

CITY OF MCDONOUGH, GEORGIA

FINANCIAL REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2011

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

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

CERTIFIED PUBLIC ACCOUNTANT

SNELLVILLE, GEORGIA 30078





CITY OF McDONOUGH, GEORGIA  
FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED JUNE 30, 2011

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FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED JUNE 30, 2011**

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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 six months ended June 30, 2011, 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 June 30, 2011 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the six months 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 December 27, 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  
December 27, 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 six months ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

### Financial Highlights

- The City changed its fiscal year to June 30 from a calendar year. This was approved by Mayor and Council in order to better match revenues and expenditures. Since property taxes, a major source of revenue for the City, was received so late in the calendar year the Council believed that a June 30 fiscal year end would allow for better budgeting and other financial management.
- The assets of the City of McDonough exceeded its liabilities at June 30, 2011 by \$50,457,847. Of this amount unrestricted net assets of \$9,317,147 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets decreased by \$1,001,542. Of this amount a net decrease of \$1,626,748 was associated with governmental activities and an increase of \$625,206 was associated with business-type activities.
- As of the close of the current period, the City of McDonough's governmental funds reported combined ending fund balances of \$7,421,821, a decrease of \$1,209,947 in comparison with the prior year. Of this amount \$836,712 is unassigned and available for spending, \$6,086,568 is restricted for capital projects and other specific future uses and \$498,541 is nonspendable for such amounts as prepaid items of \$333,941 and the cemetery trust corpus of \$164,600. The decrease of \$1,209,947 is due to the significant capital outlay in the SPLOST Funds for the period but is mainly due to the lack of a significant amount of revenues from sources such as property taxes, franchise taxes and insurance premium taxes during the short six month period ended June 30, 2011.
- At the end of the current year, unassigned fund balance for the general fund was \$836,712 or 16.7 percent of total General Fund expenditures.
- The City of McDonough's total debt obligations (including accrued compensated absences) decreased by \$692,780 to a total of \$6,559,229. This is due to regular debt payments which included principal payments of \$743,409.

### 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 2011 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 June 30, 2011, the City's assets exceeded liabilities by \$50,457,847. The City's net assets reflects its investment in capital assets \$33,886,065 (67 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, \$7,254,635 (14 percent) is restricted for capital projects and other specified activities and \$9,317,147 (19 percent) is unrestricted.

The comparative government-wide information for the six months ended June 30, 2011 and for the year ended December 31, 2010 is as follows:

City of McDonough's Net Assets

	Governmental Activities		Business-type Activities		Total	
	6/30/2011	12/31/2010	6/30/2011	12/31/2010	6/30/2011	12/31/2010
Current and other assets	\$ 8,474,333	\$ 10,516,417	\$ 9,584,431	\$ 9,666,765	\$ 18,058,764	\$ 20,183,182
Capital assets	<u>25,796,877</u>	<u>26,143,728</u>	<u>14,449,533</u>	<u>14,486,629</u>	<u>40,246,410</u>	<u>40,630,357</u>
Total assets	<u>34,271,210</u>	<u>36,660,145</u>	<u>24,033,964</u>	<u>24,153,394</u>	<u>58,305,174</u>	<u>60,813,539</u>
Current liabilities	767,809	1,394,575	1,258,018	1,414,233	2,025,827	2,808,808
Long-term liabilities	<u>2,032,698</u>	<u>2,168,119</u>	<u>3,788,802</u>	<u>4,377,223</u>	<u>5,821,500</u>	<u>6,545,342</u>
Total liabilities	<u>2,800,507</u>	<u>3,562,694</u>	<u>5,046,820</u>	<u>5,791,456</u>	<u>7,847,327</u>	<u>9,354,150</u>
Net assets:						
Invested in capital assets, net of related debt	23,963,063	24,124,110	9,923,002	9,402,739	33,886,065	33,526,849
Restricted	6,251,168	5,930,663	1,003,467	862,272	7,254,635	6,792,935
Unrestricted	<u>1,256,472</u>	<u>3,042,678</u>	<u>8,060,675</u>	<u>8,096,927</u>	<u>9,317,147</u>	<u>11,139,605</u>
Total net assets	<u>\$ 31,470,703</u>	<u>\$ 33,097,451</u>	<u>\$ 18,987,144</u>	<u>\$ 18,361,938</u>	<u>\$ 50,457,847</u>	<u>\$ 51,459,389</u>

A portion of the net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$9,317,147) may be used to meet the government's ongoing obligations to citizens and creditors.



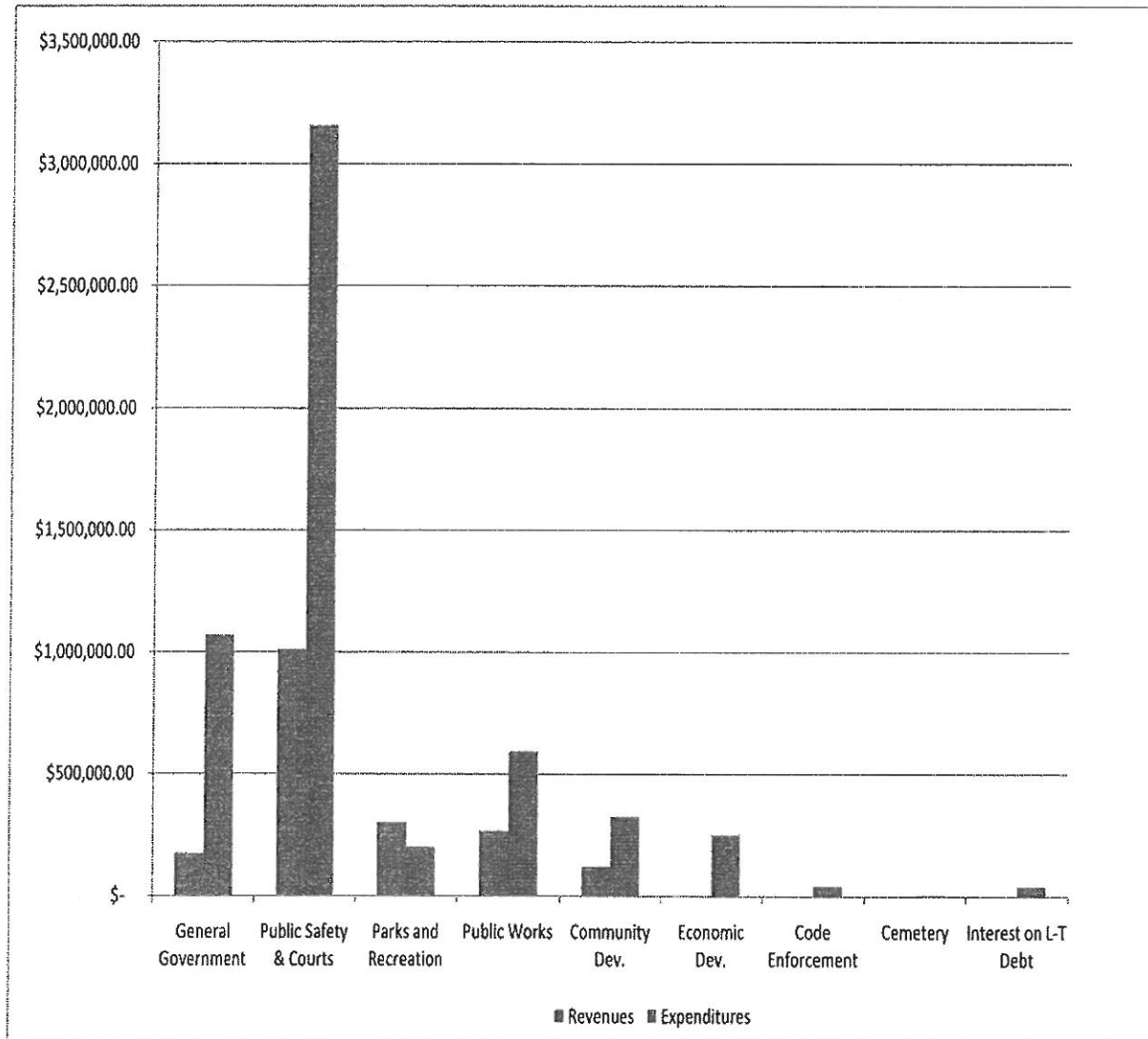
**Governmental activities.** Governmental activities decreased the City of McDonough's net assets by \$1,626,748 due primarily to the lack of property, franchise and insurance premium tax revenues for the short six month period.

**City of McDonough's Change in Net Assets**  
**For The Six Months Ended June 30, 2011 and the Year Ended December 31, 2010**

	Governmental Activities		Business-type Activities		Total	
	6/30/2011	12/31/2010	6/30/2011	12/31/2010	6/30/2011	12/31/2010
<b>Revenues:</b>						
Program Revenues -						
Charges for services	\$ 949,206	\$ 1,569,420	\$ 3,019,081	\$ 5,787,088	\$ 3,968,287	\$ 7,356,508
Operating grants and contributions	1,500	22,978	-	-	1,500	22,978
Capital grants and contributions	922,137	1,119,300	27,499	66,521	949,636	1,185,821
General Revenues-						
Property taxes	80,752	2,465,462	-	-	80,752	2,465,462
Sales taxes	1,333,607	2,727,181	-	-	1,333,607	2,727,181
Other taxes	1,012,788	2,812,946	-	-	1,012,788	2,812,946
Interest	782	3,319	5,142	23,589	5,924	26,908
Gain on disposal of capital assets	-	-	-	-	-	-
Other	16,713	33,740	-	-	16,713	33,740
	<u>4,317,485</u>	<u>10,754,346</u>	<u>3,051,722</u>	<u>5,877,198</u>	<u>7,369,207</u>	<u>16,631,544</u>
<b>Expenses:</b>						
General government	1,068,832	1,852,888	-	-	1,068,832	1,852,888
Public safety and courts	3,158,861	5,872,856	-	-	3,158,861	5,872,856
Public works	592,282	1,065,850	-	-	592,282	1,065,850
Cemetery	6,328	9,116	-	-	6,328	9,116
Parks and recreation	199,329	264,396	-	-	199,329	264,396
Community development	323,728	544,779	-	-	323,728	544,779
Economic development	251,951	457,045	-	-	251,951	457,045
Code enforcement	44,049	93,000	-	-	44,049	93,000
Interest on long-term debt	41,030	86,927	-	-	41,030	86,927
Water	-	-	1,062,655	1,756,579	1,062,655	1,756,579
Sewer	-	-	804,909	1,682,378	804,909	1,682,378
Solid waste	-	-	714,980	1,390,015	714,980	1,390,015
Storm Water	-	-	101,815	217,051	101,815	217,051
	<u>5,686,390</u>	<u>10,246,857</u>	<u>2,684,359</u>	<u>5,046,023</u>	<u>8,370,749</u>	<u>15,292,880</u>
Increase (decrease) in net assets before transfers	(1,368,905)	507,489	367,363	831,175	(1,001,542)	1,338,664
Transfers	(257,843)	(1,348,843)	257,843	1,348,843	-	-
Increase (decrease) in net assets	(1,626,748)	(841,354)	625,206	2,180,018	(1,001,542)	1,338,664
Net assets - beginning of year	33,097,451	33,938,805	18,361,938	16,181,920	51,459,389	50,120,725
Net assets - end of year	<u>\$ 31,470,703</u>	<u>\$ 33,097,451</u>	<u>\$ 18,987,144</u>	<u>\$ 18,361,938</u>	<u>\$ 50,457,847</u>	<u>\$ 51,459,389</u>



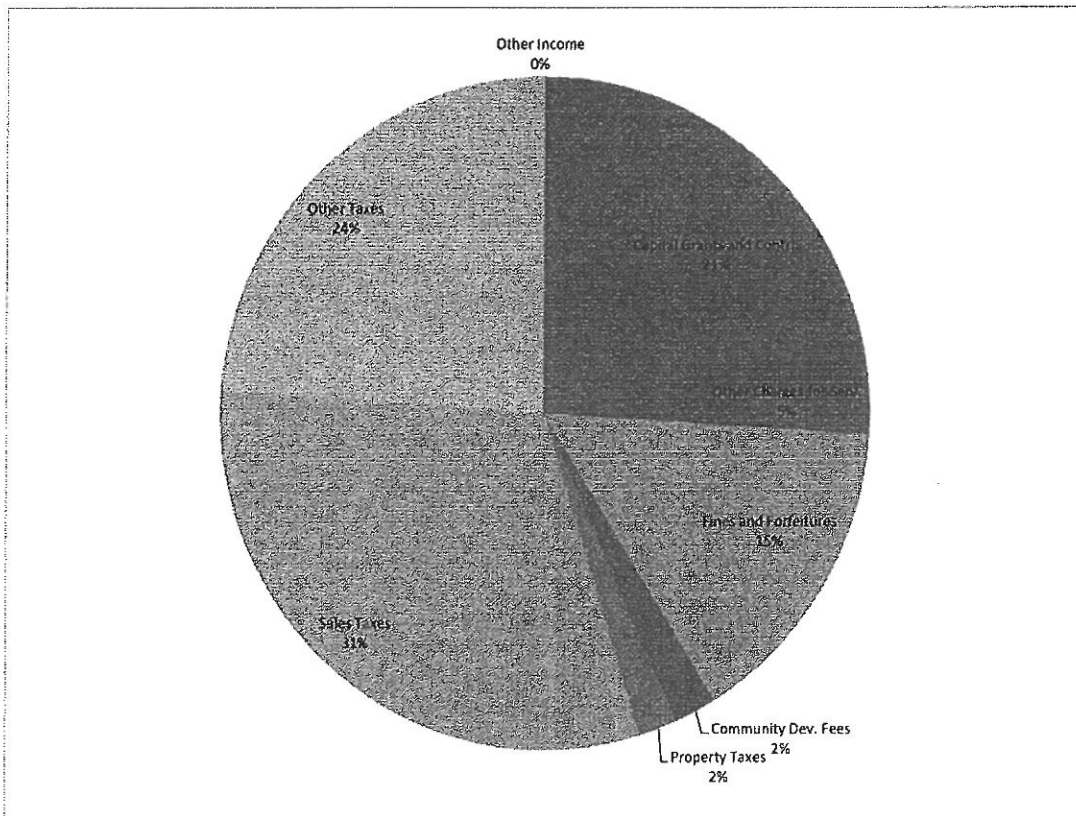
Although not very comparable, the previous comparison of changes in net assets does report that governmental activities has received less than half of the revenues for the six months ended June 30, 2011 than the year ended December 31, 2010. This is mainly due to the lack of revenues for the six month period from property, franchise and insurance premium taxes. These revenue groups amounted to \$4,078,694 for the fiscal year ended December 31, 2010 vs \$246,565 for the six months ended June 30, 2011. Expenditures for the six month period seem to be on a path to an 11 percent increase over the fiscal year ended December 31, 2010.







## Revenue by Source-Governmental Activities



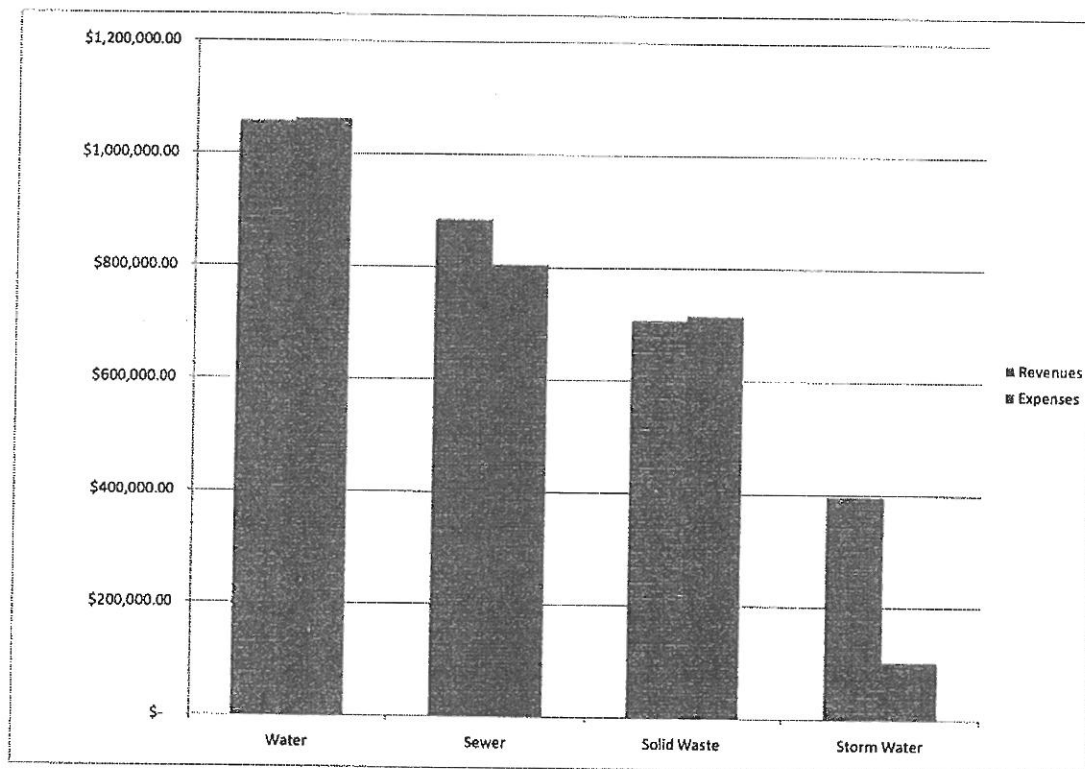


**Business-type activities.** Business-type activities increased the City's net assets by \$625,206 of which \$332,683 was from Water and Sewer activities, \$(2,920) was from Solid Waste Management Activities and \$295,443 was from Storm Water Management Activities. The Water and Sewer Fund received a capital contribution from SPLOST of \$252,955 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 \$2,920.

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

**Expenses and Program Revenues-Business-Type Activities**





## Financial Analysis of the Government's Funds

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

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

At June 30, 2011 the city's governmental funds reported combined ending fund balances of \$7,421,821 a decrease of \$1,209,947 in comparison to the prior year. Of this amount \$836,712 (11 percent) is unassigned fund balance, which is available for spending at the government's discretion. A portion of fund balance is restricted to indicate that it is to be used for specified purposes: 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax and Development Impact Fees (\$6,057,453); 2) for Perpetual Care of the City's cemetery (\$24,408); and for police activities (\$4,707). The remainder of fund balance is nonspendable for such items as prepaid items of \$333,941 and cemetery trust corpus of \$164,600.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$836,712 while the total fund balance amounted to \$1,170,653. 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 16.7 percent of the total general fund expenditures, while total fund balance represents 23.4 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$1,191,617. As discussed previously the main reason for the decrease was due to the lack of revenue from property, franchise and insurance premium taxes.

The City of McDonough received \$905,564 in Special Purpose Local Option Sales Taxes for the six month. 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 \$252,955 to complete a new water tank with the SPLOST III proceeds. SPLOST II spent approximately \$221,404 on park related expenditures.

The City also received Development Impact Fees during the six month period totaling \$16,572. 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 June 30, 2011 amounted to \$1,229,698.

**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 \$8,060,675 of which the Water and Sewer Fund had \$6,347,894, the Solid Waste Management Fund had \$(17,866) and the Storm Water Management Fund had \$1,730,647. 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 \$9,986,251 was for the anticipated 2011 calendar year. The budget was not amended for the change in fiscal year end and therefore the original General Fund budget is being compared with the six months ended June 30, 2011 actual amounts. The significant variances in revenues is due to the timing of the change in fiscal years in that revenues from property taxes, franchise taxes and insurance premium taxes are normally collected in the latter part of the calendar year and therefore are not being recognized in the six month period ended June 30, 2011. Expenditures for the six months ended June 30, 2011 are approximately 50% of the total 2011 calendar year budget.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities at June 30, 2011 amounts to \$40,246,410 (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:

- \$48,000 of park improvements and designs
- \$35,600 of land purchases for park sites
- \$32,000 for a new police vehicles
- \$252,955 to complete the new 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 \$6,559,229 in outstanding debt, net of bond discount and cost, consisting of the following:

### CITY OF McDONOUGH'S OUTSTANDING DEBT

	Balance
Governmental Activities:	
Accrued compensated absences	\$ 198,884
Capital lease obligations	1,833,814
Business-Type Activities -	
Revenue bonds, net of discount	434,873
GEFA notes	<u>4,091,658</u>
Total	<u>\$ 6,559,229</u>

The City's total debt decreased by \$692,780. 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 9.5 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**  
**JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,051,443	\$ 908,758	\$ 1,960,201
Investments	-	6,099,654	6,099,654
Receivables, net			
Taxes	678,365	-	678,365
Fines	187,475	-	187,475
Accounts	-	1,215,316	1,215,316
Internal balances	(336,485)	336,485	-
Prepaid items	333,941	15,214	349,155
Restricted assets			
Cash	603,753	1,003,467	1,607,220
Investments	5,933,601	-	5,933,601
Interest	516	-	516
Non-depreciable capital assets	11,607,868	1,112,054	12,719,922
Depreciable capital assets, net	14,189,009	13,337,479	27,526,488
Deferred loan cost, net	21,724	5,537	27,261
	<u>34,271,210</u>	<u>24,033,964</u>	<u>58,305,174</u>
<b>Total Assets</b>			

See accompanying notes to the basic financial statements.

Continued



**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Accounts payable			
Trade	\$ 286,999	\$ 209,827	\$ 496,826
Accrued liabilities			
Salaries	123,664	30,660	154,324
Compensated absences	-	53,940	53,940
Customer deposits	-	198,175	198,175
Other	48,118	-	48,118
Unearned revenues	10,436	-	10,436
Liabilities payable from restricted assets			
Revenue bonds	-	434,873	434,873
Notes payable	-	302,856	302,856
Accrued interest	-	27,687	27,687
Accounts payable	298,592	-	298,592
Long-term liabilities			
Due within one year	401,719	-	401,719
Due in more than one year	1,630,979	3,788,802	5,419,781
<b>Total Liabilities</b>	<u>2,800,507</u>	<u>5,046,820</u>	<u>7,847,327</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	23,963,063	9,923,002	33,886,065
Restricted for			
Perpetual care			
Expendable	24,408	-	24,408
Nonexpendable	164,600	-	164,600
Police activities	4,707	-	4,707
Capital projects	6,057,453	-	6,057,453
Debt covenants	-	1,003,467	1,003,467
Unrestricted	1,256,472	8,060,675	9,317,147
<b>Total Net Assets</b>	<u>\$ 31,470,703</u>	<u>\$ 18,987,144</u>	<u>\$ 50,457,847</u>

See accompanying notes to the basic financial statements.

Concluded



**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities</b>				
General Government	\$ 1,068,832	\$ 174,790	\$ 1,500	\$ -
Public Safety and Courts	3,158,861	656,072	-	353,974
Public Works	592,282	22,487	-	243,973
Cemetery	6,328	400	-	-
Parks and Recreation	199,329	3,391	-	297,010
Community Development	323,728	92,066	-	27,180
Economic Development	251,951	-	-	-
Code Enforcement	44,049	-	-	-
Interest	41,030	-	-	-
Total Governmental Activities	<u>5,686,390</u>	<u>949,206</u>	<u>1,500</u>	<u>922,137</u>
<b>Business-Type Activities</b>				
Water	1,062,655	1,043,413	-	14,673
Sewer	804,909	871,849	-	12,826
Solid Waste Management	714,980	707,172	-	-
Storm Water Management	101,815	396,647	-	-
Total Business-Type Activities	<u>2,684,359</u>	<u>3,019,081</u>	<u>-</u>	<u>27,499</u>
<b>Total Government</b>	<u>\$ 8,370,749</u>	<u>\$ 3,968,287</u>	<u>\$ 1,500</u>	<u>\$ 949,636</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
\$ (892,542)	\$ -	\$ (892,542)
(2,148,815)	-	(2,148,815)
(325,822)	-	(325,822)
(5,928)	-	(5,928)
101,072	-	101,072
(204,482)	-	(204,482)
(251,951)	-	(251,951)
(44,049)	-	(44,049)
(41,030)	-	(41,030)
<u>(3,813,547)</u>	<u>-</u>	<u>(3,813,547)</u>
-	(4,569)	(4,569)
-	79,766	79,766
-	(7,808)	(7,808)
-	294,832	294,832
-	362,221	362,221
<u>(3,813,547)</u>	<u>362,221</u>	<u>(3,451,326)</u>
80,752	-	80,752
165,813	-	165,813
1,333,607	-	1,333,607
356,222	-	356,222
-	-	-
213,266	-	213,266
272,745	-	272,745
4,742	-	4,742
782	5,142	5,924
16,713	-	16,713
-	-	-
2,444,642	5,142	2,449,784
(257,843)	257,843	-
<u>2,186,799</u>	<u>262,985</u>	<u>2,449,784</u>
(1,626,748)	625,206	(1,001,542)
33,097,451	18,361,938	51,459,389
<u>\$ 31,470,703</u>	<u>\$ 18,987,144</u>	<u>\$ 50,457,847</u>



**CITY OF McDONOUGH, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

ASSETS	GENERAL	SPLOST II	SPLOST III
Cash and cash equivalents	\$ 600,778	\$ 281,250	\$ -
Investments	-	-	4,844,581
Receivables			
Taxes	595,104	-	-
Intergovernmental	-	-	-
Interest	-	-	516
Fines	187,475	-	-
Other	-	-	-
Due from other governments	-	-	-
Due from other funds	569,150	-	9,351
Prepaid items	333,941	-	-
Total Assets	<u>\$ 2,286,448</u>	<u>\$ 281,250</u>	<u>\$ 4,854,448</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable			
Trade	\$ 233,355	\$ -	\$ -
Construction	-	-	298,592
Accrued expenditures			
Payroll	123,664	-	-
Payroll withholdings	9,328	-	-
Court Bonds	38,790	-	-
Deferred revenues	262,979	-	-
Due to other funds	447,679	9,351	-
Total Liabilities	<u>1,115,795</u>	<u>9,351</u>	<u>298,592</u>
Fund Balance			
Nonspendable -			
Prepaid items	333,941	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	271,899	4,555,856
Police activities	-	-	-
Cemetery	-	-	-
Unassigned	836,712	-	-
Total Fund Balance	<u>1,170,653</u>	<u>271,899</u>	<u>4,555,856</u>
Total Liabilities and Fund Balance	<u>\$ 2,286,448</u>	<u>\$ 281,250</u>	<u>\$ 4,854,448</u>

See accompanying notes to the financial statements.



DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 305,512	\$ 467,656	\$ 1,655,196
901,861	187,159	5,933,601
-	83,261	678,365
-	-	-
-	-	516
-	-	187,475
-	-	-
-	-	-
22,325	-	600,826
-	-	333,941
<u>\$ 1,229,698</u>	<u>\$ 738,076</u>	<u>\$ 9,389,920</u>

\$ -	\$ 53,644	\$ 286,999
-	-	298,592
-	-	123,664
-	-	9,328
-	-	38,790
-	10,436	273,415
-	480,281	937,311
-	544,361	1,968,099

-	-	333,941
-	164,600	164,600
1,229,698	-	6,057,453
-	4,707	4,707
-	24,408	24,408
-	-	836,712
<u>1,229,698</u>	<u>193,715</u>	<u>7,421,821</u>
<u>\$ 1,229,698</u>	<u>\$ 738,076</u>	<u>\$ 9,389,920</u>



**CITY OF McDONOUGH, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

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

Total fund balances -- total governmental funds	\$ -
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,421,821
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds: Deferred revenues	25,796,877
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.	262,979
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Capital lease	21,724
Long-term portion of compensated absences	(1,833,814)
	(198,884)
Net assets of governmental activities.	<u>\$ 31,470,703</u>

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





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**CITY OF McDONOUGH, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

REVENUES	GENERAL	SPLOST II	SPLOST III
Taxes	\$ 2,328,047	\$ -	\$ -
Licenses and permits			
Business license	153,110	-	-
Building permits and fees	59,933	-	-
Intergovernmental	-	-	905,564
Charges for services	38,678	-	-
Fines and forfeitures	671,425	-	-
Interest	7	36	3,394
Miscellaneous	57,528	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	3,308,728	36	908,958
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
Governing Body	115,727	-	-
Financial Administration	865,776	-	-
Municipal Court	384,664	-	-
Probation	71,240	-	-
Public Safety	2,346,299	-	-
Highways & Streets	538,936	-	-
Cemetery	4,056	-	-
Parks and Recreation	80,346	-	-
Community Development	315,776	-	-
Economic Development	159,141	-	-
Code Enforcement	39,366	-	-
Debt service			
Principal	-	185,805	-
Interest	-	35,599	-
Capital outlay	76,631	-	352,628
	<hr/>	<hr/>	<hr/>
Total Expenditures	4,997,958	221,404	352,628
	<hr/>	<hr/>	<hr/>

See accompanying notes to the financial statements.



DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 272,745	\$ 2,600,792
-	-	153,110
-	-	59,933
-	-	905,564
16,572	-	55,250
-	9,596	681,021
665	125	4,227
-	-	57,528
<u>17,237</u>	<u>282,466</u>	<u>4,517,425</u>
858	-	116,585
-	-	865,776
-	-	384,664
-	-	71,240
-	4,907	2,351,206
-	-	538,936
-	-	4,056
-	-	80,346
-	-	315,776
-	109,098	268,239
-	-	39,366
-	-	185,805
-	-	35,599
<u>35,631</u>	<u>-</u>	<u>464,890</u>
<u>36,489</u>	<u>114,005</u>	<u>5,722,484</u>

Continued



**CITY OF McDONOUGH, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	<u>GENERAL</u>	<u>SPLOST II</u>	<u>SPLOST III</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ (1,689,230)	\$ (221,368)	\$ 556,330
Other Financing Sources (Uses)			
Proceeds from disposition of assets	-	-	-
Transfers	<u>497,613</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>497,613</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,191,617)	(221,368)	556,330
Fund Balance - Beginning of Year	<u>2,362,270</u>	<u>493,267</u>	<u>3,999,526</u>
Fund Balance - End of Year	<u>\$ 1,170,653</u>	<u>\$ 271,899</u>	<u>\$ 4,555,856</u>

See accompanying notes to the financial statements.





DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ (19,252)	\$ 168,461	\$ (1,205,059)
-	-	-
-	(502,501)	(4,888)
-	(502,501)	(4,888)
(19,252)	(334,040)	(1,209,947)
1,248,950	527,755	8,631,768
<u>\$ 1,229,698</u>	<u>\$ 193,715</u>	<u>\$ 7,421,821</u>

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**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 SIX MONTHS ENDED JUNE 30, 2011**

Net change in fund balances -- total governmental funds \$ (1,209,947)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	398,524
Depreciation	(492,420)

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. (252,955)

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. (199,940)

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:

Principal payments	185,805
Proceeds from debt issues	-

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.

Amortization expense	(5,431)
Bond issue costs	-

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	(50,384)

Change in net assets of governmental activities. \$ (1,626,748)

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



**CITY OF McDONOUGH, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

	2011			
	Original & Final Budget	Actual	Variance	2010 Actual
REVENUES				
Taxes				
Local option sales	\$ 2,710,000	\$ 1,333,607	\$ (1,376,393)	\$ 2,727,181
Property	2,802,557	186,525	(2,616,032)	2,595,390
Intangible	-	3,120	3,120	9,500
Transfer	10,000	1,622	(8,378)	1,887
Insurance premium	460,000	-	(460,000)	457,193
Franchise	1,100,000	165,813	(934,187)	1,156,039
Alcohol beverage	427,000	213,266	(213,734)	430,840
Vehicle	125,000	67,871	(57,129)	130,721
Occupation	360,000	356,223	(3,777)	338,593
Payment in lieu of taxes	11,538	-	(11,538)	5,288
Licenses and permits				
Business license	66,000	153,110	87,110	174,375
Building permits and fees	211,900	59,933	(151,967)	151,570
Intergovernmental	-	-	-	106,680
Charges for services	48,500	38,678	(9,822)	55,652
Fines and forfeitures	1,100,000	671,425	(428,575)	1,101,828
Interest	5,000	7	(4,993)	2,545
Miscellaneous	47,500	57,528	10,028	262,552
Total Revenues	9,484,995	3,308,728	(6,176,267)	9,707,834
EXPENDITURES				
Current				
Governing Body	256,359	115,727	140,632	189,501
Financial Administration	1,670,566	889,353	781,213	1,559,658
Municipal Court	788,942	384,664	404,278	698,645
Probation	152,550	71,240	81,310	127,529
Police	3,296,856	1,644,017	1,652,839	3,068,061
Fire	1,512,543	748,016	764,527	1,417,955
Highways & Streets	996,303	538,936	457,367	959,027
Cemetery	31,701	4,056	27,645	4,573
Parks and Recreation	151,798	87,666	64,132	119,751
Community Development	692,987	315,776	377,211	544,306
Economic Development	348,842	159,141	189,701	277,669
Code Enforcement	86,804	39,366	47,438	87,707
Debt service	-	-	-	-
Capital outlay	-	-	-	486,669
Total Expenditures	9,986,251	4,997,958	4,988,293	9,541,051





**CITY OF McDONOUGH, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

	2011			2010
	Original & Final Budget	Actual	Variance	Actual
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ (501,256)	\$ (1,689,230)	\$ (1,187,974)	\$ 166,783
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from disposition of assets	-	-	-	-
Transfers	501,256	497,613	(3,643)	534,417
Total Other Financing Sources (Uses)	501,256	497,613	(3,643)	534,417
Net Change in Fund Balance	-	(1,191,617)	(1,191,617)	701,200
Fund Balance - Beginning of Year	2,362,270	2,362,270	-	1,661,070
Fund Balance - End of Year	\$ 2,362,270	\$ 1,170,653	\$ (1,191,617)	\$ 2,362,270



**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

ASSETS	Water and Sewer	Solid Waste Management	Storm Water Management	Total
Current Assets				
Cash	\$ 523,345	\$ -	\$ 385,413	\$ 908,758
Investments	5,219,322	-	880,332	6,099,654
Receivables				
Accounts (net)	557,066	87,649	570,601	1,215,316
Accrued interest	-	-	-	-
Due from other funds	425,354	-	-	425,354
Prepaid expenses	11,535	2,255	1,424	15,214
Restricted Assets				
Cash	1,003,467	-	-	1,003,467
Total Current Assets	<u>7,740,089</u>	<u>89,904</u>	<u>1,837,770</u>	<u>9,667,763</u>
Noncurrent Assets				
Bond issue costs, net of amortization	5,537	-	-	5,537
Capital assets				
Land	1,112,054	-	-	1,112,054
Buildings	902,744	-	-	902,744
Improvements other than buildings	20,533,280	-	511,462	21,044,742
Machinery and equipment	911,964	52,608	227,782	1,192,354
Autos and trucks	459,449	-	-	459,449
Construction in progress	-	-	-	-
Accumulated depreciation	(10,140,833)	(52,608)	(68,369)	(10,261,810)
Capital assets (net of depreciation)	<u>13,778,658</u>	<u>-</u>	<u>670,875</u>	<u>14,449,533</u>
Total Noncurrent Assets	<u>13,784,195</u>	<u>-</u>	<u>670,875</u>	<u>14,455,070</u>
Total Assets	<u>21,524,284</u>	<u>89,904</u>	<u>2,508,645</u>	<u>24,122,833</u>

See accompanying notes to the basic financial statements.

Continued



**CITY OF McDONOUGH, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

<b>LIABILITIES</b>	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>	<u>Total</u>
<b>Current Liabilities</b>				
Accounts payable				
Trade	\$ 93,740	\$ 102,140	\$ 13,947	\$ 209,827
Construction	-	-	-	-
Accrued liabilities				
Deposits	198,175	-	-	198,175
Accrued compensated absences	47,678	3,870	2,392	53,940
Accrued salaries	26,985	1,760	1,915	30,660
Due to other funds	-	-	88,869	88,869
Current liabilities payable from restricted assets				
Revenue bonds	434,873	-	-	434,873
Notes payable	302,856	-	-	302,856
Accrued interest	27,687	-	-	27,687
Total Current Liabilities	<u>1,131,994</u>	<u>107,770</u>	<u>107,123</u>	<u>1,346,887</u>
<b>Noncurrent Liabilities</b>				
Revenue bonds	-	-	-	-
Notes payable	<u>3,788,802</u>	<u>-</u>	<u>-</u>	<u>3,788,802</u>
Total Noncurrent Liabilities	<u>3,788,802</u>	<u>-</u>	<u>-</u>	<u>3,788,802</u>
<b>Total Liabilities</b>	<u>4,920,796</u>	<u>107,770</u>	<u>107,123</u>	<u>5,135,689</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	9,252,127	-	670,875	9,923,002
Restricted under debt ordinance	1,003,467	-	-	1,003,467
Unrestricted	<u>6,347,894</u>	<u>(17,866)</u>	<u>1,730,647</u>	<u>8,060,675</u>
<b>Total Net Assets</b>	<u>\$ 16,603,488</u>	<u>\$ (17,866)</u>	<u>\$ 2,401,522</u>	<u>\$ 18,987,144</u>

See accompanying notes to the basic financial statements.



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**CITY OF McDONOUGH, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services				
Water sales	\$ 1,009,691	\$ -	\$ -	\$ 1,009,691
Sewer charges	839,912	-	-	839,912
Sanitation fees	-	707,172	-	707,172
Storm water fees	-	-	396,647	396,647
Connection fees				
Water	1,785	-	-	1,785
Sewer	-	-	-	-
Penalties and reconnect fees	58,969	-	-	58,969
Miscellaneous	4,905	-	-	4,905
Total Operating Revenues	<u>1,915,262</u>	<u>707,172</u>	<u>396,647</u>	<u>3,019,081</u>
<b>OPERATING EXPENSES</b>				
Purchased products / services	-	627,164	-	627,164
Personal services and benefits	684,984	51,477	50,722	787,183
Purchased / contracted services	285,879	7,372	22,912	316,163
Supplies	384,224	112	2,557	386,893
Cost allocations	46,069	21,855	7,560	75,484
Depreciation and amortization	334,462	-	18,064	352,526
Other	23,000	7,000	-	30,000
Total Operating Expenses	<u>1,758,618</u>	<u>714,980</u>	<u>101,815</u>	<u>2,575,413</u>
Operating Income (Loss)	<u>156,644</u>	<u>(7,808)</u>	<u>294,832</u>	<u>443,668</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Gain (loss) on disposal of assets	-	-	-	-
Interest earned	4,531	-	611	5,142
Interest expense	(108,946)	-	-	(108,946)
Total Non-Operating Income (Expense)	<u>(104,415)</u>	<u>-</u>	<u>611</u>	<u>(103,804)</u>
Net Income before Transfers and Capital Contributions	52,229	(7,808)	295,443	339,864
Capital Contributions				
Water	267,628	-	-	267,628
Sewer	12,826	-	-	12,826
Transfers	-	4,888	-	4,888
Change in Net Assets	332,683	(2,920)	295,443	625,206
Net Assets - Beginning of Year	<u>16,270,805</u>	<u>(14,946)</u>	<u>2,106,079</u>	<u>18,361,938</u>
Net Assets - End of Year	<u>\$ 16,603,488</u>	<u>\$ (17,866)</u>	<u>\$ 2,401,522</u>	<u>\$ 18,987,144</u>

See accompanying notes to the basic financial statements.



**CITY OF McDONOUGH, GEORGIA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	<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	\$ 1,805,029	\$ 715,309	\$ 67,604	\$ 2,587,942
Cash paid to suppliers for goods	(917,430)	(687,097)	(61,858)	(1,666,385)
Cash paid to employees	(482,583)	(33,100)	(36,711)	(552,394)
Net Cash Flows from Operating Activities	<u>405,016</u>	<u>(4,888)</u>	<u>(30,965)</u>	<u>369,163</u>
Cash flows from investing activities:				
Interest received	4,531	-	611	5,142
(Purchase) / redemption of investments	11,697	-	(607)	11,090
Net Cash Flows from Investing Activities	<u>16,228</u>	<u>-</u>	<u>4</u>	<u>16,232</u>
Cash flows from non-capital financing activities:				
Transfers	-	4,888	-	4,888
Change in due to/from other funds	419,216	-	61,144	480,360
Net Cash Flows from Non-Capital Financing Activities	<u>419,216</u>	<u>4,888</u>	<u>61,144</u>	<u>485,248</u>
Cash flows from capital financing activities:				
Purchases / construction of capital assets	(62,475)	-	(212,292)	(274,767)
Capital contributions	27,499	-	-	27,499
Principal payments on long-term debt	(557,605)	-	-	(557,605)
Proceeds from long-term debt	-	-	-	-
Interest paid	(106,273)	-	-	(106,273)
Net Cash Flows from Capital Financing Activities	<u>(698,854)</u>	<u>-</u>	<u>(212,292)</u>	<u>(911,146)</u>
Net Change in Cash and Cash Equivalents	141,606	-	(182,109)	(40,503)
Cash and Cash Equivalents - Beginning	<u>1,385,206</u>	<u>-</u>	<u>567,522</u>	<u>1,952,728</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,526,812</u>	<u>\$ -</u>	<u>\$ 385,413</u>	<u>\$ 1,912,225</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)	\$ 156,644	\$ (7,808)	\$ 294,832	\$ 443,668
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	334,462	-	18,064	352,526
(Increase) decrease in -				
Accounts receivable	(116,635)	8,137	(329,043)	(437,541)
Prepaid expense	(11,535)	(2,255)	(1,424)	(15,214)
Increase (Decrease) in -				
Accounts payable	25,404	(3,467)	(14,994)	6,943
Deposits	6,402	-	-	6,402
Accrued liabilities	10,274	505	1,600	12,379
Total Adjustments	248,372	2,920	(325,797)	(74,505)
Net Cash Flows from Operating Activities	<u>\$ 405,016</u>	<u>\$ (4,888)</u>	<u>\$ (30,965)</u>	<u>\$ 369,163</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>\$ 252,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,955</u>
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See accompanying notes to the basic financial statements.



**CITY OF McDONOUGH, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**A. Basis of Presentation**

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

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 22,000 residents. These services are provided in whole by the City. These services include police and fire protection, community development, highways and streets, water and sewer, storm water, sanitation, public improvements, planning and zoning, economic development, parks and recreation and general administrative services.

Governmental Accounting Standards Board Statement 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 period and therefore is not included in this financial report. The City Council appoints all members of the Development Authority's Board of Directors and pays from the City's budget expenditures, if any, related to the Authority. 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)**

**I. 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 June 30, 2011:

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 June 30, 2011 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)**

**I. 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 the six months ended June 30, 2011. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

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

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, 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 \$7,254,635 in restricted net assets, of which \$6,062,160 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 – Governmental Funds**

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of City of McDonough's Council. McDonough's Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes.

**Unassigned** – all other spendable amounts.

As of June 30, 2011, fund balances are composed of the following:

	General	SPLOST Funds	Development Impact Fee	Other Governmental Funds	Total
<b>Nonspendable</b>					
Prepays	\$ 333,941	\$ -	\$ -	\$ -	\$ 333,941
Cemetery Trust Corpus	-	-	-	164,600	164,600
<b>Restricted -</b>					
Capital Projects	-	4,827,755	1,229,698	-	6,057,453
Police Activities	-	-	-	4,707	4,707
Cemetery	-	-	-	24,408	24,408
<b>Unassigned</b>	836,712	-	-	-	836,712
<b>Total Fund Balances</b>	<u>\$ 1,170,653</u>	<u>\$ 4,827,755</u>	<u>\$ 1,229,698</u>	<u>\$ 193,715</u>	<u>\$ 7,421,821</u>

(See Independent Auditor's Report)



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

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

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

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

**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 originally approved in December 2010. All annual appropriations lapse at year end.

**2. CASH AND INVESTMENTS**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of June 30, 2011, \$2,400,407 of the government's bank balance of \$3,651,874 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent	2,400,407
Total	<u>\$ 2,400,407</u>

(See Independent Auditor's Report).





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

**2. CASH AND INVESTMENTS, Continued**

**Investments**

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

The City's investments are classified as follows at June 30, 2011:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturities</u>	<u>Rating</u>	<u>Organization</u>
<b>All Funds With Investments -</b>				
Georgia Fund 1	\$ 12,033,255	46 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.

**3. PROPERTY TAX**

Property taxes were last levied on July 28, 2010 and are due 60 days after the receipt of the tax notice. No property taxes were levied for the six months ended June 30, 2011. 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 June 30, 2011 amounted to \$205,617.

**4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES**

Intergovernmental revenues reported in the fund financial statements for the six months ended June 30, 2011 consist of the following:

SPLOST III Fund	
Henry County - SPLOST	<u>\$ 905,564</u>

There were no intergovernmental receivables as of June 30, 2011.

(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**

	General	SPLOST III	Other Governmental Funds	Total
Taxes	\$ 595,104	\$ -	\$ 83,261	\$ 678,365
Fines	374,950	-	-	374,950
Interest	-	516	-	516
Gross Receivables	970,054	516	83,261	1,053,831
Less: Allowance for Uncollectibles	(187,475)	-	-	(187,475)
Net Total Receivables	<u>\$ 782,579</u>	<u>\$ 516</u>	<u>\$ 83,261</u>	<u>\$ 866,356</u>

**Proprietary Funds**

	Water and Sewer	Solid Waste Management	Storm Water Management	Total
Accounts	879,066	185,649	570,601	1,635,316
Less: Allowance for Uncollectibles	(322,000)	(98,000)	-	(420,000)
Net Total Receivable	<u>\$ 557,066</u>	<u>\$ 87,649</u>	<u>\$ 570,601</u>	<u>\$ 1,215,316</u>

(See Independent Auditor's Report)



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

**6. INTER-FUND TRANSACTIONS**

Individual fund interfund receivable and payable balances at June 30, 2011 were as follows:

Payable To	Payable From				Totals
	General	SPLOST II	Hotel / Motel Tax	Storm Water	
General	\$ -	\$ -	\$ 480,281	\$ 88,869	\$ 569,150
Water & Sewer	425,354	-	-	-	425,354
Devel. Impact	22,325	-	-	-	22,325
SPLOST III	-	9,351	-	-	9,351
Totals	<u>\$ 447,679</u>	<u>\$ 9,351</u>	<u>\$ 480,281</u>	<u>\$ 88,869</u>	<u>\$ 1,026,180</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 \$425,354 is due to the Water and Sewer Fund. 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 \$88,869 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 six months ended June 30, 2011 were as follows:

Transfer To	Transfer From		
	General	Hotel / Motel Tax	Totals
General	\$ -	\$ 502,501	\$ 502,501
Solid Waste	4,888	-	4,888
	<u>\$ 4,888</u>	<u>\$ 502,501</u>	<u>\$ 507,389</u>

During the fiscal year ended June 30, 2011, the General Fund transferred \$4,888 to the Solid Waste Management 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 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. For the six months ended June 30, 2011 the Hotel / Motel Tax Fund transferred \$502,501 to the General Fund.

(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 \$252,955 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 \$257,843. 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 June 30, 2011 consists of the following:

	Governmental Activities	Business- Type Activities
Debt issuance cost	\$ 54,310	\$ 153,542
Accumulated amortization	(32,586)	(148,005)
Net	<u>\$ 21,724</u>	<u>\$ 5,537</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 six months ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 10,887,238	\$ 35,631	\$ -	\$ 10,922,869
Construction in progress	637,014	300,940	(252,955)	684,999
Total	<u>11,524,252</u>	<u>336,571</u>	<u>(252,955)</u>	<u>11,607,868</u>
Capital assets being depreciated:				
Buildings	8,378,941	-	-	8,378,941
Improvements other than buildings	6,699,845	-	-	6,699,845
Vehicles, including related equipment	4,144,774	51,388	-	4,196,162
Machinery and equipment	3,015,378	10,565	-	3,025,943
Furniture and fixtures	339,162	-	-	339,162
Total capital assets being depreciated	<u>22,578,100</u>	<u>61,953</u>	<u>-</u>	<u>22,640,053</u>
Less accumulated depreciation for:				
Buildings	1,856,223	104,638	-	1,960,861
Improvements other than buildings	1,390,095	83,616	-	1,473,711
Vehicles, including related equipment	2,778,496	175,818	-	2,954,314
Machinery and equipment	1,690,470	121,207	-	1,811,677
Furniture and fixtures	243,340	7,141	-	250,481
Total accumulated depreciation	<u>7,958,624</u>	<u>492,420</u>	<u>-</u>	<u>8,451,044</u>
Total capital assets being depreciated, net	<u>14,619,476</u>	<u>(430,467)</u>	<u>-</u>	<u>14,189,009</u>
Governmental capital assets, net	<u>\$ 26,143,728</u>	<u>\$ (93,896)</u>	<u>\$ (252,955)</u>	<u>\$ 25,796,877</u>

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

Administrative	\$ 66,638
Public Safety and Courts	279,251
Highways and Streets	55,852
Cemetery	2,271
Code Enforcement	1,888
Parks and Recreation	77,484
Community Development	2,768
Economic Development	<u>6,268</u>
Total depreciation expense	<u>\$ 492,420</u>

(See Independent Auditor's Report)



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

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,112,054	\$ -	\$ -	\$ 1,112,054
Construction in progress	1,460,290	252,955	(1,713,245)	-
Total	<u>2,572,344</u>	<u>252,955</u>	<u>(1,713,245)</u>	<u>1,112,054</u>
Capital assets being depreciated:				
Buildings	902,744	-	-	902,744
Improvements other than buildings	19,331,496	1,713,246	-	21,044,742
Machinery and equipment	1,162,214	30,140	-	1,192,354
Vehicles	427,115	32,334	-	459,449
Total capital assets being depreciated	<u>21,823,569</u>	<u>1,775,720</u>	<u>-</u>	<u>23,599,289</u>
Less accumulated depreciation for:				
Buildings	762,740	8,812	-	771,552
Improvements other than buildings	8,002,109	299,220	-	8,301,329
Machinery and equipment	740,001	38,916	-	778,917
Vehicles	404,434	5,578	-	410,012
Total capital assets being depreciated	<u>9,909,284</u>	<u>352,526</u>	<u>-</u>	<u>10,261,810</u>
Total capital assets being depreciated, net	<u>11,914,285</u>	<u>1,423,194</u>	<u>-</u>	<u>13,337,479</u>
Business-Type Activities capital assets, net	<u>\$ 14,486,629</u>	<u>\$ 1,676,149</u>	<u>\$ (1,713,245)</u>	<u>\$ 14,449,533</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 131,200
Sewer	203,262
Storm Water	18,064
Solid Waste Management	-
Total depreciation expense	<u>\$ 352,526</u>

(See Independent Auditor's Report)



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

**9. DEFERRED REVENUES**

Deferred revenues as of June 30, 2011, 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	\$ 84,456
Property taxes	178,523
Amounts received from confiscated assets	
but not yet earned as of June 30, 2011. Reported in	
Governmental Fund's balance sheet and the Statement of Net Assets.	<u>10,436</u>
Total deferred revenues - Governmental Funds	<u>\$ 273,415</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 six months ended June 30, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities</b>					
Accrued Compensated Absences	\$ 148,501	\$ 244,855	\$ (194,472)	\$ 198,884	\$ 20,000
Capital Leases	<u>2,019,618</u>	<u>-</u>	<u>(185,804)</u>	<u>1,833,814</u>	<u>381,719</u>
 Total Governmental Activity					
Long-Term Debt	<u>\$ 2,168,119</u>	<u>\$ 244,855</u>	<u>\$ (380,276)</u>	<u>\$ 2,032,698</u>	<u>\$ 401,719</u>
 <b>Business-Type Activities</b>					
Revenue Bonds	\$ 845,000	\$ -	\$ (410,000)	\$ 435,000	\$ 435,000
Bond Discount and Cost	(373)	-	246	(127)	(127)
GEFA Notes Payable	<u>4,239,263</u>	<u>-</u>	<u>(147,605)</u>	<u>4,091,658</u>	<u>302,856</u>
 Total Business-Type Activity					
Long-Term Debt	<u>\$ 5,083,890</u>	<u>\$ -</u>	<u>\$ (557,359)</u>	<u>\$ 4,526,531</u>	<u>\$ 737,729</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 June 30, 2011 consist of the following:

**Capital Lease Obligation – See Note 11** **\$1,833,814**

(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 6/30	CAPITAL LEASES		
	Principal	Interest	Total
2012	381,716	61,091	442,807
2013	396,005	46,802	442,807
2014	410,827	31,980	442,807
2015	426,203	16,604	442,807
2016	219,063	2,340	221,403
Totals	<u>\$ 1,833,814</u>	<u>\$ 158,817</u>	<u>\$ 1,992,631</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.

\$4,091,658

(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.

\$ 435,000

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

Year Ending 6/30	NOTES PAYABLE		REVENUE BONDS		Total
	Principal	Interest	Principal	Interest	
2012	\$ 302,856	\$ 162,446	\$ 435,000	\$ 10,875	\$ 911,177
2013	315,454	149,385	-	-	464,839
2014	328,250	136,589	-	-	464,839
2015	341,872	122,968	-	-	464,840
2016	324,235	109,184	-	-	433,419
2017	286,606	95,309	-	-	381,915
2018	280,673	84,074	-	-	364,747
2019	292,324	72,423	-	-	364,747
2020	304,355	60,392	-	-	364,747
2021	217,088	48,614	-	-	265,702
2022	192,032	40,903	-	-	232,935
2023	199,790	33,145	-	-	232,935
2024	207,822	25,113	-	-	232,935
2025	216,291	16,644	-	-	232,935
2026	224,994	7,941	-	-	232,935
2027	57,016	576	-	-	57,592
Totals	<u>\$ 4,091,658</u>	<u>\$ 1,165,706</u>	<u>\$ 435,000</u>	<u>\$ 10,875</u>	<u>\$ 5,703,239</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 are 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 June 30, 2011:

<u>Fiscal Year</u>	<u>Amount</u>
2012	442,807
2013	442,807
2014	442,807
2015	442,807
2016	221,403
Less the amount representing interest	<u>(158,817)</u>
Present value of minimum lease payments	<u>\$ 1,833,814</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
-------------------------------------------------------------	---------

Coverage Exceptions:

Coverage Subject to a Retroactive Date:

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

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

During the year ended June 30, 2011, the City paid no claims. The City has not compiled a record of the claims paid up to the \$1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the \$1,000) which were outstanding and unpaid at June 30, 2011. No provisions have been made in the financial statements for the six months ended June 30, 2011 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 six months ended June 30, 2011:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 272,745	100.0%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 109,098	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.

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 June 30, 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 June 30, 2011, the developer had actually used approximately \$2,533,816 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$4,278,591. 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 for the six months ended June 30, 2011 amounted to \$53,561.

**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 six months ended June 30, 2011, contributions to this plan amounted to \$22,513, 50.0% of eligible salaries. The amount of payroll covered under the plan for the six months ended June 30, 2011 amounted to \$45,000. 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 June 30, 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 2011 is 14.25% of annual covered payroll based on the preliminary actuarial valuation as of July 1, 2010. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

**Annual Pension Cost**

For the six months ended June 30, 2011 the City contributed \$342,532 to the plan. For the plan's year ending on December 31, 2011 the City's annual pension cost of \$685,065 for MRP was equal to the City's required and anticipated actual contributions. The required contribution was determined as part of the July 1, 2010 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. The actuarial required contribution calculation as of July 1 is funded on a monthly basis beginning January of the following year.

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 June 30, 2011 was 27 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**

<b>Three-Year Trend Information for MRP</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
* 6/30/2011	\$ 342,532	100.0%	\$ -
12/31/2010	\$ 623,531	100.0%	\$ -
12/31/2009	\$ 496,485	100.0%	\$ -

\* For the six months ended June 30, 2011

<b>Actuarial Valuation Date As of July 1,</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( (b-a)/c )</b>
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 June 30, 2011 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 68,772
Debt service reserve fund	689,880
Renewal and extension fund	77,370
Gefa debt service fund	167,444
Capital projects-	
Special purpose local option sales funds	5,125,831
Development impact fee funds	1,207,373
Confiscated asset funds	15,143
Cemetery perpetual care funds	<u>189,008</u>
	<u>\$ 7,540,821</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 June 30, 2011 the aggregate principal amount outstanding under the loan agreements amounted to \$166,566.

**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 June 30, 2011, the Solid Waste Management Fund had a deficit net asset balance of \$17,866. The City will fund this deficit with General Fund transfers.
- B) Excess expenditures over budget – None of the City's General Fund's or Special Revenue Funds' 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).

(See Independent Auditor's Report)



**CITY OF McDONOUGH, GEORGIA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<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>	
<b>ASSETS</b>				
Cash	\$ 450,664	\$ 15,143	\$ 1,849	\$ 467,656
Investments	-	-	187,159	187,159
Receivables				
Taxes	83,261	-	-	83,261
Accounts	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 533,925</u>	<u>\$ 15,143</u>	<u>\$ 189,008</u>	<u>\$ 738,076</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ 53,644	\$ -	\$ -	\$ 53,644
Due to other funds	480,281	-	-	480,281
Deferred revenue	-	10,436	-	10,436
	<u>-</u>	<u>10,436</u>	<u>-</u>	<u>10,436</u>
Total Liabilities	<u>533,925</u>	<u>10,436</u>	<u>-</u>	<u>544,361</u>
Fund Balance				
Nonspendable -				
Cemetery corpus	-	-	164,600	164,600
Restricted for specified purposes	-	-	24,408	24,408
Unassigned	-	4,707	-	4,707
	<u>-</u>	<u>4,707</u>	<u>-</u>	<u>4,707</u>
Total Fund Balance	<u>-</u>	<u>4,707</u>	<u>189,008</u>	<u>193,715</u>
Total Liabilities and Fund Balance	<u>\$ 533,925</u>	<u>\$ 15,143</u>	<u>\$ 189,008</u>	<u>\$ 738,076</u>





**CITY OF McDONOUGH, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2011**

	<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>	
<b>REVENUES</b>				
Taxes	\$ 272,745	\$ -	\$ -	\$ 272,745
Forfeitures	-	9,596	-	9,596
Interest	19	-	106	125
Contributions	-	-	-	-
Reimbursements	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>272,764</u>	<u>9,596</u>	<u>106</u>	<u>282,466</u>
<b>EXPENDITURES</b>				
Current				
Purchased / contracted services	-	4,907	-	4,907
Supplies	-	-	-	-
Payments to others	109,098	-	-	109,098
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>109,098</u>	<u>4,907</u>	<u>-</u>	<u>114,005</u>
Excess Revenues Over (Under)				
Expenditures Before Other				
Financing Sources (Uses)	<u>163,666</u>	<u>4,689</u>	<u>106</u>	<u>168,461</u>
Other Financing Sources (Uses)				
Transfers	<u>(502,501)</u>	<u>-</u>	<u>-</u>	<u>(502,501)</u>
Total Other Financing Sources (Uses)	<u>(502,501)</u>	<u>-</u>	<u>-</u>	<u>(502,501)</u>
Excess Revenues Over (Under)				
Expenditures and Other Financing Sources (Uses)	<u>(338,835)</u>	<u>4,689</u>	<u>106</u>	<u>(334,040)</u>
Fund Balance - Beginning of Year	<u>338,835</u>	<u>18</u>	<u>188,902</u>	<u>527,755</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 4,707</u>	<u>\$ 189,008</u>	<u>\$ 193,715</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 SIX MONTHS ENDED JUNE 30, 2011**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

	2011			2010
	Original and Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Taxes	\$ 410,000	\$ 272,745	\$ (137,255)	\$ 413,605
Interest	1,000	19	(981)	460
Reimbursements	-	-	-	-
Total Revenue	<u>411,000</u>	<u>272,764</u>	<u>(138,236)</u>	<u>414,065</u>
<b>EXPENDITURES</b>				
Current				
Tourism and Hospitality	<u>164,000</u>	<u>109,098</u>	<u>54,902</u>	<u>165,442</u>
Total Expenditures	<u>164,000</u>	<u>109,098</u>	<u>54,902</u>	<u>165,442</u>
Excess Revenues Over (Under) Expenditures	247,000	163,666	(83,334)	248,623
Other Financing Sources (Uses) Transfers	<u>(247,000)</u>	<u>(502,501)</u>	<u>(255,501)</u>	<u>(220,036)</u>
Total Other Financing Sources (Uses)	<u>(247,000)</u>	<u>(502,501)</u>	<u>(255,501)</u>	<u>(220,036)</u>
Net Change in Fund Balance	-	(338,835)	(338,835)	28,587
Fund Balance - Beginning of Year	<u>338,835</u>	<u>338,835</u>	<u>-</u>	<u>310,248</u>
Fund Balance - End of Year	<u>\$ 338,835</u>	<u>\$ -</u>	<u>\$ (338,835)</u>	<u>\$ 338,835</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 SIX MONTHS ENDED JUNE 30, 2011**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

	2011			2010
	Original & Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Forfeitures	\$ 3,000	\$ 9,596	\$ 6,596	\$ 1,092
Sales of confiscated property	500	-	(500)	-
Interest	100	-	(100)	6
Contributions	-	-	-	-
Total Revenue	<u>3,600</u>	<u>9,596</u>	<u>5,996</u>	<u>1,098</u>
<b>EXPENDITURES</b>				
Current				
Purchased / contracted services	3,600	4,907	(1,307)	520
Supplies	-	-	-	3,212
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>3,600</u>	<u>4,907</u>	<u>(1,307)</u>	<u>3,732</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>4,689</u>	<u>4,689</u>	<u>(2,634)</u>
Other Financing Sources (Uses) Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,850</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,850</u>
Net Change in Fund Balance	-	4,689	4,689	4,216
Fund Balance - Beginning of Year	<u>18</u>	<u>18</u>	<u>-</u>	<u>(4,198)</u>
Fund Balance - End of Year	<u>\$ 18</u>	<u>\$ 4,707</u>	<u>\$ 4,689</u>	<u>\$ 18</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 SIX MONTHS ENDED JUNE 30, 2011**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Intergovernmental - SPLOST	\$ 6,637,436	\$ -	\$ 6,637,436	\$ 6,637,436
Intergovernmental - other	275,243	-	275,243	-
Interest	<u>281,426</u>	<u>36</u>	<u>281,462</u>	<u>-</u>
 Total Revenues	 <u>7,194,105</u>	 <u>36</u>	 <u>7,194,141</u>	 <u>6,637,436</u>
<b>EXPENDITURES</b>				
Capital Outlay				
General government - including				
debt service	2,615,020	-	2,615,020	2,600,000
Public safety - including				
debt service	1,099,710	-	1,099,710	1,500,000
Highways and streets	1,540,951	-	1,540,951	2,000,000
Water and sewer improvements	230,926	-	230,926	237,436
Parks - including debt service	<u>1,214,231</u>	<u>221,404</u>	<u>1,435,635</u>	<u>300,000</u>
 Total Expenditures	 <u>6,700,838</u>	 <u>221,404</u>	 <u>6,922,242</u>	 <u>6,637,436</u>
 Excess Revenues Over (Under)				
Expenditures	493,267	(221,368)	271,899	-
 Other Financing Uses (Sources)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net Change in Fund Balance	 <u>\$ 493,267</u>	 <u>(221,368)</u>	 <u>\$ 271,899</u>	 <u>\$ -</u>
 Fund Balance - Beginning of Year		<u>493,267</u>		
Fund Balance - End of Year		<u>\$ 271,899</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 SIX MONTHS ENDED JUNE 30, 2011**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>REVENUES</b>				
Intergovernmental - SPLOST	\$ 3,229,844	\$ 905,564	\$ 4,135,408	\$ 26,842,500
Interest	<u>60,866</u>	<u>3,394</u>	<u>64,260</u>	<u>-</u>
Total Revenues	<u>3,290,710</u>	<u>908,958</u>	<u>4,199,668</u>	<u>26,842,500</u>
<b>EXPENDITURES</b>				
Current				
Capital Outlay				
Community development facilities	168,575	-	168,575	250,000
Public safety facilities and equipment	1,633,196	42,459	1,675,655	8,342,500
Roads, bridges, sidewalks & facilities	121,071	-	121,071	2,500,000
Public works facilities and equipment	75,184	-	75,184	3,250,000
Parks and recreation	1,935,677	57,214	1,992,891	7,000,000
Water storage tank	1,833,768	252,955	2,086,723	-
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>6,616,184</u>	<u>352,628</u>	<u>6,968,812</u>	<u>26,842,500</u>
Excess Revenues Over (Under) Expenditures	<u>(3,325,474)</u>	<u>556,330</u>	<u>(2,769,144)</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>\$ 3,999,526</u>	556,330	<u>\$ 4,555,856</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		3,999,526		
Fund Balance - End of Year		<u>\$ 4,555,856</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 SIX MONTHS ENDED JUNE 30, 2011**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

	2011			2010
	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>				
Impact fees	\$ 1,275,548	\$ 16,572	\$ (1,258,976)	\$ 153,883
Interest	-	665	665	2,641
Total Revenues	<u>1,275,548</u>	<u>17,237</u>	<u>(1,258,311)</u>	<u>156,524</u>
<b>EXPENDITURES</b>				
Current				
Administration	1,500	858	642	138,847
Capital outlay				
Public Safety				
Police	-	-	-	-
Fire	-	-	-	-
Parks	33,500	35,631	(2,131)	-
Debt service - Parks				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>35,000</u>	<u>36,489</u>	<u>(1,489)</u>	<u>138,847</u>
Excess Revenues Over (Under)				
Expenditures	1,240,548	(19,252)	(1,259,800)	17,677
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Net Change in Fund Balance	1,240,548	(19,252)	(1,259,800)	17,677
Fund Balance - Beginning of Year	<u>1,248,950</u>	<u>1,248,950</u>	<u>-</u>	<u>1,231,273</u>
Fund Balance - End of Year	<u>\$ 2,489,498</u>	<u>\$ 1,229,698</u>	<u>\$ (1,259,800)</u>	<u>\$ 1,248,950</u>

