

CITY OF McDONOUGH, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

ASSETS	<u>GENERAL</u>	<u>SPLOST II</u>	<u>SPLOST III</u>
Cash and cash equivalents	\$ 2,047,488	\$ 518,660	\$ -
Investments	-	-	4,794,078
Receivables			
Taxes	1,722,724	-	-
Intergovernmental	-	-	-
Interest	-	-	737
Fines	212,798	-	-
Other	-	-	-
Due from other governments	-	-	-
Due from other funds	193,192	-	9,351
Prepaid items	221,842	-	-
Total Assets	<u>\$ 4,398,044</u>	<u>\$ 518,660</u>	<u>\$ 4,804,166</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable			
Trade	\$ 314,228	\$ -	\$ -
Construction	-	16,042	639,173
Accrued expenditures			
Payroll	147,109	-	-
Payroll withholdings	6,191	-	-
Court Bonds	38,790	-	-
Deferred revenues	661,703	-	-
Due to other funds	867,753	9,351	165,467
Total Liabilities	<u>2,035,774</u>	<u>25,393</u>	<u>804,640</u>
Fund Balance			
Reserved for prepaid items	221,842	-	-
Reserved for capital projects	-	493,267	3,999,526
Reserved for police activities	-	-	-
Reserved for perpetual care	-	-	-
Unreserved			
Special Revenue Funds	-	-	-
General Fund	2,140,428	-	-
Total Fund Balance	<u>2,362,270</u>	<u>493,267</u>	<u>3,999,526</u>
Total Liabilities and Fund Balance	<u>\$ 4,398,044</u>	<u>\$ 518,660</u>	<u>\$ 4,804,166</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 324,548	\$ 336,173	\$ 3,226,869
901,219	187,054	5,882,351
-	38,786	1,761,510
-	-	-
-	-	737
-	-	212,798
-	-	-
-	-	-
23,183	-	225,726
-	-	221,842
<u>\$ 1,248,950</u>	<u>\$ 562,013</u>	<u>\$ 11,531,833</u>

\$ -	\$ 23,822	\$ 338,050
-	-	655,215
-	-	147,109
-	-	6,191
-	-	38,790
-	10,436	672,139
-	-	1,042,571
<u>-</u>	<u>34,258</u>	<u>2,900,065</u>

-	-	221,842
1,248,950	-	5,741,743
-	18	18
-	188,902	188,902
-	338,835	338,835
-	-	2,140,428
<u>1,248,950</u>	<u>527,755</u>	<u>8,631,768</u>
<u>\$ 1,248,950</u>	<u>\$ 562,013</u>	<u>\$ 11,531,833</u>

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

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

Total fund balances -- total governmental funds	\$ 8,631,768
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,143,728
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds: Deferred revenues	462,919
Debt issuance cost are considered other financing uses in governmental funds in the year incurred but are deferred costs and are amortized over the life of the related debt in the statement of net assets.	27,155
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Capital lease	(2,019,618)
Long-term portion of compensated absences	<u>(148,501)</u>
Net assets of governmental activities.	<u>\$ 33,097,451</u>

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

CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

	GENERAL	SPLOST II	SPLOST III
REVENUES			
Taxes	\$ 7,852,632	\$ -	\$ -
Licenses and permits			
Business license	174,375	-	-
Building permits and fees	151,570	-	-
Intergovernmental	106,680	74,157	858,738
Charges for services	55,652	-	-
Fines and forfeitures	1,101,828	-	-
Interest	2,545	714	11,639
Miscellaneous	262,552	-	-
Total Revenues	<u>9,707,834</u>	<u>74,871</u>	<u>870,377</u>
EXPENDITURES			
Current			
Governing Body	189,501	-	-
Financial Administration	1,559,658	-	-
Municipal Court	698,645	-	-
Probation	127,529	-	-
Public Safety	4,486,016	-	-
Highways & Streets	959,027	-	-
Cemetery	4,573	-	-
Parks and Recreation	119,751	-	-
Community Development	544,306	-	-
Economic Development	277,669	-	-
Code Enforcement	87,707	-	-
Debt service			
Principal	-	361,311	-
Interest	-	81,496	-
Capital outlay	486,669	23,792	2,763,065
Total Expenditures	<u>9,541,051</u>	<u>466,599</u>	<u>2,763,065</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 413,605	\$ 8,266,237
-	-	174,375
-	-	151,570
-	-	1,039,575
153,883	-	209,535
-	1,092	1,102,920
2,641	773	18,312
-	-	262,552
<u>156,524</u>	<u>415,470</u>	<u>11,225,076</u>
-	-	189,501
138,847	-	1,698,505
-	-	698,645
-	-	127,529
-	3,732	4,489,748
-	-	959,027
-	-	4,573
-	-	119,751
-	-	544,306
-	165,442	443,111
-	-	87,707
-	-	361,311
-	-	81,496
-	-	3,273,526
<u>138,847</u>	<u>169,174</u>	<u>13,078,736</u>

Continued

CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>GENERAL</u>	<u>SPLOST II</u>	<u>SPLOST III</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ 166,783	\$ (391,728)	\$ (1,892,688)
Other Financing Sources (Uses)			
Proceeds from disposition of assets	-	-	-
Proceeds from Henry Co. SPLOST bond issuance	-	-	-
Transfers	534,417	-	-
Total Other Financing Sources (Uses)	534,417	-	-
Net Change in Fund Balance	701,200	(391,728)	(1,892,688)
Fund Balance - Beginning of Year	1,661,070	884,995	5,892,214
Fund Balance - End of Year	<u>\$ 2,362,270</u>	<u>\$ 493,267</u>	<u>\$ 3,999,526</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>\$ 17,677</u>	<u>\$ 246,296</u>	<u>\$ (1,853,660)</u>
-	-	-
-	-	-
<u>-</u>	<u>(213,186)</u>	<u>321,231</u>
<u>-</u>	<u>(213,186)</u>	<u>321,231</u>
17,677	33,110	(1,532,429)
<u>1,231,273</u>	<u>494,645</u>	<u>10,164,197</u>
<u>\$ 1,248,950</u>	<u>\$ 527,755</u>	<u>\$ 8,631,768</u>

Concluded

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances -- total governmental funds \$ (1,532,429)

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. This is the amount by which capital outlay (\$1,593,772) exceeded depreciation (\$947,538) in the current period. 646,234

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

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 deferred revenue balances related to timing differences. (312,754)

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 assets. 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 assets. This is the amount by which repayments (\$361,311) exceeded proceeds (\$0-). 361,311

Bond issue cost are considered deferred cost in the statement of net assets and are amortized over the life of the related debt while they are considered other financing uses in governmental funds in the year they are incurred. This is the amount by which amortization expense (\$5,431) exceeded bond issue cost (\$0-). (5,431)

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 accrued interest payable	-
Change in long-term portion of accrued compensated absences	1,715
	1,715

Change in net assets of governmental activities. \$ (841,354)

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

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	\$ 8,472,503	\$ 7,988,635	\$ 7,852,632	\$ (136,003)
Licenses and permits				
Business license	103,000	60,675	174,375	113,700
Building permits and fees	198,350	169,550	151,570	(17,980)
Intergovernmental	117,538	111,968	106,680	(5,288)
Charges for services	4,000	3,050	55,652	52,602
Fines and forfeitures	1,000,000	1,055,000	1,101,828	46,828
Interest	17,000	6,000	2,545	(3,455)
Miscellaneous	69,500	437,539	262,552	(174,987)
Total Revenues	9,981,891	9,832,417	9,707,834	(124,583)
EXPENDITURES				
Current				
Governing Body	182,439	182,439	189,501	(7,062)
Financial Administration	1,981,255	1,823,924	1,559,658	264,266
Municipal Court	813,400	813,400	698,645	114,755
Legal	-	-	-	-
Probation	145,283	145,283	127,529	17,754
Public Safety	4,647,671	4,647,671	4,486,016	161,655
Highways & Streets	874,081	903,668	959,027	(55,359)
Cemetery	30,687	1,100	4,573	(3,473)
Parks and Recreation	135,118	135,118	119,751	15,367
Community Development	743,246	731,103	544,306	186,797
Economic Development	267,563	287,563	277,669	9,894
Code Enforcement	122,574	122,574	87,707	34,867
Debt Service	-	-	-	-
Capital outlay	521,574	521,574	486,669	34,905
Total Expenditures	10,464,891	10,315,417	9,541,051	774,366

See accompanying notes to the financial statements.

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<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>\$ (483,000)</u>	<u>\$ (483,000)</u>	<u>\$ 166,783</u>	<u>\$ 649,783</u>
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from disposition of assets	-	-	-	-
Transfers	<u>483,000</u>	<u>483,000</u>	<u>534,417</u>	<u>51,417</u>
Total Other Financing Sources (Uses)	<u>483,000</u>	<u>483,000</u>	<u>534,417</u>	<u>51,417</u>
Net Change in Fund Balance	-	-	701,200	701,200
Fund Balance - Beginning of Year	<u>1,661,070</u>	<u>1,661,070</u>	<u>1,661,070</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,661,070</u>	<u>\$ 1,661,070</u>	<u>\$ 2,362,270</u>	<u>\$ 701,200</u>

See accompanying notes to the financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

ASSETS	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>	<u>Total</u>
Current Assets				
Cash	\$ 522,934	\$ -	\$ 567,522	\$ 1,090,456
Investments	5,231,019	-	879,725	6,110,744
Receivables				
Accounts (net)	440,431	95,786	241,558	777,775
Accrued interest	-	-	-	-
Due from other funds	844,570	-	-	844,570
Prepaid expenses	-	-	-	-
Restricted Assets				
Cash	862,272	-	-	862,272
Total Current Assets	<u>7,901,226</u>	<u>95,786</u>	<u>1,688,805</u>	<u>9,685,817</u>
Noncurrent Assets				
Bond issue costs, net of amortization	8,673	-	-	8,673
Capital assets				
Land	1,112,054	-	-	1,112,054
Buildings	902,744	-	-	902,744
Improvements other than buildings	18,820,034	-	511,462	19,331,496
Machinery and equipment	881,824	52,608	227,782	1,162,214
Autos and trucks	427,115	-	-	427,115
Construction in progress	1,460,290	-	-	1,460,290
Accumulated depreciation	(9,806,371)	(52,608)	(50,305)	(9,909,284)
Capital assets (net of depreciation)	<u>13,797,690</u>	<u>-</u>	<u>688,939</u>	<u>14,486,629</u>
Total Noncurrent Assets	<u>13,806,363</u>	<u>-</u>	<u>688,939</u>	<u>14,495,302</u>
Total Assets	<u>21,707,589</u>	<u>95,786</u>	<u>2,377,744</u>	<u>24,181,119</u>

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>	<u>Total</u>
LIABILITIES				
Current Liabilities				
Accounts payable				
Trade	\$ 68,336	\$ 105,607	\$ 28,941	\$ 202,884
Construction	-	-	212,292	212,292
Accrued liabilities				
Deposits	191,773	-	-	191,773
Accrued compensated absences	33,805	3,113	548	37,466
Accrued salaries	30,584	2,012	2,159	34,755
Due to other funds	-	-	27,725	27,725
Current liabilities payable from restricted assets				
Revenue bonds	410,000	-	-	410,000
Loans	296,667	-	-	296,667
Accrued interest	28,396	-	-	28,396
Total Current Liabilities	<u>1,059,561</u>	<u>110,732</u>	<u>271,665</u>	<u>1,441,958</u>
Noncurrent Liabilities				
Revenue bonds	434,627	-	-	434,627
Notes payable	3,942,596	-	-	3,942,596
Total Noncurrent Liabilities	<u>4,377,223</u>	<u>-</u>	<u>-</u>	<u>4,377,223</u>
Total Liabilities	<u>5,436,784</u>	<u>110,732</u>	<u>271,665</u>	<u>5,819,181</u>
NET ASSETS				
Investment in capital assets, net of related debt	8,713,800	-	688,939	9,402,739
Restricted under debt ordinance	862,272	-	-	862,272
Unrestricted	<u>6,694,733</u>	<u>(14,946)</u>	<u>1,417,140</u>	<u>8,096,927</u>
Total Net Assets	<u>\$ 16,270,805</u>	<u>\$ (14,946)</u>	<u>\$ 2,106,079</u>	<u>\$ 18,361,938</u>

See accompanying notes to the basic financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services				
Water sales	\$ 1,805,537	\$ -	\$ -	\$ 1,805,537
Sewer charges	1,602,302	-	-	1,602,302
Sanitation fees	-	1,430,705	-	1,430,705
Storm water fees	-	-	774,303	774,303
Connection fees				
Water	4,080	-	-	4,080
Sewer	-	-	-	-
Penalties and reconnect fees	144,289	-	-	144,289
Miscellaneous	25,872	-	-	25,872
Total Operating Revenues	<u>3,582,080</u>	<u>1,430,705</u>	<u>774,303</u>	<u>5,787,088</u>
OPERATING EXPENSES				
Purchased products / services	-	1,233,070	-	1,233,070
Personal services and benefits	1,269,541	100,128	82,473	1,452,142
Purchased / contracted services	376,104	2,087	89,912	468,103
Supplies	718,903	20	6,266	725,189
Cost allocations	106,976	43,710	15,120	165,806
Depreciation and amortization	660,148	-	23,280	683,428
Other	67,000	11,000	-	78,000
Total Operating Expenses	<u>3,198,672</u>	<u>1,390,015</u>	<u>217,051</u>	<u>4,805,738</u>
Operating Income (Loss)	<u>383,408</u>	<u>40,690</u>	<u>557,252</u>	<u>981,350</u>
NON-OPERATING INCOME (EXPENSE)				
Gain (loss) on disposal of assets	-	-	-	-
Interest earned	10,653	-	12,936	23,589
Interest expense	(240,285)	-	-	(240,285)
Total Non-Operating Income (Expense)	<u>(229,632)</u>	<u>-</u>	<u>12,936</u>	<u>(216,696)</u>
Net Income before Transfers and Capital Contributions	153,776	40,690	570,188	764,654
Capital Contributions				
Water	1,704,928	-	-	1,704,928
Sewer	31,667	-	-	31,667
Transfers	(250,000)	(71,231)	-	(321,231)
Change in Net Assets	1,640,371	(30,541)	570,188	2,180,018
Net Assets - Beginning of Year	<u>14,630,434</u>	<u>15,595</u>	<u>1,535,891</u>	<u>16,181,920</u>
Net Assets - End of Year	<u>\$ 16,270,805</u>	<u>\$ (14,946)</u>	<u>\$ 2,106,079</u>	<u>\$ 18,361,938</u>
See accompanying notes to the basic financial statements.				

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers and users	\$ 3,585,587	\$ 1,468,991	\$ 766,941	\$ 5,821,519
Cash paid to suppliers for goods	(1,626,735)	(1,332,718)	(127,745)	(3,087,198)
Cash paid to employees	(915,174)	(65,042)	(58,288)	(1,038,504)
Net Cash Flows from Operating Activities	<u>1,043,678</u>	<u>71,231</u>	<u>580,908</u>	<u>1,695,817</u>
Cash flows from investing activities:				
Interest received	10,653	-	12,936	23,589
(Purchase) / redemption of investments	(1,901,198)	-	(879,725)	(2,780,923)
Net Cash Flows from Investing Activities	<u>(1,890,545)</u>	<u>-</u>	<u>(866,789)</u>	<u>(2,757,334)</u>
Cash flows from non-capital financing activities:				
Transfers	(250,000)	(71,231)	-	(321,231)
Change in due to/from other funds	1,775,209	-	(322,536)	1,452,673
Net Cash Flows from Non-Capital Financing Activities	<u>1,525,209</u>	<u>(71,231)</u>	<u>(322,536)</u>	<u>1,131,442</u>
Cash flows from capital financing activities:				
Purchases / construction of capital assets	(117,974)	-	(304,812)	(422,786)
Capital contributions	66,521	-	-	66,521
Principal payments on long-term debt	(674,918)	-	-	(674,918)
Proceeds from long-term debt	-	-	-	-
Interest paid	(231,806)	-	-	(231,806)
Net Cash Flows from Capital Financing Activities	<u>(958,177)</u>	<u>-</u>	<u>(304,812)</u>	<u>(1,262,989)</u>
Net Change in Cash and Cash Equivalents	(279,835)	-	(913,229)	(1,193,064)
Cash and Cash Equivalents - Beginning	<u>1,665,041</u>	<u>-</u>	<u>1,480,751</u>	<u>3,145,792</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,385,206</u>	<u>\$ -</u>	<u>\$ 567,522</u>	<u>\$ 1,952,728</u>

See accompanying notes to the basic financial statements.

**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>	<u>Total</u>
Operating Income (Loss)	\$ 383,408	\$ 40,690	\$ 557,252	\$ 981,350
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	660,148	-	23,280	683,428
Off-set of amount due from Henry County	-	-	-	-
(Increase) decrease in -				
Accounts receivable	(11,349)	38,286	(7,362)	19,575
Prepaid expense	-	-	-	-
Increase (Decrease) in -				
Accounts payable	(3,963)	(8,635)	9,829	(2,769)
Deposits	14,856	-	-	14,856
Accrued liabilities	578	890	(2,091)	(623)
Total Adjustments	660,270	30,541	23,656	714,467
Net Cash Flows from Operating Activities	<u>\$ 1,043,678</u>	<u>\$ 71,231</u>	<u>\$ 580,908</u>	<u>\$ 1,695,817</u>

NON-CASH TRANSACTIONS

Construction of sewer system improvements paid
for by the SPLOST Capital Projects Fund
considered capital contributions by the Water
and Sewer Fund

<u>\$ 1,670,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,670,074</u>
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See accompanying notes to the basic financial statements.

CITY OF McDONOUGH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities, if applicable, the City has chosen not to do so. 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 18, 1823 and is located in Henry County about 30 miles south of Atlanta. The City provides a full range of services to approximately 19,000 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 No. 14 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. 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. Using the above criteria, the City of McDonough Downtown Development Authority is a component unit of the City but did not have any financial transactions for the year and therefore is not included in this financial report. The City Council appoints all members of the Development Authority's Board of Directors and pays from the City's budget expenditures, if any, related to the Authority. 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):

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 Assets 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 assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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 assets resulting from the current year's activities.

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.

(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

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

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

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

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

Proprietary Fund Type – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, 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.

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.

The City applies all applicable FASB pronouncements issued on or before November 30, 1989, in accounting and reporting for its proprietary funds.

(See Independent Auditor's Report)

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

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

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 assets.

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 assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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.

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.

(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

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, common stock 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 December 31, 2010:

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.

I. Prepaid Expenses

Payments made to vendors for service that will benefit periods beyond December 31, 2010 are recorded as prepaid items and are expensed during the period benefited

(See Independent Auditor's Report)

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

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

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 assets 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 assets and in the respective funds.

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during fiscal year ended December 31, 2010. 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 December 31, 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, as well as issuance costs, 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 deferred charges.

(See Independent Auditor’s Report)

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Revenues

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

O. Expenditures

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

P. Compensated Absences

The City accrues accumulated unpaid vacation and sick leave benefits, which will be paid to employees upon separation from service, when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. During 2006, the City implemented a sick leave policy whereby the City will pay one half of an employee's accrued sick leave upon retirement from the City. However, during 2008 the sick leave policy was amended where 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. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets are 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 assets reports \$6,792,935 in restricted net assets, of which \$5,741,761 is restricted by enabling legislation.

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted net assets are available.

T. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

U. 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.

V. 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.

W. 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 amended in December 2010. All annual appropriations lapse at year end.

(See Independent Auditor's Report).

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

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 December 31, 2010, \$4,347,864 of the government's bank balance of \$5,374,693 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent	4,347,864
Total	<u>\$ 4,347,864</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 December 31, 2010:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Organization</u>
All Funds With Investments -				
Georgia Fund 1	\$ 11,993,095	48 days avg	AAAm	S&P

"Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standards and Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 operates in 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 monthly basis and determines participants' shares sold and redeemed on \$1.00 per share. The fund is managed by the Georgia Office of the Treasury and Fiscal Services (OFTS). OFTS is guided by the policies of the State Depository Board and OCGA 55-17-2 and 50-17-63.

(See Independent Auditor's Report).

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

3. PROPERTY TAX

Property taxes were levied on July 28, 2010 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 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 December 31, 2010 amounted to \$485,948.

4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues reported in the fund financial statements for the year ended December 31, 2010 consist of the following:

General Fund -	
U. S. Department of Justice - Edward Byrne Grant	\$ 106,680
SPLOST II	
Georgia Department of Natural Resources - Trail Program	74,157
SPLOST III Fund	
Henry County - SPLOST	<u>858,738</u>
	<u>\$ 1,039,575</u>

(See Independent Auditor's Report).

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

5. RECEIVABLES

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

Governmental Funds

	<u>General</u>	<u>SPLOST III</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Taxes	\$ 1,722,724	\$ -	\$ 38,786	\$ 1,761,510
Intergovernmental	-	-	-	-
Fines	424,798	-	-	424,798
Accounts	-	-	-	-
Interest	-	737	-	737
Gross Receivables	2,147,522	737	38,786	2,187,045
Less: Allowance for Uncollectibles	(212,000)	-	-	(212,000)
Net Total Receivables	<u>\$ 1,935,522</u>	<u>\$ 737</u>	<u>\$ 38,786</u>	<u>\$ 1,975,045</u>

Proprietary Funds

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>	<u>Total</u>
Accounts	\$ 739,431	\$ 186,786	\$ 241,558	\$ 1,167,775
Interest	-	-	-	-
Gross Receivable	739,431	186,786	241,558	1,167,775
Less: Allowance for Uncollectibles	(299,000)	(91,000)	-	(390,000)
Net Total Receivable	<u>\$ 440,431</u>	<u>\$ 95,786</u>	<u>\$ 241,558</u>	<u>\$ 777,775</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 December 31, 2010 were as follows:

Payable To	Payable From				Totals
	General	SPLOST II	SPLOST III	Storm Water	
General	\$ -	\$ -	\$ 165,467	\$ 27,725	\$ 193,192
Water & Sewer	844,570	-	-	-	844,570
Devel. Impact	23,183	-	-	-	23,183
SPLOST III	-	9,351	-	-	9,351
Totals	<u>\$ 867,753</u>	<u>\$ 9,351</u>	<u>\$ 165,467</u>	<u>\$ 27,725</u>	<u>\$ 1,070,296</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 cumulative net amount over the years (receipts over expenditures) of \$844,570 is due to the Water and Sewer Fund. During 2010 the General Fund paid for expenses that qualified under the SPLOST III referendum in the amount of \$165,467. The Development Impact Fee Fund is due \$23,183 from General Fund for overpayment of administrative fees. The amount due from Storm Water to the General Fund of \$27,725 is for expenses paid by the General Fund which the Storm Water Fund has not yet repaid. The SPLOST II Fund owed the SPLOST III Fund \$9,351 for a deposit that was made to the SPLOST II Fund in error.

Individual fund interfund transfers for the year ended December 31, 2010 were as follows:

Transfer To	Transfer From				Totals
	General	Hotel / Motel Tax	Water & Sewer	Solid Waste Management	
General	\$ -	\$ 220,036	\$ 250,000	\$ 71,231	\$ 541,267
Conf. Assets	6,850	-	-	-	6,850
	<u>\$ 6,850</u>	<u>\$ 220,036</u>	<u>\$ 250,000</u>	<u>\$ 71,231</u>	<u>\$ 548,117</u>

During the fiscal year ended December 31, 2010, the Solid Waste Management Fund transferred \$71,231 to the General Fund which is the net cash transactions of the Solid Waste Management Fund. The Solid Waste Management Fund uses the General Fund's bank account in the same manner as mentioned above. The Water and Sewer Fund transferred \$250,000 to the General Fund to help finance operations. The General Fund also transferred \$6,850 to the Confiscated Assets Fund to subsidize a negative fund balance in the Confiscated Assets Fund.

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 40% payment to the McDonough Hospitality and Tourism Board. The remaining monies are transferred to the General Fund to help fund the General Fund budgetary appropriations.

(See Independent Auditor's Report)

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

6. INTER-FUND TRANSACTIONS – (Continued)

In the Statement of Changes in Net Assets, an additional transfer was recognized in the amount of \$1,670,074 from the SPLOST Capital Projects Funds to the Water and Sewer Fund. This netted the total transfers in the Statement of Changes in Net Assets to \$1,348,843. The transfer was for system improvements financed with SPLOST proceeds. This transaction was recognized as a capital outlay expenditure in the SPLOST Funds and as a capital contribution in the Water and Sewer Fund.

7. DEFERRED COST

Deferred cost as of December 31, 2010 consists of the following:

	Governmental Activities	Business- Type Activities
Debt issuance cost	\$ 54,310	\$ 153,542
Accumulated amortization	(27,155)	(144,869)
Net	<u>\$ 27,155</u>	<u>\$ 8,673</u>

Debt issuance cost are considered other financing uses in governmental funds in the year incurred but are deferred costs and are amortized over the life of the related debt in the Statement of Net Assets and Proprietary Fund Statements. Debt issuance costs are being amortized using the straight line method over the life of the related debt issue. The debt issue cost reported in the business-type activities is related to notes payable in the Water and Sewer Fund.

(See Independent Auditor's Report)

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

8. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,286,252	\$ 600,986	\$ -	\$ 10,887,238
Construction in progress	<u>255,443</u>	<u>2,051,645</u>	<u>(1,670,074)</u>	<u>637,014</u>
Total	<u>10,541,695</u>	<u>2,652,631</u>	<u>(1,670,074)</u>	<u>11,524,252</u>
Capital assets being depreciated:				
Buildings	8,364,822	14,119	-	8,378,941
Improvements other than buildings	6,625,847	73,998	-	6,699,845
Vehicles, including related equipment	4,012,577	132,197	-	4,144,774
Machinery and equipment	2,629,944	385,434	-	3,015,378
Furniture and fixtures	<u>333,695</u>	<u>5,467</u>	<u>-</u>	<u>339,162</u>
Total capital assets being depreciated	<u>21,966,885</u>	<u>611,215</u>	<u>-</u>	<u>22,578,100</u>
Less accumulated depreciation for:				
Buildings	1,647,271	208,952	-	1,856,223
Improvements other than buildings	1,224,097	165,998	-	1,390,095
Vehicles, including related equipment	2,424,296	354,200	-	2,778,496
Machinery and equipment	1,485,816	204,654	-	1,690,470
Furniture and fixtures	<u>229,606</u>	<u>13,734</u>	<u>-</u>	<u>243,340</u>
Total accumulated depreciation	<u>7,011,086</u>	<u>947,538</u>	<u>-</u>	<u>7,958,624</u>
Total capital assets being depreciated, net	<u>14,955,799</u>	<u>(336,323)</u>	<u>-</u>	<u>14,619,476</u>
Governmental capital assets, net	<u>\$ 25,497,494</u>	<u>\$ 2,316,308</u>	<u>\$ (1,670,074)</u>	<u>\$ 26,143,728</u>

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

Administrative	\$ 133,461
Public Safety and Courts	530,406
Highways and Streets	110,915
Cemetery	4,543
Code Enforcement	5,857
Parks and Recreation	143,074
Community Development	6,749
Economic Development	<u>12,533</u>
Total depreciation expense	<u>\$ 947,538</u>

(See Independent Auditor's Report)

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

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,089,554	\$ 22,500	\$ -	\$ 1,112,054
Construction in progress	55,527	1,404,763	-	1,460,290
Total	<u>1,145,081</u>	<u>1,427,263</u>	<u>-</u>	<u>2,572,344</u>
Capital assets being depreciated:				
Buildings	877,743	25,001	-	902,744
Improvements other than buildings	18,556,330	775,166	-	19,331,496
Machinery and equipment	1,118,759	43,455	-	1,162,214
Vehicles	392,848	34,267	-	427,115
Total capital assets being depreciated	<u>20,945,680</u>	<u>877,889</u>	<u>-</u>	<u>21,823,569</u>
Less accumulated depreciation for:				
Buildings	745,672	17,068	-	762,740
Improvements other than buildings	7,420,645	581,464	-	8,002,109
Machinery and equipment	665,875	74,126	-	740,001
Vehicles	393,664	10,770	-	404,434
Total capital assets being depreciated	<u>9,225,856</u>	<u>683,428</u>	<u>-</u>	<u>9,909,284</u>
Total capital assets being depreciated, net	<u>11,719,824</u>	<u>194,461</u>	<u>-</u>	<u>11,914,285</u>
Business-Type Activities capital assets, net	<u>\$ 12,864,905</u>	<u>\$ 1,621,724</u>	<u>\$ -</u>	<u>\$ 14,486,629</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 258,958
Sewer	401,190
Storm Water	23,280
Solid Waste Management	<u>-</u>
Total depreciation expense	<u>\$ 683,428</u>

(See Independent Auditor's Report)

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

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

The City is in the process of constructing a water tank on the south side of the City. Total land and construction costs are estimated to be \$2,000,000. Costs incurred through December 31, 2010 amounted to \$1,654,032.

9. DEFERRED REVENUES

Deferred revenues as of December 31, 2010, 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	\$ 110,750
Property taxes	352,169
Amounts received from occupational taxes, grants and confiscated assets but not yet earned as of December 31, 2010. Reported in Governmental Fund's balance sheet and the Statement of Net Assets.	<u>209,220</u>
Total deferred revenues - Governmental Funds	<u>\$ 672,139</u>

(See Independent Auditor's Report)

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

10. 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 December 31, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Accrued Compensated Absences	\$ 150,217	\$ 319,482	\$ (321,198)	\$ 148,501	\$ -
Capital Leases	<u>2,380,929</u>	<u>-</u>	<u>(361,311)</u>	<u>2,019,618</u>	<u>374,770</u>
Total Governmental Activity					
Long-Term Debt	<u>\$ 2,531,146</u>	<u>\$ 319,482</u>	<u>\$ (682,509)</u>	<u>\$ 2,168,119</u>	<u>\$ 374,770</u>
Business-Type Activities					
Revenue Bonds	\$ 1,235,000	\$ -	\$ (390,000)	\$ 845,000	\$ 410,000
Bond Discount and Cost	(6,082)	-	5,709	(373)	-
GEFA Notes Payable	<u>4,524,181</u>	<u>-</u>	<u>(284,918)</u>	<u>4,239,263</u>	<u>296,667</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$ 5,753,099</u>	<u>\$ -</u>	<u>\$ (669,209)</u>	<u>\$ 5,083,890</u>	<u>\$ 706,667</u>

The City's General Fund is typically used to liquidate governmental activity accrued compensated absences while the SPLOST Funds will be used to liquidate the capital lease which is associated with the purchase of park land.

The Water and Sewer Enterprise Fund is used to liquidate all of the business-type activity long-term liabilities.

Governmental Activities Long-Term Obligations -

Governmental activities long-term obligations as of December 31, 2010 consist of the following:

Capital Lease Obligation – See Note 11	<u>\$2,019,618</u>
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(See Independent Auditor's Report)

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

10. LONG-TERM DEBT - (Continued)

Governmental Activities Long-Term Obligations - Continued

Annual repayment requirements under the certificates of participation and the capital lease obligation agreements are as follows:

Year Ending 12/31	<u>CAPITAL LEASES</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 374,770	\$ 68,037	\$ 442,807
2012	388,796	54,010	442,806
2013	403,348	39,459	442,807
2014	418,444	24,363	442,807
2015	434,260	8,546	442,806
Totals	<u>\$ 2,019,618</u>	<u>\$ 194,415</u>	<u>\$ 2,214,033</u>

Water and Sewer Long-Term Debt –

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

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

Various notes payable to the Georgia Environmental
Facilities Authority, in the total amount of
\$6,175,184, interest from 2% to 5.12%, matures
in 2026.

\$4,239,263

(See Independent Auditor's Report)

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

10. LONG-TERM DEBT - (Continued)

Water and Sewer Long-Term Debt – Continued

Revenue Bonds Payable, Series 1996, in the amount of \$5,055,000, interest from 3.1% to 5.0%, due in annual installments of up to \$445,000 with varying maturity dates through July, 2012, reported net of discounts and deferred cost totaling \$373 in the Statement of Net Assets.

\$ 845,000

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

Year Ending 12/31	NOTES PAYABLE		REVENUE BONDS		Total
	Principal	Interest	Principal	Interest	
2011	\$ 296,667	\$ 168,222	\$ 410,000	\$ 31,795	\$ 906,684
2012	308,921	155,969	435,000	10,875	910,765
2013	321,699	143,191	-	-	464,890
2014	335,027	129,862	-	-	464,889
2015	333,176	115,953	-	-	449,129
2016	314,282	101,968	-	-	416,250
2017	275,031	89,716	-	-	364,747
2018	286,448	78,298	-	-	364,746
2019	298,340	66,406	-	-	364,746
2020	277,774	54,365	-	-	332,139
2021	188,284	44,650	-	-	232,934
2022	195,890	37,044	-	-	232,934
2023	203,804	29,131	-	-	232,935
2024	212,037	20,897	-	-	232,934
2025	220,603	12,331	-	-	232,934
2026	171,280	3,420	-	-	174,700
Totals	<u>\$ 4,239,263</u>	<u>\$ 1,251,423</u>	<u>\$ 845,000</u>	<u>\$ 42,670</u>	<u>\$ 6,378,356</u>

(See Independent Auditor's Report)

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

11. CAPITAL LEASE OBLIGATION

The City has entered into a lease-purchase and security agreement with RBC Centura for the purchase of parkland with a total cost of approximately \$3,700,000. The City intends to continue to abide by the terms of the lease agreement and eventually own the parkland. The parkland and the related liability is recorded at the present value of the future payments due under the lease. Interest rate is at 3.68%

The following is a schedule by year of the remaining minimum lease payments under the terms of the lease agreement together with the present value of the net minimum lease payments as of December 31, 2010:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 442,807
2012	442,806
2013	442,807
2014	442,807
2015	442,806
Less the amount representing interest	<u>(194,415)</u>
Present value of minimum lease payments	<u>\$ 2,019,618</u>

(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)	\$31,318,809
Automobile physical damage	Per Application on file with GIRMA

Coverage Description – Casualty:

Comprehensive general liability	\$3,000,000
Automobile liability	\$3,000,000
Errors and omissions (Public Officials)	\$3,000,000
Employee benefits liability	\$3,000,000
Pollution liability	\$3,000,000

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:

All coverages are subject to a per occurrence deductible of	\$1,000
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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 December 31, 2010, 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 December 31, 2010. No provisions have been made in the financial statements for the year ended December 31, 2010 for any estimate of potential unpaid claims.

In May 2010 the City reduced its coverage of up to \$5,000,000 to \$3,000,000.

(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. HOTEL / MOTEL TAX

The City levies 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. The following is a summary of the collections and expenditures for the year ended December 31, 2010:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 413,605	100.0%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 165,442	40.0%

14. RELATED ORGANIZATION

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

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

(See Independent Auditor's Report)

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

15. 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 30327

Flint Circuit Drug Task Force

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

16. 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.

As of December 31, 2007, the City was a defendant in a law suit alleging that the City violated the terms of an employment contract. This is one of eleven employment contracts that were entered into by a previous administration. All the employment contracts have been nullified by the current administration. During 2008 the City did receive an unfavorable outcome related to this suit and was ordered to pay the defendant approximately \$75,000. This case is still under appeal.

The City is a defendant in a law suit claiming that fees collected while the City was contemplating the adoption of an impact fee ordinance was illegal. This claim has been denied coverage by the City's insurance carrier. The outcome of this case cannot be determined at this time and no provision has been recorded in the financial statements for any liability that may or may not be assessed against the City. The claimant is seeking damages and attorney fees of approximately \$800,000.

(See Independent Auditor's Report)

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

16. CONTINGENCIES AND COMMITMENTS – Continued

Development impact fee credits – During the year ended December 31, 2007, the City received from a private developer in the amount of \$6,812,407 Public Safety and Park improvements. 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 December 31, 2010, the developer had actually used approximately \$2,502,306 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$4,314,101. The City recognizes impact fees as revenues when received.

Henry County SPLOST Bond Issue - In 2007 the citizens of Henry County voted to approve a special purpose local option sales tax to help finance the acquisition and construction of major capital equipment and facilities. In relation to this, the City entered into an intergovernmental agreement with Henry County and the other cities inside the County whereby Henry County would issue revenue bonds to finance some of the SPLOST projects in advance of the SPLOST tax collections. City of McDonough received \$7,325,000 from the County under this agreement.

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

17. 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 during 2010 amounted to \$111,197.

Mayor and Council Retirement Plan-

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. The plan provides 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 plan are determined by the City Council and can be up to 100% of eligible salaries. For the year ended December 31, 2010, contributions to this plan amounted to \$40,000, 44.4% of eligible salaries. The amount of payroll covered under the plan for the year amounted to \$90,000. This plan was established by an adoption agreement executed by the City Council.

(See Independent Auditor's Report)

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

17. EMPLOYEE BENEFIT PENSION PLANS – Continued

Defined Benefit Plan – GMA Administered

During the year ended December 31, 2008 the City terminated its Single Employer Defined Benefit Plan and transferred its assets to the City's new defined benefit plan that is affiliated with the Georgia Municipal Employees Benefit System (GMEBS). The new plan's effective date is October 1, 2008. The following information is a summary of the new plan.

Plan Description

The City's defined benefit pension plan, City of McDonough Retirement Plan (MRP), provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. MRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia, 30303.

Funding Policy

MRP members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate for 2010 is 13.22% of annual covered payroll based on the preliminary actuarial valuation as of July 1, 2009. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost

For 2010, the City's annual pension cost of \$623,531 for MRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2009 preliminary actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.50% per year plus age and service merit increases. The actuarial value of MRP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period.

MRP's unfunded actuarial accrued liability is being amortized over a 30 year period from 2008 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The remaining period at December 31, 2010 was 28 years. These amortization periods, if applicable, are closed for this plan year.

(See Independent Auditor's Report)

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

17. EMPLOYEE BENEFIT PENSION PLANS – Continued

Annual Pension Cost - Continued

Three-Year Trend Information for MRP			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2010	\$ 623,531	100.0%	\$ -
12/31/2009	\$ 496,485	100.0%	\$ -

Actuarial Valuation Date As of July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	\$2,830,725	\$ 6,953,007	\$ 4,122,282	40.7%	\$ 4,724,570	87.3%
2009	\$2,488,088	\$ 6,452,530	\$ 3,964,442	38.6%	\$ 4,714,947	84.1%
*2008	\$2,195,760	\$ 4,329,391	\$ 2,133,631	50.7%	\$ 4,982,357	42.8%

* Preliminary actuarial valuation as of January 1, 2008.

Trend Information

Annual trend information reveals the progress made in accumulating sufficient assets to pay benefits when due.

(See Independent Auditor's Report)

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

18. BOND REFUNDING AND ISSUANCE

In March, 1996, the City issued \$5,055,000 in revenue bonds with an average interest rate of 4.59%. The net proceeds of \$4,883,520 (after bond discount of \$15,225 and \$134,233 in underwriting fees and other issuance cost) were used for the following purpose:

1.	To advance refund \$2,865,000 in series 1986 and series 1989 revenue bonds.	\$	2,883,238
2.	To retire \$1,141,925 of notes payable to the Georgia Environmental Facilities Authority.		1,129,990
3.	Deposited into the City's construction fund to be used for improvements to the City's water and sewer system.		750,584
4.	To fund the City's debt service reserve fund.		119,708
		\$	<u>4,883,520</u>

The \$2,883,238 of bond proceeds used for the advance refunding was combined with \$169,091 from the City's sinking fund and used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1986 and 1989 series bonds being refunded. As a result, the 1986 and 1989 series bonds refunded are considered to be defeased and the liability for those bonds has been removed from the Water and Sewer Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$220,925. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2011 using the effective-interest method. Since the City included \$750,000 in the bond issue for constructive purposes, the 1996 series issue increased the debt service payments over the next 12 years by \$292,036. The City also incurred an economic loss of \$152,770 in connection with the advance refunding of the 1986 and 1989 series bonds.

19. RESTRICTED ASSETS

Pursuant to the Water and Sewer Revenue Bonds Series 1996, 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 December 31, 2010 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 46,840
Debt service reserve fund	689,823
Renewal and extension fund	77,367
Gefa debt service fund	48,242
Capital projects-	
Special purpose local option sales funds	5,312,738
Development impact fee funds	1,225,767
Confiscated asset funds	10,454
Cemetery perpetual care funds	<u>188,902</u>
	<u>\$ 7,600,133</u>

(See Independent Auditor's Report)

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

20. CONDUIT DEBT OBLIGATIONS

The Downtown Development Authority of City of McDonough has obtained loans from the Georgia Cities Foundation, Inc. and the Georgia Department of Community Affairs Revolving Loan Fund to provide financial assistance to a private-sector entity for the acquisition and rehabilitation of a commercial facility deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Downtown Development Authority nor the City is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

As of December 31, 2010 the aggregate principal amount outstanding under the loan agreements amounted to \$171,534.

21. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A) Deficit fund balances or net asset balances of individual funds – As of December 31, 2010, the Solid Waste Management Fund had a deficit net asset balance of \$14,946. The City will fund this deficit with General Fund transfers.
- B) Excess expenditures over budget – The following departments had material excesses (if over 5 percent and greater than \$5,000) of expenditures over appropriations at the department level (the legal level of control).

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Highways and streets	\$ 908,668	\$ 959,027	\$ (50,359)
Other Economic Development	74,100	83,792	(9,692)
Hotel / Motel Tax Fund	154,000	165,442	(11,442)

Management will closely monitor budgets for all funds in the future.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	Special Revenue Funds		Permanent Fund	Total Non-Major Governmental Funds
	Hotel / Motel Tax Fund	Confiscated Assets Fund	Cemetery Perpetual Care Fund	
ASSETS				
Cash	\$ 323,871	\$ 10,454	\$ 1,848	\$ 336,173
Investments	-	-	187,054	187,054
Receivables				
Taxes	38,786	-	-	38,786
Accounts	-	-	-	-
Interest	-	-	-	-
Total Assets	<u>\$ 362,657</u>	<u>\$ 10,454</u>	<u>\$ 188,902</u>	<u>\$ 562,013</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 23,822	\$ -	\$ -	\$ 23,822
Due to other funds	-	-	-	-
Deferred revenue	-	10,436	-	10,436
Total Liabilities	<u>23,822</u>	<u>10,436</u>	<u>-</u>	<u>34,258</u>
Fund Balance				
Reserved for specified purposes	-	18	188,902	188,920
Unreserved	<u>338,835</u>	<u>-</u>	<u>-</u>	<u>338,835</u>
Total Fund Balance	<u>338,835</u>	<u>18</u>	<u>188,902</u>	<u>527,755</u>
Total Liabilities and Fund Balance	<u>\$ 362,657</u>	<u>\$ 10,454</u>	<u>\$ 188,902</u>	<u>\$ 562,013</u>

CITY OF McDONOUGH, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Hotel / Motel Tax Fund</u>	<u>Confiscated Assets Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
REVENUES				
Taxes	\$ 413,605	\$ -	\$ -	\$ 413,605
Forfeitures	-	1,092	-	1,092
Interest	460	6	307	773
Contributions	-	-	-	-
Reimbursements	-	-	-	-
Total Revenues	<u>414,065</u>	<u>1,098</u>	<u>307</u>	<u>415,470</u>
EXPENDITURES				
Current				
Purchased / contracted services	-	520	-	520
Supplies	-	3,212	-	3,212
Payments to others	165,442	-	-	165,442
Capital outlay	-	-	-	-
Total Expenditures	<u>165,442</u>	<u>3,732</u>	<u>-</u>	<u>169,174</u>
Excess Revenues Over (Under)				
Expenditures Before Other				
Financing Sources (Uses)	<u>248,623</u>	<u>(2,634)</u>	<u>307</u>	<u>246,296</u>
Other Financing Sources (Uses)				
Transfers	<u>(220,036)</u>	<u>6,850</u>	<u>-</u>	<u>(213,186)</u>
Total Other Financing Sources (Uses)	<u>(220,036)</u>	<u>6,850</u>	<u>-</u>	<u>(213,186)</u>
Excess Revenues Over (Under)				
Expenditures and Other Financing Sources (Uses)	28,587	4,216	307	33,110
Fund Balance - Beginning of Year	<u>310,248</u>	<u>(4,198)</u>	<u>188,595</u>	<u>494,645</u>
Fund Balance - End of Year	<u>\$ 338,835</u>	<u>\$ 18</u>	<u>\$ 188,902</u>	<u>\$ 527,755</u>

**CITY OF McDONOUGH, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2010 AND 2009**

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,047,488	\$ 2,634,965
Investments	-	355,229
Receivables		
Taxes	1,722,724	1,810,806
Interest	-	1,102
Fines	212,798	170,697
Other	-	-
Due from other funds	193,192	359,177
Prepaid items	<u>221,842</u>	<u>233,045</u>
 Total Assets	 <u>\$ 4,398,044</u>	 <u>\$ 5,565,021</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable		
Trade	\$ 314,228	\$ 176,313
Accrued expenditures		
Payroll	147,109	122,813
Other	44,981	32,137
Deferred revenues	661,703	952,909
Due to other funds	<u>867,753</u>	<u>2,619,779</u>
 Total Liabilities	 <u>2,035,774</u>	 <u>3,903,951</u>
Fund Balance		
Reserved for prepaid items	221,842	233,045
Unreserved	<u>2,140,428</u>	<u>1,428,025</u>
 Total Fund Balance	 <u>2,362,270</u>	 <u>1,661,070</u>
 Total Liabilities and Fund Balance	 <u>\$ 4,398,044</u>	 <u>\$ 5,565,021</u>

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
Local option sales	\$ 2,790,000	\$ 2,727,181	\$ (62,819)	\$ 2,404,074
Property	2,745,135	2,595,390	(149,745)	2,625,152
Intangible	-	9,500	9,500	7,531
Transfer	8,000	1,887	(6,113)	1,708
Insurance premium	457,000	457,193	193	470,878
Franchise	1,100,000	1,156,039	56,039	1,032,038
Alcohol beverage	331,500	430,840	99,340	409,709
Vehicle	125,000	130,721	5,721	131,523
Hotel	-	-	-	-
Occupation	432,000	338,593	(93,407)	403,620
Payment in lieu of taxes	5,288	5,288	-	5,769
Licenses and permits				
Business license	60,675	174,375	113,700	153,865
Building permits and fees	169,550	151,570	(17,980)	128,134
Intergovernmental	106,680	106,680	-	-
Charges for services	3,050	55,652	52,602	58,342
Fines and forfeitures	1,055,000	1,101,828	46,828	958,929
Interest	6,000	2,545	(3,455)	17,497
Miscellaneous	437,539	262,552	(174,987)	92,569
Total Revenues	<u>9,832,417</u>	<u>9,707,834</u>	<u>(124,583)</u>	<u>8,901,338</u>
EXPENDITURES				
Current				
Governing Body	182,439	189,501	(7,062)	145,144
Financial Administration	1,823,924	1,559,658	264,266	1,706,742
Municipal Court	813,400	698,645	114,755	658,435
Legal	-	-	-	-
Probation	145,283	127,529	17,754	125,656
Public Safety	4,647,671	4,486,016	161,655	4,094,347
Highways & Streets	903,668	959,027	(55,359)	818,130
Cemetery	1,100	4,573	(3,473)	23,099
Parks and Recreation	135,118	119,751	15,367	139,080
Community Development	731,103	544,306	186,797	470,206
Economic Development	287,563	277,669	9,894	228,157
Code Enforcement	122,574	87,707	34,867	95,433
Debt service	-	-	-	-
Capital outlay	521,574	486,669	34,905	69,315
Total Expenditures	<u>10,315,417</u>	<u>9,541,051</u>	<u>774,366</u>	<u>8,573,744</u>

Continued

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>\$ (483,000)</u>	<u>\$ 166,783</u>	<u>\$ 649,783</u>	<u>\$ 327,594</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from disposition of assets	-	-	-	30,108
Transfers	<u>483,000</u>	<u>534,417</u>	<u>51,417</u>	<u>134,726</u>
Total Other Financing Sources (Uses)	<u>483,000</u>	<u>534,417</u>	<u>51,417</u>	<u>164,834</u>
Net Change in Fund Balance	-	701,200	701,200	492,428
Fund Balance - Beginning of Year	<u>1,661,070</u>	<u>1,661,070</u>	<u>-</u>	<u>1,168,642</u>
Fund Balance - End of Year	<u>\$ 1,661,070</u>	<u>\$ 2,362,270</u>	<u>\$ 701,200</u>	<u>\$ 1,661,070</u>

Concluded

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
Governing Body				
Personal services and benefits	\$ 136,889	\$ 149,679	\$ (12,790)	\$ 121,020
Purchased / contracted services	42,550	35,071	7,479	22,199
Supplies	3,000	4,751	(1,751)	1,925
Total Governing Body	182,439	189,501	(7,062)	145,144
Financial Administration				
Personal services and benefits	723,469	731,022	(7,553)	640,207
Purchased / contracted services	1,042,505	881,898	160,607	948,731
Supplies	57,950	112,544	(54,594)	117,804
Cost allocations	-	(165,806)	165,806	-
Total Operating	1,823,924	1,559,658	264,266	1,706,742
Capital Outlay	71,400	15,255	56,145	36,116
Total Financial Administration	1,895,324	1,574,913	320,411	1,742,858
Municipal Court				
Personal services and benefits	292,900	250,485	42,415	255,338
Purchased / contracted services	160,500	158,784	1,716	137,505
Supplies	38,500	33,758	4,742	26,021
Other	321,500	255,618	65,882	239,571
Total Operating	813,400	698,645	114,755	658,435
Capital Outlay	20,000	24,151	(4,151)	20,475
Total Municipal Court	833,400	722,796	110,604	678,910

Continued

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
Legal				
Personal services and benefits	\$ -	\$ -	\$ -	\$ -
Purchased / contracted services	-	-	-	-
Supplies	-	-	-	-
Total Operating	-	-	-	-
Capital Outlay	-	-	-	-
Total Legal	-	-	-	-
Probation				
Personal services and benefits	96,283	89,012	7,271	91,672
Purchased / contracted services	5,300	1,202	4,098	1,005
Supplies	18,700	8,912	9,788	11,877
Other	25,000	28,403	(3,403)	21,102
Total Operating	145,283	127,529	17,754	125,656
Capital Outlay	500	-	500	-
Total Probation	145,783	127,529	18,254	125,656

Continued

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
Public Safety				
Police Services				
Crime Control				
Personal services and benefits	\$ -	\$ -	\$ -	\$ -
Purchased / contracted services	-	-	-	-
Supplies	-	-	-	-
Total Operating	-	-	-	-
Capital Outlay	-	-	-	-
Total Crime Control	-	-	-	-
Traffic Control				
Personal services and benefits	2,800,923	2,703,787	97,136	2,454,671
Purchased / contracted services	157,300	129,260	28,040	118,461
Supplies	214,500	235,014	(20,514)	199,299
Total Operating	3,172,723	3,068,061	104,662	2,772,431
Capital Outlay	346,174	432,665	(86,491)	-
Total Traffic Control	3,518,897	3,500,726	18,171	2,772,431
Total Police Services	3,518,897	3,500,726	18,171	2,772,431

Continued

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
Fire Fighting				
Personal services and benefits	\$ 1,315,048	\$ 1,264,983	\$ 50,065	\$ 1,179,348
Purchased / contracted services	64,400	63,387	1,013	60,684
Supplies	95,500	89,585	5,915	81,884
Other	-	-	-	-
Total Operating	<u>1,474,948</u>	<u>1,417,955</u>	<u>56,993</u>	<u>1,321,916</u>
Capital Outlay	<u>44,000</u>	<u>6,966</u>	<u>37,034</u>	<u>-</u>
Total Fire Fighting	<u>1,518,948</u>	<u>1,424,921</u>	<u>94,027</u>	<u>1,321,916</u>
Total Public Safety	<u>5,037,845</u>	<u>4,925,647</u>	<u>112,198</u>	<u>4,094,347</u>
Highways & Streets				
Personal services and benefits	515,568	453,092	62,476	447,865
Purchased / contracted services	29,350	93,573	(64,223)	28,327
Supplies	<u>358,750</u>	<u>412,362</u>	<u>(53,612)</u>	<u>341,938</u>
Total Operating	<u>903,668</u>	<u>959,027</u>	<u>(55,359)</u>	<u>818,130</u>
Capital Outlay	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total Highway & Streets	<u>908,668</u>	<u>959,027</u>	<u>(50,359)</u>	<u>818,130</u>
Cemetery				
Personal services and benefits	-	4,405	(4,405)	23,099
Purchased / contracted services	-	168	(168)	-
Supplies	<u>1,100</u>	<u>-</u>	<u>1,100</u>	<u>-</u>
Total Operating	<u>1,100</u>	<u>4,573</u>	<u>(3,473)</u>	<u>23,099</u>
Capital Outlay	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>6,425</u>
Total Cemetery	<u>3,600</u>	<u>4,573</u>	<u>(973)</u>	<u>29,524</u>

Continued

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
Parks and Recreation				
Personal services and benefits	\$ 4,518	\$ 821	\$ 3,697	\$ 2,812
Purchased / contracted services	6,100	5,773	327	35,031
Supplies	124,500	113,157	11,343	101,237
Total Operating	135,118	119,751	15,367	139,080
Capital Outlay	23,000	1,571	21,429	3,651
Total Parks and Recreation	158,118	121,322	36,796	142,731
Community Development				
Planning & Zoning				
Personal services and benefits	249,625	180,201	69,424	145,011
Purchased / contracted services	113,357	81,859	31,498	61,734
Supplies	12,950	5,925	7,025	3,529
Total Operating	375,932	267,985	107,947	210,274
Capital Outlay	2,250	6,061	(3,811)	-
Total Planning & Zoning	378,182	274,046	104,136	210,274
Building Inspections				
Personal services and benefits	258,421	254,497	3,924	238,425
Purchased / contracted services	78,000	16,406	61,594	14,036
Supplies	18,750	5,418	13,332	7,471
Total Operating	355,171	276,321	78,850	259,932
Capital Outlay	4,500	-	4,500	-
Total Building Inspections	359,671	276,321	83,350	259,932
Total Community Development	737,853	550,367	187,486	470,206

Continued

CITY OF McDONOUGH, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
Economic Development				
Main Street Program				
Personal services and benefits	\$ 102,363	\$ 94,186	\$ 8,177	\$ 91,337
Purchased / contracted services	104,100	89,166	14,934	79,048
Supplies	7,000	10,525	(3,525)	11,447
Payments to others	-	-	-	-
Total Operating	<u>213,463</u>	<u>193,877</u>	<u>19,586</u>	<u>181,832</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,648</u>
Total Main Street Program	<u>213,463</u>	<u>193,877</u>	<u>19,586</u>	<u>184,480</u>
Other Economic Development				
Personal services and benefits	-	-	-	-
Purchased / contracted services	44,500	55,294	(10,794)	46,325
Supplies	4,600	500	4,100	-
Summer youth program	<u>25,000</u>	<u>27,998</u>	<u>(2,998)</u>	<u>-</u>
Total Operating	<u>74,100</u>	<u>83,792</u>	<u>(9,692)</u>	<u>46,325</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Economic Development	<u>74,100</u>	<u>83,792</u>	<u>(9,692)</u>	<u>46,325</u>
Code Enforcement				
Personal services and benefits	110,224	81,750	28,474	91,398
Purchased / contracted services	6,800	4,472	2,328	1,529
Supplies	<u>5,550</u>	<u>1,485</u>	<u>4,065</u>	<u>2,506</u>
Total Operating	<u>122,574</u>	<u>87,707</u>	<u>34,867</u>	<u>95,433</u>
Capital Outlay	<u>2,250</u>	<u>-</u>	<u>2,250</u>	<u>-</u>
Total Code Enforcement	<u>124,824</u>	<u>87,707</u>	<u>37,117</u>	<u>95,433</u>
Total Expenditures	<u>\$ 10,315,417</u>	<u>\$ 9,541,051</u>	<u>\$ 774,366</u>	<u>\$ 8,573,744</u>

CITY OF McDONOUGH, GEORGIA
HOTEL / MOTEL TAX FUND
BALANCE SHEET
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 323,871	\$ 288,395
Receivables		
Taxes	38,786	39,053
Accounts	-	-
Interest	-	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 362,657</u>	<u>\$ 327,448</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	<u>\$ 23,822</u>	<u>\$ 17,200</u>
	<u> </u>	<u> </u>
Total Liabilities	<u>23,822</u>	<u>17,200</u>
Fund Balance		
Unreserved	<u>338,835</u>	<u>310,248</u>
	<u> </u>	<u> </u>
Total Fund Balance	<u>338,835</u>	<u>310,248</u>
	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 362,657</u>	<u>\$ 327,448</u>

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
HOTEL / MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Original and Final Budget	Actual	Variance	Actual
REVENUES				
Taxes	\$ 385,000	\$ 413,605	\$ 28,605	\$ 397,612
Interest	2,000	460	(1,540)	546
Reimbursements	-	-	-	-
Total Revenue	<u>387,000</u>	<u>414,065</u>	<u>27,065</u>	<u>398,158</u>
EXPENDITURES				
Current				
Tourism and Hospitality	<u>154,000</u>	<u>165,442</u>	<u>(11,442)</u>	<u>159,045</u>
Total Expenditures	<u>154,000</u>	<u>165,442</u>	<u>(11,442)</u>	<u>159,045</u>
Excess Revenues Over (Under)				
Expenditures	233,000	248,623	15,623	239,113
Other Financing Sources (Uses)				
Transfers	<u>(233,000)</u>	<u>(220,036)</u>	<u>12,964</u>	<u>(137,527)</u>
Total Other Financing Sources (Uses)	<u>(233,000)</u>	<u>(220,036)</u>	<u>12,964</u>	<u>(137,527)</u>
Net Change in Fund Balance	-	28,587	28,587	101,586
Fund Balance - Beginning of Year	<u>310,248</u>	<u>310,248</u>	<u>-</u>	<u>208,662</u>
Fund Balance - End of Year	<u>\$ 310,248</u>	<u>\$ 338,835</u>	<u>\$ 28,587</u>	<u>\$ 310,248</u>

**CITY OF McDONOUGH, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
BALANCE SHEET
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 10,454	\$ 13,218
Total Assets	<u>\$ 10,454</u>	<u>\$ 13,218</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 130
Due to other funds	-	6,850
Deferred revenue	<u>10,436</u>	<u>10,436</u>
Total Liabilities	<u>10,436</u>	<u>17,416</u>
 Fund Balance		
Reserved for specified purposes	<u>18</u>	<u>(4,198)</u>
Total Fund Balance	<u>18</u>	<u>(4,198)</u>
Total Liabilities and Fund Balance	<u>\$ 10,454</u>	<u>\$ 13,218</u>

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
CONFISCATED ASSETS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Original & Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	\$ 15,000	\$ 1,092	\$ (13,908)	\$ 1,335
Sales of confiscated property	500	-	(500)	310
Interest	100	6	(94)	5
Contributions	-	-	-	1,000
Total Revenue	<u>15,600</u>	<u>1,098</u>	<u>(14,502)</u>	<u>2,650</u>
EXPENDITURES				
Current				
Purchased / contracted services	3,650	520	3,130	5,594
Supplies	11,950	3,212	8,738	7,369
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>15,600</u>	<u>3,732</u>	<u>11,868</u>	<u>12,963</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>(2,634)</u>	<u>(2,634)</u>	<u>(10,313)</u>
Other Financing Sources (Uses) Transfers	<u>-</u>	<u>6,850</u>	<u>6,850</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,850</u>	<u>6,850</u>	<u>-</u>
Net Change in Fund Balance	-	4,216	4,216	(10,313)
Fund Balance - Beginning of Year	<u>(4,198)</u>	<u>(4,198)</u>	<u>-</u>	<u>6,115</u>
Fund Balance - End of Year	<u>\$ (4,198)</u>	<u>\$ 18</u>	<u>\$ 4,216</u>	<u>\$ (4,198)</u>

CITY OF McDONOUGH, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX II FUND
BALANCE SHEET
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 518,660	\$ 532,628
Receivables		
Interest	-	-
Due from other governments	-	74,157
Due from other funds	<u>-</u>	<u>352,367</u>
Total Assets	<u>\$ 518,660</u>	<u>\$ 959,152</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 16,042	\$ -
Due to other funds	9,351	-
Deferred grant revenue	<u>-</u>	<u>74,157</u>
Total Liabilities	<u>25,393</u>	<u>74,157</u>
Fund Balance		
Reserved for capital projects	<u>-</u>	<u>884,995</u>
Total Fund Balance	<u>493,267</u>	<u>884,995</u>
Total Liabilities and Fund Balance	<u>\$ 518,660</u>	<u>\$ 959,152</u>

CITY OF McDONOUGH, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX II FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PROJECT LENGTH
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ 6,637,436	\$ -	\$ 6,637,436	\$ 6,637,436
Intergovernmental - other	201,086	74,157	275,243	-
Interest	<u>280,712</u>	<u>714</u>	<u>281,426</u>	<u>-</u>
Total Revenues	<u>7,117,609</u>	<u>74,871</u>	<u>7,194,105</u>	<u>6,637,436</u>
EXPENDITURES				
Capital Outlay				
General government - including debt service	2,615,020	-	2,615,020	2,600,000
Public safety - including debt service	1,099,710	-	1,099,710	1,500,000
Highways and streets	1,534,451	6,500	1,540,951	2,000,000
Water and sewer improvements	214,884	16,042	230,926	237,436
Parks - including debt service	<u>770,074</u>	<u>444,057</u>	<u>1,214,131</u>	<u>300,000</u>
Total Expenditures	<u>6,036,761</u>	<u>466,599</u>	<u>6,700,738</u>	<u>6,637,436</u>
Excess Revenues Over (Under) Expenditures	1,080,848	(391,728)	493,367	-
Other Financing Uses (Sources) Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 1,080,848</u>	<u>(391,728)</u>	<u>\$ 493,367</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>884,995</u>		
Fund Balance - End of Year		<u>\$ 493,267</u>		

CITY OF McDONOUGH, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX III FUND
BALANCE SHEET
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ -	\$ 9,409
Investments	4,794,078	6,313,271
Receivables		
Taxes	-	-
Interest	737	1,312
Due from other funds	<u>9,351</u>	<u>-</u>
Total Assets	<u>\$ 4,804,166</u>	<u>\$ 6,323,992</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 639,173	\$ 32,338
Due to other funds	<u>165,467</u>	<u>399,440</u>
Total Liabilities	<u>804,640</u>	<u>431,778</u>
Fund Balance		
Reserved for capital projects	<u>3,999,526</u>	<u>5,892,214</u>
Total Fund Balance	<u>3,999,526</u>	<u>5,892,214</u>
Total Liabilities and Fund Balance	<u>\$ 4,804,166</u>	<u>\$ 6,323,992</u>

CITY OF McDONOUGH, GEORGIA
SPLOST III CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PROJECT LENGTH
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ 2,371,106	\$ 858,738	\$ 3,229,844	\$ 26,842,500
Interest	<u>49,227</u>	<u>11,639</u>	<u>60,866</u>	<u>-</u>
Total Revenues	<u>1,494,680</u>	<u>870,377</u>	<u>3,290,710</u>	<u>26,842,500</u>
EXPENDITURES				
Current				
Capital Outlay				
Community development facilities	3,108	165,467	168,575	250,000
Public safety facilities and equipment	1,589,039	44,157	1,633,196	8,342,500
Roads, bridges, sidewalks & facilities	47,073	73,998	121,071	2,500,000
Public works facilities and equipment	6,944	68,240	75,184	3,250,000
Parks and recreation	1,178,506	757,171	1,935,677	7,000,000
Water storage tank	179,736	1,654,032	1,833,768	-
Repayment of public debt associated with above projects or previously issued G.O. debt	<u>848,713</u>	<u>-</u>	<u>848,713</u>	<u>5,500,000</u>
Total Expenditures	<u>1,816,139</u>	<u>2,763,065</u>	<u>6,616,184</u>	<u>26,842,500</u>
Excess Revenues Over (Under) Expenditures	<u>(321,459)</u>	<u>(1,892,688)</u>	<u>(3,325,474)</u>	<u>-</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	7,325,000	-	7,325,000	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,325,000</u>	<u>-</u>	<u>7,325,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 7,003,541</u>	<u>(1,892,688)</u>	<u>\$ 3,999,526</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		5,892,214		
Fund Balance - End of Year		<u>\$ 3,999,526</u>		

**CITY OF McDONOUGH, GEORGIA
DEVELOPMENT IMPACT FEE FUND
BALANCE SHEET
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 324,548	\$ 1,186,266
Investments	901,219	-
Due from other funds	23,183	47,073
Accrued interest	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,248,950</u>	<u>\$ 1,233,339</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	<u>-</u>	<u>2,066</u>
Total Liabilities	<u>-</u>	<u>2,066</u>
Fund Balance		
Reserved for capital projects	<u>1,248,950</u>	<u>1,231,273</u>
Total Fund Balance	<u>1,248,950</u>	<u>1,231,273</u>
Total Liabilities and Fund Balance	<u>\$ 1,248,950</u>	<u>\$ 1,233,339</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 DECEMBER 31, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Impact fees	\$ 42,426	\$ 153,883	\$ 111,457	\$ 44,368
Interest	-	2,641	2,641	3,223
Total Revenues	42,426	156,524	114,098	47,591
EXPENDITURES				
Current				
Administration	-	138,847	(138,847)	-
Capital outlay				
Public Safety				
Police	-	-	-	-
Fire	-	-	-	727,481
Parks	75,000	-	75,000	-
Debt service - Parks				
Principal	1,150,915	-	1,150,915	-
Interest	-	-	-	-
Total Expenditures	1,225,915	138,847	1,087,068	727,481
Excess Revenues Over (Under)				
Expenditures	(1,183,489)	17,677	1,201,166	(679,890)
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Net Change in Fund Balance	(1,183,489)	17,677	1,201,166	(679,890)
Fund Balance - Beginning of Year	1,231,273	1,231,273	-	1,911,163
Fund Balance - End of Year	\$ 47,784	\$ 1,248,950	\$ 1,201,166	\$ 1,231,273

**CITY OF McDONOUGH, GEORGIA
CEMETERY PERPETUAL CARE PERMANENT FUND
BALANCE SHEET
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 1,848	\$ 1,849
Interest receivable	-	-
Investments	<u>187,054</u>	<u>186,746</u>
Total Assets	<u>\$ 188,902</u>	<u>\$ 188,595</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Reserved for perpetual care	<u>188,902</u>	<u>188,595</u>
Total Fund Balance	<u>188,902</u>	<u>188,595</u>
Total Liabilities and Fund Balance	<u>\$ 188,902</u>	<u>\$ 188,595</u>

CITY OF McDONOUGH, GEORGIA
CEMETERY PERPETUAL CARE PERMANENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Contributions and bequests	\$ -	\$ -
Interest	<u>307</u>	<u>6,139</u>
 Total Revenues	 <u>307</u>	 <u>6,139</u>
EXPENDITURES		
Current		
Purchased services	-	154
Capital Outlay		
Improvements	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>-</u>	 <u>154</u>
 Excess Revenues Over (Under) Expenditures	 307	 5,985
 Fund Balance - Beginning of Year	 <u>188,595</u>	 <u>182,610</u>
 Fund Balance - End of Year	 <u><u>\$ 188,902</u></u>	 <u><u>\$ 188,595</u></u>

CITY OF McDONOUGH, GEORGIA
WATER AND SEWER FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash	\$ 522,934	\$ 557,956
Investments	5,231,019	3,329,821
Receivables		
Accounts, (net of allowance for		
doubtful accounts of \$299,000 in 2010		
and \$232,000 in 2009)	440,431	429,082
Interest	-	-
Due from other funds	844,570	2,619,779
Prepaid expenses	-	-
Restricted assets		
Cash	<u>862,272</u>	<u>1,107,085</u>
Total Current Assets	<u>7,901,226</u>	<u>8,043,723</u>
Noncurrent Assets		
Bond issue costs, net of amortization	8,673	12,811
Capital assets		
Land	1,112,054	1,089,554
Buildings	902,744	877,743
Improvements	18,820,034	18,556,330
Machinery and equipment	881,824	844,011
Autos and trucks	427,115	392,848
Construction in progress	1,460,290	55,527
Accumulated depreciation	<u>(9,806,371)</u>	<u>(9,146,223)</u>
Total capital assets (net of depreciation)	<u>13,797,690</u>	<u>12,669,790</u>
Total Noncurrent Assets	<u>13,806,363</u>	<u>12,682,601</u>
Total Assets	<u>21,707,589</u>	<u>20,726,324</u>

Continued

**CITY OF McDONOUGH, GEORGIA
WATER AND SEWER FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Current Liabilities		
Accounts payable		
Trade	\$ 68,336	\$ 72,299
Construction	-	-
Accrued liabilities		
Customer deposits	152,523	137,346
Compensated absences	33,805	34,414
Salaries and wages	30,584	29,397
Meter deposits	39,250	39,571
Liabilities payable from restricted assets		
Revenue bonds	410,000	390,000
Loans	296,667	284,918
Accrued interest	28,396	29,764
Total Current Liabilities	<u>1,059,561</u>	<u>1,017,709</u>
Noncurrent Liabilities		
Revenue bonds	434,627	838,918
Loan payable	<u>3,942,596</u>	<u>4,239,263</u>
Total Noncurrent Liabilities	<u>4,377,223</u>	<u>5,078,181</u>
Total Liabilities	<u>5,436,784</u>	<u>6,095,890</u>
NET ASSETS		
Invested in capital assets	8,713,800	6,916,691
Restricted under debt ordinance	862,272	1,107,085
Unrestricted	<u>6,694,733</u>	<u>6,606,658</u>
Total Net Assets	<u>\$ 16,270,805</u>	<u>\$ 14,630,434</u>

Concluded

CITY OF McDONOUGH, GEORGIA
WATER AND SEWER FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for services	\$ 3,407,839	\$ 3,379,375
Connection fees	4,080	6,522
Penalties and reconnect fees	144,289	151,103
Miscellaneous	<u>25,872</u>	<u>11,606</u>
Total Operating Revenues	<u>3,582,080</u>	<u>3,548,606</u>
OPERATING EXPENSES		
Personal services and benefits	1,269,541	1,230,463
Purchased / contracted services	376,104	393,706
Supplies	718,903	697,775
Cost allocation	106,976	-
Depreciation and amortization	660,148	665,926
Other costs	<u>67,000</u>	<u>82,199</u>
Total Operating Expenses	<u>3,198,672</u>	<u>3,070,069</u>
Operating Income (Loss)	<u>383,408</u>	<u>478,537</u>
NON-OPERATING INCOME (EXPENSE)		
Gain (loss) on disposal of assets	-	-
Interest revenue	10,653	17,701
Interest expense	<u>(240,285)</u>	<u>(272,562)</u>
Total Non-Operating Income (Expense)	<u>(229,632)</u>	<u>(254,861)</u>
Net Income before Transfers and Capital Contributions	153,776	223,676
Capital Contributions		
SPLOST	1,670,074	179,736
Developers		
Water	34,854	55,885
Sewer	31,667	39,145
Transfers	<u>(250,000)</u>	<u>-</u>
Change in Net Assets	1,640,371	498,442
Net Assets - Beginning of Year	<u>14,630,434</u>	<u>14,131,992</u>
Net Assets - End of Year	<u>\$ 16,270,805</u>	<u>\$ 14,630,434</u>

CITY OF McDONOUGH, GEORGIA
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 3,585,587	\$ 3,532,684
Cash paid to suppliers	(1,626,735)	(1,485,002)
Cash paid to employees	(915,174)	(937,849)
Net Cash Flows From Operating Activities	<u>1,043,678</u>	<u>1,109,833</u>
Cash flows from investing activities:		
Purchase of investments	(1,901,198)	(1,065,209)
Interest received	10,653	18,148
Net Cash Flows From Investing Activities	<u>(1,890,545)</u>	<u>(1,047,061)</u>
Cash flows from non-capital financing activities:		
Transfers to other funds	(250,000)	-
Increase (decrease) in due to other funds	1,775,209	493,960
Net Cash Flows From Non-Capital Financing Activities	<u>1,525,209</u>	<u>493,960</u>
Cash flows from capital financing activities:		
Purchases / construction of capital assets	(117,974)	(68,251)
Capital contributions	66,521	95,030
Principal payments on long-term debt	(674,918)	(643,640)
Proceeds from long-term debt	-	-
Interest paid	(231,806)	(261,378)
Net Cash Flows From Capital Financing Activities	<u>(958,177)</u>	<u>(878,239)</u>
Net change in cash and cash equivalents	(279,835)	(321,507)
Cash and cash equivalents - Beginning	<u>1,665,041</u>	<u>1,986,548</u>
Cash and cash equivalents - Ending	<u>\$ 1,385,206</u>	<u>\$ 1,665,041</u>

CITY OF McDONOUGH, GEORGIA
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND - (Continued)

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

	<u>2010</u>	<u>2009</u>
Operating income (loss)	\$ 383,408	\$ 478,537
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	660,148	665,926
Write-off of deferred engineering cost	-	-
(Increase) decrease in-		
Accounts receivable	(11,349)	(29,870)
Prepaid expense	-	-
Increase (decrease) in-		
Accounts payable	(3,963)	3,389
Deposits	14,856	13,948
Accrued liabilities	578	(22,097)
Total Adjustments	<u>660,270</u>	<u>631,296</u>
Net Cash Flows From Operating Activities	<u>\$ 1,043,678</u>	<u>\$ 1,109,833</u>

NON-CASH TRANSACTIONS:

Construction of sewer system improvements paid for by the SPLOST Capital Projects Fund considered capital contributions by the Water and Sewer Fund.	<u>\$ 1,670,074</u>	<u>\$ 179,736</u>
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**CITY OF McDONOUGH, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Accounts receivable (net of allowance for doubtful accounts of \$91,000 in 2010 and \$80,000 in 2009)	\$ 95,786	\$ 134,072
Prepaid expenses	<u>-</u>	<u>-</u>
Total Current Assets	<u>95,786</u>	<u>134,072</u>
Noncurrent Assets		
Capital assets		
Machinery and equipment	52,608	52,608
Accumulated depreciation	<u>(52,608)</u>	<u>(52,608)</u>
Total capital assets (net of depreciation)	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>
Total Assets	<u>95,786</u>	<u>134,072</u>
LIABILITIES		
Current Liabilities		
Accounts payable	105,607	114,242
Accrued expenses	<u>5,125</u>	<u>4,235</u>
Total Liabilities	<u>110,732</u>	<u>118,477</u>
NET ASSETS		
Invested in capital assets	-	-
Restricted	-	-
Unrestricted	<u>(14,946)</u>	<u>15,595</u>
Total Net Assets	<u>\$ (14,946)</u>	<u>\$ 15,595</u>

CITY OF McDONOUGH, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for services	\$ 1,430,705	\$ 1,336,333
 Total Operating Revenues	 <u>1,430,705</u>	 <u>1,336,333</u>
OPERATING EXPENSES		
Purchased products and services		
Waste collection	1,233,070	1,177,970
Personal services and benefits	100,128	94,903
Purchased / contracted services	2,087	12,710
Supplies	20	2,166
Cost allocations	43,710	-
Other costs	<u>11,000</u>	<u>24,994</u>
 Total Operating Expenses	 <u>1,390,015</u>	 <u>1,312,743</u>
 Operating Income (Loss)	 40,690	 23,590
 Transfers	 <u>(71,231)</u>	 <u>2,801</u>
 Change in Net Assets	 (30,541)	 26,391
 Net Assets - Beginning of Year	 <u>15,595</u>	 <u>(10,796)</u>
 Net Assets - End of Year	 <u>\$ (14,946)</u>	 <u>\$ 15,595</u>

CITY OF McDONOUGH, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,468,991	\$ 1,294,184
Cash paid to suppliers	(1,332,718)	(1,233,860)
Cash paid to employees	<u>(65,042)</u>	<u>(63,125)</u>
Net Cash Flows From Operating Activities	<u>71,231</u>	<u>(2,801)</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Transfers	<u>(71,231)</u>	<u>2,801</u>
Cash flows from capital financing activities:		
Proceeds from sale of equipment	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents - Beginning	<u>-</u>	<u>-</u>
Cash and cash equivalents - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF McDONOUGH, GEORGIA
STATEMENT OF CASH FLOWS
SOLID WASTE MANAGEMENT FUND - (Continued):

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

	<u>2010</u>	<u>2009</u>
Operating income (loss)	\$ <u>40,690</u>	\$ <u>23,590</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	-	-
(Increase) decrease in-		
Receivables	38,286	(42,149)
Prepaid insurance	-	-
Increase (decrease) in-		
Accounts payable	(8,635)	17,347
Accrued expenses	<u>890</u>	<u>(1,589)</u>
Total Adjustments	<u>30,541</u>	<u>(26,391)</u>
Net Cash Flows From Operating Activities	<u>\$ 71,231</u>	<u>\$ (2,801)</u>

CITY OF McDONOUGH, GEORGIA
STORM WATER MANAGEMENT FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash	\$ 567,522	\$ 1,480,751
Investments	879,725	-
Receivables		
Accounts	<u>241,558</u>	<u>234,196</u>
Total Current Assets	<u>1,688,805</u>	<u>1,714,947</u>
Noncurrent Assets		
Machinery and equipment	227,782	222,140
Infrastructure	511,462	-
Accumulated depreciation	<u>(50,305)</u>	<u>(27,025)</u>
Total Noncurrent Assets	<u>688,939</u>	<u>195,115</u>
Total Assets	<u>2,377,744</u>	<u>1,910,062</u>
LIABILITIES		
Current Liabilities		
Accounts payable		
Trade	28,941	19,112
Construction	212,292	-
Accrued liabilities		
Salaries and wages	2,159	2,125
Compensated absences	548	2,673
Due to other funds	<u>27,725</u>	<u>350,261</u>
Total Current Liabilities	<u>271,665</u>	<u>374,171</u>
Total Liabilities	<u>271,665</u>	<u>374,171</u>
NET ASSETS		
Investment in capital assets	688,939	195,115
Unrestricted	<u>1,417,140</u>	<u>1,340,776</u>
Total Net Assets	<u>\$ 2,106,079</u>	<u>\$ 1,535,891</u>

CITY OF McDONOUGH, GEORGIA
STORM WATER MANAGEMENT FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for services	\$ 774,303	\$ 769,351
Penalties	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>774,303</u>	<u>769,351</u>
OPERATING EXPENSES		
Personal services and benefits	82,473	120,332
Purchased / contracted services	89,912	130,795
Supplies	6,266	10,092
Cost allocations	15,120	-
Depreciation	<u>23,280</u>	<u>19,593</u>
Total Operating Expenses	<u>217,051</u>	<u>280,812</u>
Operating Income (Loss)	<u>557,252</u>	<u>488,539</u>
NON-OPERATING INCOME (EXPENSE)		
Interest revenue	<u>12,936</u>	<u>9,175</u>
Total Non-Operating Income (Expense)	<u>12,936</u>	<u>9,175</u>
Net Income before Transfers and Capital Contributions	570,188	497,714
Capital Contributions	-	-
Transfers	<u>-</u>	<u>-</u>
Change in Net Assets	570,188	497,714
Net Assets - Beginning of Year	<u>1,535,891</u>	<u>1,038,177</u>
Net Assets - End of Year	<u><u>\$ 2,106,079</u></u>	<u><u>\$ 1,535,891</u></u>

CITY OF McDONOUGH, GEORGIA
STORM WATER MANAGEMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 766,941	\$ 704,608
Cash paid to suppliers	(127,745)	(153,833)
Cash paid to employees	<u>(58,288)</u>	<u>(90,440)</u>
Net Cash Flows From Operating Activities	<u>580,908</u>	<u>460,335</u>
Cash flows from investing activities:		
(Purchase) redemption of investments	(879,725)	-
Interest received	<u>12,936</u>	<u>9,175</u>
Net Cash Flows From Investing Activities	<u>(866,789)</u>	<u>9,175</u>
Cash flows from non-capital financing activities:		
Increase (decrease) in due to other funds	<u>(322,536)</u>	<u>122,329</u>
Net Cash Flows From Non-Capital Financing Activities	<u>(322,536)</u>	<u>122,329</u>
Cash flows from capital financing activities:		
Purchases / construction of capital assets	<u>(304,812)</u>	<u>(52,417)</u>
Net Cash Flows From Capital Financing Activities	<u>(304,812)</u>	<u>(52,417)</u>
Net change in cash and cash equivalents	(913,229)	539,422
Cash and cash equivalents - Beginning	<u>1,480,751</u>	<u>941,329</u>
Cash and cash equivalents - Ending	<u>\$ 567,522</u>	<u>\$ 1,480,751</u>

CITY OF McDONOUGH, GEORGIA
STATEMENT OF CASH FLOWS
STORM WATER MANAGEMENT FUND - (Continued)

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

	<u>2010</u>	<u>2009</u>
Operating income (loss)	\$ <u>557,252</u>	\$ <u>488,539</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	23,280	19,593
(Increase) decrease in-		
Accounts receivable	(7,362)	(64,743)
Prepaid expense	-	-
Increase (decrease) in-		
Accounts payable	9,829	16,784
Increase (decrease) in-		
Accrued liabilities	<u>(2,091)</u>	<u>162</u>
Total Adjustments	<u>23,656</u>	<u>(28,204)</u>
Net Cash Flows From Operating Activities	<u>\$ 580,908</u>	<u>\$ 460,335</u>