

CITY OF MCDONOUGH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

City of McDonough

136 Keys Ferry Street
McDonough, GA 30253
770/957-3915



May 15, 2014

The Honorable Mayor, Distinguished Members of Council and the Citizens
Of the City of McDonough
McDonough, GA

Dear Ladies and Gentlemen:

Laws for The State of Georgia requires that all general-purpose local governments publish a complete set of financial statements in accordance with generally accepted accounting standards (GAAP) and audited in accordance with a generally accepted auditing standards by a firm of licensed certified public accounts. Pursuant to that requirement, I hereby issue the Comprehensive Annual Financial Report of the City of McDonough, Georgia for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the City of McDonough's finances. The City assumes full responsibility for the completeness and reliability of all information presented. To provide a reasonable basis for making these representations, management of the City of McDonough has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of McDonough's financial statement in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of McDonough's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. We assert that, to the best of our knowledge and belief, the data presented is accurate in all material respects and all disclosures necessary to enable the reader to obtain a thorough understanding of the City's financial activities have been included.

The City of McDonough's financial statements have been audited by James Whitaker, P.C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of McDonough for the fiscal year ended June 30, 2013 are free from material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement: assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial

statement presentation. The independent auditor concluded that based upon the audit, there was a reasonable basis for rendering an unmodified opinion that the City of McDonough's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Government Auditing Standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. This report is available under a separate cover.

The 2013 CAFR is presented in three sections; including the government-wide financial statements, fund financial statements, and notes to the financial statements. The Introductory Section includes this transmittal letter and organization charts for the City's operating departments. The Financial Section includes the Auditor's Report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules.

PROFILE OF MCDONOUGH CITY GOVERNMENT

The City of McDonough, incorporated on December 18, 1823, is centrally located in the heart of Henry County, twenty-five miles south of Atlanta and only twenty minutes from Hartsfield-Jackson International Airport. It is known as "The Geranium City" and is the county seat of Henry County. It is a municipal corporation created and existing under the laws of the State of Georgia. It has a population of 22,084 residents as of the 2010 census.

The City's form of government is a strong Governing Body. A Mayor and City Council, composed of six members govern and direct the legislative affairs of the City. The City is divided into four districts. One councilperson is elected for each district, with two at-large districts. Each candidate for councilperson must be a citizen of the State of Georgia and have attained the age of 21 years, with continued residency during term of office. The candidate must be registered and qualified to vote in the City of McDonough, Georgia election, and not have been convicted of a felony involving moral turpitude (unless such person's civil rights have been restored and at least ten years have elapsed from the date of the completion of the sentence without a subsequent conviction of another felony involving moral turpitude), and must not be the holder of public funds illegally. Elections are held every four years with the Mayor and one at large councilperson elected by plurality vote by all the qualified voters within the City of McDonough, Georgia for a term of four years and until the election and qualification of a successor. At such election, the Councilpersons for Wards One and Two are elected by plurality vote of all qualified voters. Councilpersons for Wards Three and Four are elected during separate elections by plurality vote by all qualified voters within the City of McDonough, Georgia for a term of four years, and until the election and qualification of a successor.

Under the City's Charter, a full-time City Administrator is employed by and serves at the pleasure of the City Council. The City Administrator serves as the Chief Administrative Officer of the City and is responsible to the Governing Body for the proper administration of all affairs of the City of McDonough, Georgia. The Mayor is the Chief Executive Officer of the City government and possess all the executive and administrative powers granted to the City under the Constitution and laws of the State of Georgia, and all the executive and administrative powers contained in the charter.

For financial reporting purposes, the City's reporting entity consists of general government, and business type enterprise component unit organizations for which the primary government is financially accountable. The City of McDonough, Georgia is the County seat, and provides Police protection, Fire/EMS, Street Maintenance, Refuse Removal, Building Inspections, Code Enforcement, Park Maintenance, and Planning in service to a citizenry of 20,084 residents. The City of McDonough, Georgia is governed by the Mayor and six members of the City Council. Seven Department Directors, including the Chiefs of Fire/EMS, and Police manages 166 employees and total operating and enterprise budgets exceeding \$18 million.

The accompanying report includes all funds and subsidiary accounts supporting the Department's code mandated functions and responsibilities, as well as capital improvements. The component features are displayed as legally separate entries for which the governmental and business enterprises discharge, and manage their duties and personnel. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statement No14.

THE BUDGET CYCLE

The City of McDonough, Georgia Governing Body adopts and adheres to a fiscal year budget cycle that begins on July 1st of every calendar year to June 30th of the ensuing calendar year. The preparation of the Fiscal Budget for the City of McDonough is the legal inventory of service needs.

Budget Phases of Development

The process of preparing the fiscal year budget is a progression through seven phases of development, including needs assessment, policy/strategy, expenses, hearings, adoption, implementation, and the capital budget.

- Needs Assessment- Cost justifications driven by performance objectives and legislative policies adopted by the Mayor and City Council.
- Policy/Strategy Development Phase- Identification of goals and objectives for upcoming fiscal year at City Council retreats. Mayor and City Council review financial data, policies, economic trends, Federal and State regulations, and the current state of the City.
- Budget Development Phase- Operational and Capital Needs are developed, re-evaluated and adjusted.
- Review and Modification- City Administrator conducts hearings with each department director, and in order to review revenue projections and make appropriate adjustments.
- Adoption Phase- In order to fulfill charter requirement, the proposed fiscal year budget must be submitted to the Mayor and City Council in a draft format of ordinances of appropriations at least six weeks prior to the start of the new fiscal year.
- Implementation Phase- Finance and Operational department staff maintains responsibility for budget and expense controls throughout the fiscal year.
- Capital Budget- The development of a five year plan of expenses/purchases for buildings, rolling stock, and park acreage.

MAJOR ACCOMPLISHMENTS AND PROJECTS IMPLEMENTED

During the Fiscal Budget Year 2013, a number of major projects were completed, as well as programs implemented for the improvement of Citizen Service response and information. Listed are major accomplishments achieved during the fiscal year.

- McDonough 101: Citizen's Government Academy
- The SeeClickFix Program Implementation
- The New Public Safety Headquarters Building
- Re-designed City of McDonough, Georgia Website
- Implementation of Employee Recognition Program
- Complete digitization of the City of McDonough's Fiscal Budget Preparation Process and Purchase Order System

The City of McDonough, Georgia received for the first time, the Government Finance Officer Association Distinguished Budget Award for Fiscal Year 2012-2013. The Association presented the award to the City for meeting stringent criteria for document presentation, financial reporting, and compliance with industry recognized standards, principles and policies.

CITY OF MCDONOUGH'S ECONOMY and REVENUE OUTLOOK

SUMMARY

Economic development initiatives are coordinated between the Community Development Department and the Business Development Department, where the city added new full-time staff to direct citywide and downtown development initiatives. In 2013, the City experienced the restart of many significant projects that were delayed due to the economic downturn over the past five years. Housing starts, commercial building permits, and hotel stays all increased over 2012. Previously undeveloped bank-owned residential lots were sold to housing developers in 2013 and are now in planning stages. The commercial developments at South Point and the Shops at Lake Dow are under construction with new retail and restaurant tenants. The City increased the hotel/motel tax rate from 5% to 3% to fund new tourism development projects in an effort to attract more visitors.

FORECAST

Momentum from 2013 should carry over into subsequent years. Significant new retail development will continue along Interstate 75 and along state routes throughout the city. Rooms to Go, Freddy's Steak burgers and Custard, Movie Tavern, Kia and Nissan dealerships, Chick-fil-A, and Hampton Inn should all be completed by mid-2014. City staff is focused on highlighting these substantial investments to attract additional development. There are approximately 3,900 platted but undeveloped residential lots of record within the city limits, which offers an incredible opportunity for population growth. The City of McDonough is working with new housing developments and expects between 75-125 lots to begin new construction within calendar 2014. With the addition of another hotel, tax

collections from the hotel/motel levy, the trend will continue to rise, offering additional advertising and promotional opportunities and resources for the McDonough Hospitality and Tourism Board along with funding for key attractions.

MAJOR INITIATIVES


The City continues to support efforts at enhancing the community's economic portfolio. The Downtown Development Authority has been reconstituted and will look to diversify the downtown economy with new retail, office, and residential developments. While the new Special Purpose Local Option Sales Tax (SPLOST) projects mostly focus on parks and roadways, there are several important cultural amenities included that will support economic development in the city's historic downtown core. The renovation of cultural and arts facilities will be of major importance to the health of downtown. Highlighting McDonough's history will also be a focus for the upcoming year with planned projects that feature the Camp Creek train tragedy and the old railroad depot. The City also plans to streamline and update its zoning and development code to present a more modern and efficient approach to development reviews and construction approval. A consultant team will work to craft a unified development code and commercial corridor overlay districts that will allow staff to better fulfill the visions of various long-range planning efforts.

GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. In addition to the financial analysis addressing McDonough's governmental and business-type activities, the MD&A focuses on the major funds; including the General Fund, Revenue Fund, Water and Sewer Fund, and Special Revenues.

ACKNOWLEDGEMENTS

The preparation of this CAFR could not have been accomplished without the efforts and dedication of the Finance staff and the operating departments. We thank them and the governing body for their shared interest and support in the City of McDonough's financial operations.

Respectfully submitted,



Fredrick Gardiner
City Administrator



Lolita Grant, CPA
Finance Director

City of McDonough, GA
Period Ending 6/30/2013

CITY COUNCIL

Billy Copeland	Mayor
At- Large Councilperson	Gail Notti
At-Large Councilperson	Roger Pruitt
District 1 Councilperson	Rufus Stewart
District 2 Councilperson	Sandra Vincent
District 3 Councilperson	Craig Elrod
District 4 Councilperson	Kamali Varner

OFFICERS OF THE COUNCIL

City Clerk	Janis Price
City Attorney	Leigh Hancher

JUDICIAL BRANCH

Judge	W. Donald Patton
Judge Pro-Tem	Bruce McFarland
Solicitor	Pam Bettis
	Jessica Whitely O'Conner
Director of Court Services	Warren Langley

EXECUTIVE BRANCH

City Administrator	Fredrick Gardiner, AICP
Deputy City Administrator	Jestin Johnson
Assistant to City Administrator	Taffini Guffie
Finance Director	Lolita Grant, CPA
Human Resource Director	Carla Tuck
Police Chief	Preston Dorsey
Fire Chief	Steve Morgan
Interim Director of Community Development	Rodney C. Heard
Director of Economic Development	Adam Causey
Interim Director of Public Works	Keith Dickerson

FINANCIAL SECTION

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JAMES L. WHITAKER, P.C.

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Member of
The American Institute of
Certified Public Accountants

Member of
Georgia Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of McDonough, Georgia (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of McDonough, Georgia, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated May 15, 2014 on our consideration of City of McDonough, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of McDonough, Georgia's internal control over financial reporting and compliance.

James L. Whitaker, P.C.

McDonough, Georgia
May 15, 2014

CITY OF McDONOUGH MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of McDonough, we offer readers of the City of McDonough's financial statements this narrative overview and analysis of the financial activities of the City of McDonough for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

During the Fiscal Budget Year 2013, a number of major projects were completed, as well as programs implemented for the improvement of Citizen Service response and information. Listed are major accomplishments achieved during the fiscal year.

- McDonough 101: Citizen's Government Academy
- The SeeClickFix Program Implementation
- The New Public Safety Headquarters Building
- Re-designed City of McDonough, Georgia Website
- Implementation of Employee Recognition Program
- Complete digitization of the City of McDonough's Fiscal Budget Preparation Process and Purchase Order System
- Assets of the City of McDonough exceeded its liabilities at June 30, 2013 by \$52,398,467. Of this amount unrestricted net assets of \$8,672,367 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$539,901. Of this amount a net decrease of (\$190,413) was associated with governmental activities and an increase of \$730,314 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 \$3,434,520, a decrease of \$3,616,437 in comparison with the prior period. Of this amount \$(307,737) is unassigned and, \$3,130,978 is restricted for capital projects and other specific future uses and \$661,279 is nonspendable for such amounts as prepaid items of \$444,679 and the cemetery trust corpus of \$166,600. The decrease of \$1,964,312 in the SPLOST is due to the significant capital outlay in the SPLOST Funds for the period and purchase of capital outlay for expansion of the City's Cemetery.
- At the end of the current year, unassigned fund balance for the general fund was \$(307,737) or -2.4 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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 2013 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 Combining Statements for Non-major Governmental Fund and Various Fund Budget Schedules.

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, 2013, the City's position exceeded liabilities by \$52,398,467. The City's net position reflects its investment in capital assets \$39,807,334 (76.0 percent), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Of the total net position, \$3,918,766 (7.5 percent) is restricted for capital projects and other specified activities and \$8,672,367 (16.5 percent) is unrestricted.

The comparative government-wide information for the year ended June 30, 2012 and June 30, 2013 is as follows:

City of McDonough's Net Assets

	Governmental Activities		Business-type Activities		Total	
	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013
Current and other assets	\$ 8,207,204	\$ 5,711,174	\$ 10,002,238	\$ 10,147,238	\$ 18,209,442	\$ 15,858,412
Capital assets	26,119,994	29,180,570	14,160,550	15,258,050	40,280,544	44,438,620
Total assets	34,327,198	34,891,744	24,162,788	25,405,288	58,489,986	60,297,032
Current liabilities	817,190	1,965,270	668,010	1,168,949	1,485,200	3,134,219
Long-term liabilities	1,672,408	1,259,287	3,473,812	3,485,059	5,146,220	4,744,346
Total liabilities	2,489,598	3,224,557	4,141,822	4,654,008	6,631,420	7,878,565
Net assets:						
Invested in capital assets, net of related debt	24,667,896	28,124,061	10,371,286	11,683,273	35,039,182	39,807,334
Restricted	5,237,271	3,297,578	1,090,390	621,188	6,327,661	3,918,766
Unrestricted	1,932,433	225,548	8,559,290	8,446,819	10,491,723	8,672,367
Total net assets	\$ 31,837,600	\$ 31,647,187	\$ 20,020,966	\$ 20,751,280	\$ 51,858,566	\$ 52,398,467

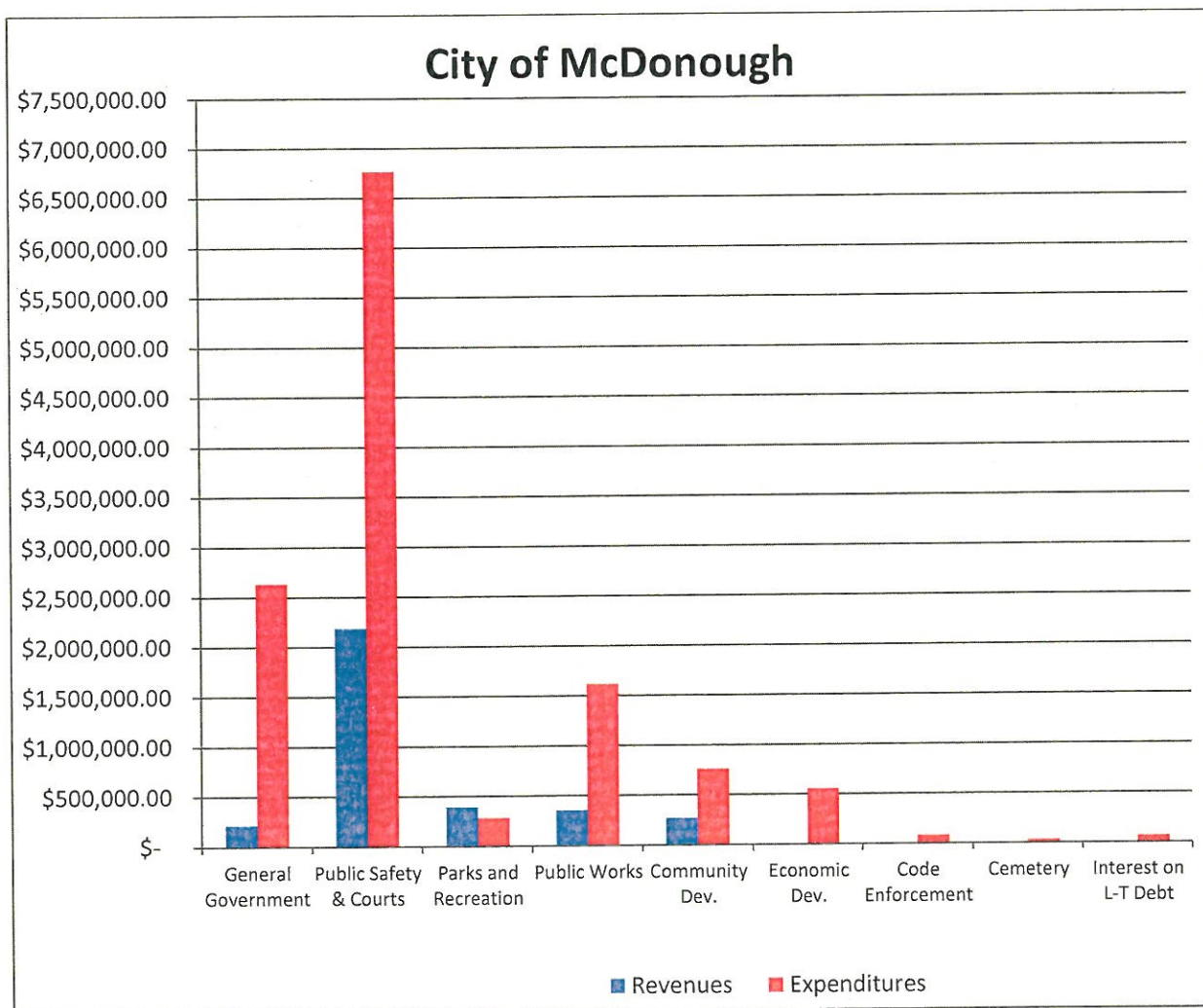
A portion of the net position (7.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,672,367) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities decreased the City of McDonough's net assets by \$190,413.

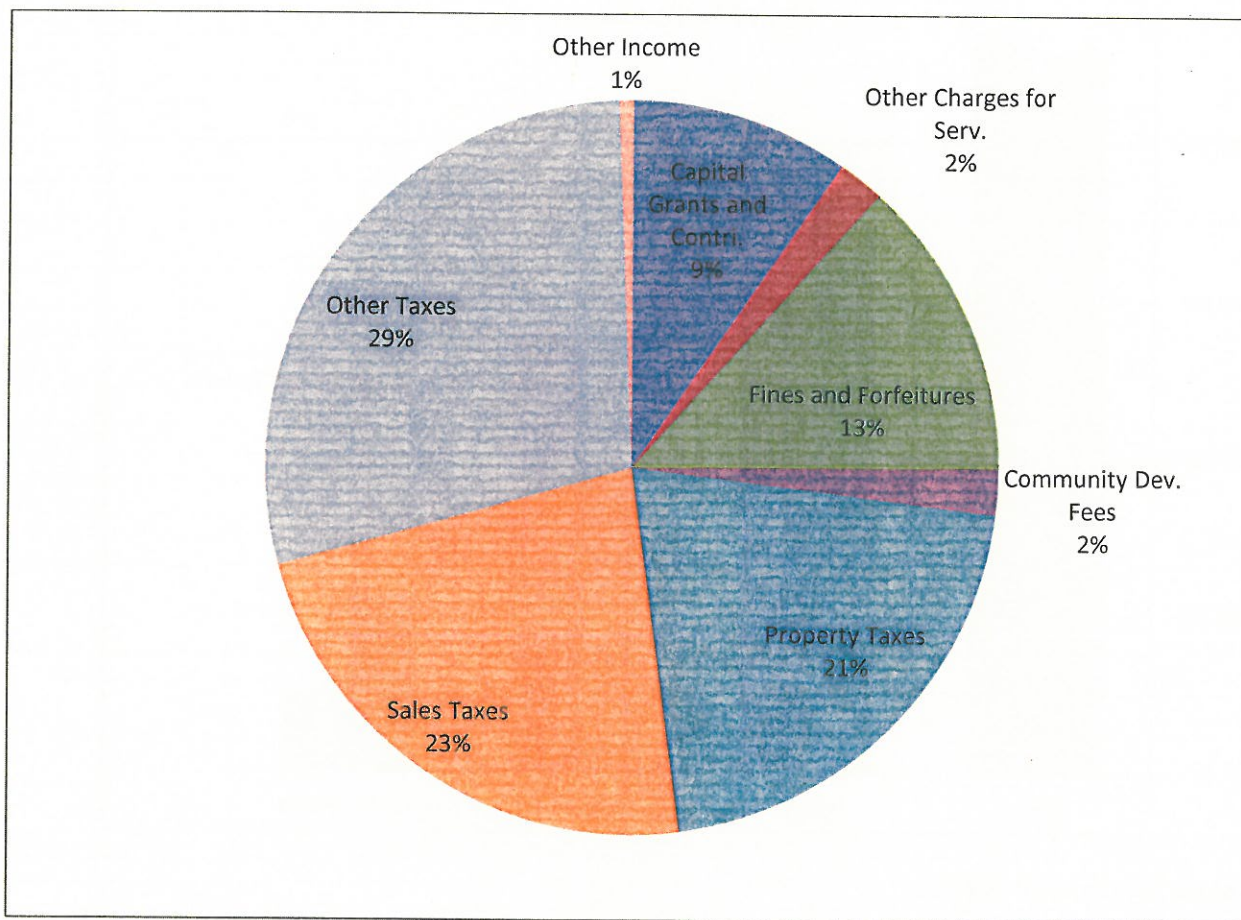
**City of McDonough's Change in Net Assets
For The Year Ended June 30, 2013**

	Governmental Activities		Business-type Activities		Total	
	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013
Revenues:						
Program Revenues -						
Charges for services	\$ 1,927,090	\$ 2,198,648	\$ 6,255,633	\$ 6,071,509	\$ 8,182,723	\$ 8,270,157
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	1,407,085	1,219,367	22,566	93,951	1,429,651	1,313,318
General Revenues-						
Property taxes	2,874,345	2,639,790	-	-	2,874,345	2,639,790
Sales taxes	2,859,555	2,889,590	-	-	2,859,555	2,889,590
Other taxes	3,561,357	3,667,046	-	-	3,561,357	3,667,046
Interest	215	5	6,539	8,723	6,754	8,728
Gain on disposal of capital assets	932	-	-	-	932	-
Other	210,085	51,673	-	-	210,085	51,673
	<u>12,840,664</u>	<u>12,666,119</u>	<u>6,284,738</u>	<u>6,174,183</u>	<u>19,125,402</u>	<u>18,840,302</u>
Expenses:						
General government	2,674,753	2,633,641	-	-	2,674,753	2,633,641
Public safety and courts	6,402,347	6,766,992	-	-	6,402,347	6,766,992
Public works	1,355,794	1,617,709	-	-	1,355,794	1,617,709
Cemetery	18,222	31,897	-	-	18,222	31,897
Parks and recreation	401,230	283,284	-	-	401,230	283,284
Community development	739,802	760,508	-	-	739,802	760,508
Economic development	537,525	553,605	-	-	537,525	553,605
Code enforcement	81,584	80,636	-	-	81,584	80,636
Interest on long-term debt	66,523	63,512	-	-	66,523	63,512
Water	-	-	2,208,930	2,350,734	2,208,930	2,350,734
Sewer	-	-	1,586,370	1,507,017	1,586,370	1,507,017
Solid waste	-	-	1,407,467	1,394,486	1,407,467	1,394,486
Storm Water	-	-	244,136	256,380	244,136	256,380
	<u>12,277,780</u>	<u>12,791,784</u>	<u>5,446,903</u>	<u>5,508,617</u>	<u>17,724,683</u>	<u>18,300,401</u>
Increase (decrease) in net assets before transfers	562,884	(125,665)	837,835	665,566	1,400,719	539,901
Transfers	<u>(195,987)</u>	<u>(64,748)</u>	<u>195,987</u>	<u>64,748</u>	-	-
Increase (decrease) in net assets	366,897	(190,413)	1,033,822	730,314	1,400,719	539,901
Net assets - beginning of year	<u>31,470,703</u>	<u>31,837,600</u>	<u>18,987,144</u>	<u>20,020,966</u>	<u>50,457,847</u>	<u>51,858,566</u>
Net assets - end of year	<u>\$ 31,837,600</u>	<u>\$ 31,647,187</u>	<u>\$ 20,020,966</u>	<u>\$ 20,751,280</u>	<u>\$ 51,858,566</u>	<u>\$ 52,398,467</u>

For the year ended June 30, 2013 a decrease in net assets of (\$190,413) was reported in Governmental Activities, when compared to period ending June 30, 2012. General revenues decreased from to \$9,506,489 in 2012 to \$9,248,104 for the fiscal year ended June 30, 2013. The loss is attributed the result of decreases in Property Taxes Revenue of \$234,555.



Revenue by Source-Governmental Activities

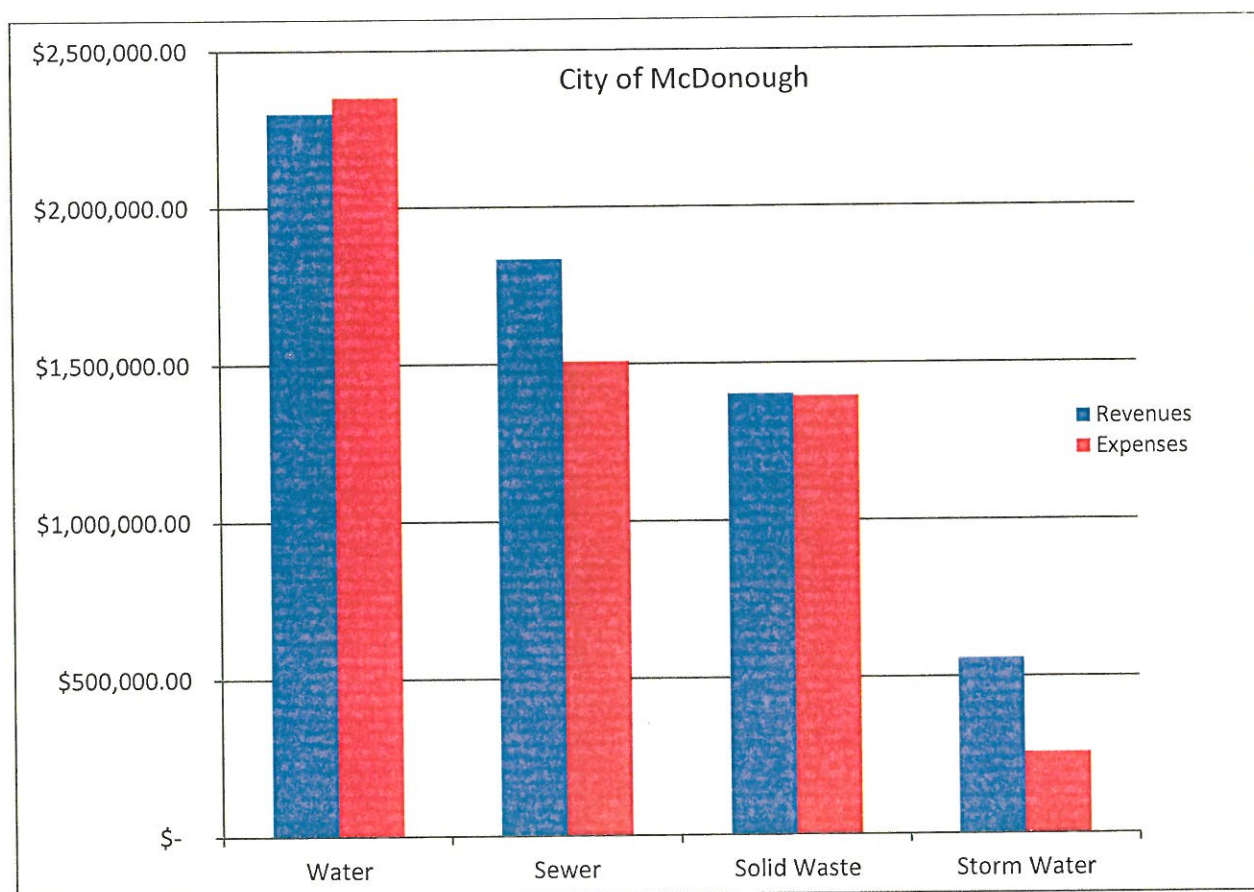


Business-type activities. Business-type activities increased the City's net position by \$730,314 of which \$354,902 was from Water and Sewer activities, \$72,465 was from Solid Waste Management Activities and \$302,947 was from Storm Water Management Activities.

The City uses an outside contractor to perform most of its solid waste services. The Solid Waste Management Fund reported an increase in net position for the year of \$72,465, of which \$64,748 was the result of transfers from the General Fund.

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, 2013 the city's governmental funds reported combined ending fund balances of \$3,434,520 a decrease of \$361,431 in comparison to the prior period. Of this amount (\$307,737) or (-8.9 percent) is unassigned fund balance. A portion of fund balance is restricted to indicate that it is to be used for specified purposes: 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax and Development Impact Fees (\$3,101,688);

2) for Perpetual Care of the City's cemetery (\$22,908); and for police activities (\$6,382). The remainder of fund balance is nonspendable for such items as prepaid items of \$444,679 and cemetery trust corpus of \$166,600.

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 (\$307,737) while the total fund balance amounted to \$136,942. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents -2.25 percent of the total general fund expenditures, while total fund balance represents 1.1 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$1,676,744. The purchase of the new public safety and the transfer of property from SPLOST to the General Funds contributed to the decrease in fund balance.

The City of McDonough received \$1,147,284 in Special Purpose Local Option Sales Taxes for the year. The City began receiving 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 2008. The City received \$7,325,000 from the County's bond issue. Projects approved by voters in the SPLOST referendum include public safety facilities and equipment, public works facilities and equipment, park improvements and roads, bridges, sidewalks and transportation facilities. As a condition of the Bonds, SPLOST Revenues were first used to pay the principle and interest on the bonds secured and guaranteed by Henry County SPLOST. Any remaining SPLOST Revenues were used to funds other SPLOST projects. The City spent \$118,819 for Community Development Facilities; \$2,003,107 for Public safety and equipment; \$384,007 for roads, bridges and sidewalks; \$55,722 for Parks and recreation and \$442,807 for debt repayment associate with Parks.

The City also received Development Impact Fees during the year totaling \$65,533. 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, 2013 amounted to \$910,208.

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

Unrestricted net position of the proprietary funds at the end of the year were \$8,446,819 of which the Water and Sewer Fund had \$6,128,261; Solid Waste Management Fund had \$82,745 and the Storm Water Management Fund had \$2,235,813. 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 \$11,246,435 were amended a total of \$13,079,916 or 1.16% of the original budget. Budget amendments were made mainly for the purchase of the Public Safety Building as well, unexpected lawsuit settlement.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2013 amounts to \$44,438,620 (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:

- \$ 222,172 Public safety vehicles
- \$2,647,990 New public safety works facility and completion of public works facility
- \$ 419,501 Construction in progress for Police Bldg. and road improvements.
- \$ 53,772 Alex Park Improvements
- \$ 667,043 Land purchases to include police facilities
- 71,452 Computers and lawn mowers
- \$ 141,856 Trucks and spreaders for Water and Sewer
- \$1,277,749 Sewer Rehab and Hwy 20/80 projects
- \$ 57,145 Machinery and Equipment for Water and Sewer
- \$ 135,741 Building Improvement Racetrack Road – Water and Sewer

- \$ 31,400 Construction in progress for Big Springs Project

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 \$4,834,064 in outstanding debt consisting of the following:

CITY OF McDONOUGH'S OUTSTANDING DEBT

	<u>Balance</u>
Governmental Activities:	
Accrued compensated absences	\$ 202,778
Capital lease obligations	1,056,509
Business-Type Activities -	
Revenue bonds	3,309,000
GEFA notes	<u>265,777</u>
 Total	 <u>\$ 4,834,064</u>

The City's total debt decreased by \$267,318. 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 \$61,000,000 which is significantly in excess of the City of McDonough's outstanding general obligation debt.

Status of the City of McDonough's Economy

- The unemployment rate for the regional development center in which the City of McDonough is located was approximately 10 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 shown a slight improvement.
- Sales tax receipts have shown a slight 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 POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,343,486	\$ 1,938,493	\$ 4,281,979
Investments	-	4,612,039	4,612,039
Receivables, net			
Taxes	581,729	-	581,729
Fines	279,045	-	279,045
Accounts	19,853	1,045,849	1,065,702
Intergovernmental	372,237	-	372,237
Other	-	6,385	6,385
Internal balances	(1,903,920)	1,903,920	-
Prepaid items	444,679	19,364	464,043
Restricted assets			
Cash	119,051	621,188	740,239
Investments	3,455,014	-	3,455,014
Interest	-	-	-
Non-depreciable capital assets	12,009,414	2,820,787	14,830,201
Depreciable capital assets, net	<u>17,171,156</u>	<u>12,437,263</u>	<u>29,608,419</u>
 Total Assets	 <u>34,891,744</u>	 <u>25,405,288</u>	 <u>60,297,032</u>

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable			
Trade	\$ 711,248	\$ 167,127	\$ 878,375
Construction	113,070	576,324	689,394
Accrued liabilities			
Salaries	170,332	37,998	208,330
Compensated absences	-	56,317	56,317
Customer deposits	-	235,941	235,941
Settlement	395,000	-	395,000
Other	96,126	-	96,126
Unearned revenues	354,554	-	354,554
Liabilities payable from restricted assets			
Revenue bonds	-	-	-
Notes payable	-	89,718	89,718
Accrued interest	-	5,524	5,524
Accounts payable	144,940	-	144,940
Long-term liabilities			
Due within one year	430,810	-	430,810
Due in more than one year	828,477	3,485,059	4,313,536
	<u>3,244,557</u>	<u>4,654,008</u>	<u>7,898,565</u>
Total Liabilities	<u>3,244,557</u>	<u>4,654,008</u>	<u>7,898,565</u>
Net Position			
Net investment in			
capital assets	28,124,061	11,683,273	39,807,334
Restricted for			
Perpetual care			
Expendable	22,908	-	22,908
Nonexpendable	166,600	-	166,600
Police activities	6,382	-	6,382
Capital projects	3,101,688	-	3,101,688
Debt covenants	-	621,188	621,188
Unrestricted	225,548	8,446,819	8,672,367
	<u>225,548</u>	<u>8,446,819</u>	<u>8,672,367</u>
Total Net Position	<u>\$ 31,647,187</u>	<u>\$ 20,751,280</u>	<u>\$ 52,398,467</u>

See accompanying notes to the basic financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

<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>
Governmental Activities				
General Government	\$ 2,633,641	\$ 211,152	\$ -	\$ 2,029
Public Safety and Courts	6,766,992	1,682,569	-	503,397
Public Works	1,617,709	45,277	-	310,483
Cemetery	31,897	1,400	-	-
Parks and Recreation	283,284	795	-	389,959
Community Development	760,508	257,455	-	13,499
Economic Development	553,605	-	-	-
Code Enforcement	80,636	-	-	-
Interest	63,512	-	-	-
Total Governmental Activities	<u>12,791,784</u>	<u>2,198,648</u>	<u>-</u>	<u>1,219,367</u>
Business-Type Activities				
Water	2,350,734	2,241,918	-	49,363
Sewer	1,507,017	1,869,429	-	44,588
Solid Waste Management	1,394,486	1,402,203	-	-
Storm Water Management	256,380	557,959	-	-
Total Business-Type Activities	<u>5,508,617</u>	<u>6,071,509</u>	<u>-</u>	<u>93,951</u>
Total Government	<u>\$ 18,300,401</u>	<u>\$ 8,270,157</u>	<u>\$ -</u>	<u>\$ 1,313,318</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 Position
Net Position - Beginning of Year
Net Position - End of Year

See accompanying notes to the basic financial statements.

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

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (2,420,460)	\$ -	\$ (2,420,460)
(4,581,026)	-	(4,581,026)
(1,261,949)	-	(1,261,949)
(30,497)	-	(30,497)
107,470	-	107,470
(489,554)	-	(489,554)
(553,605)	-	(553,605)
(80,636)	-	(80,636)
(63,512)	-	(63,512)
<u>(9,373,769)</u>	<u>-</u>	<u>(9,373,769)</u>
-	(59,453)	(59,453)
-	407,000	407,000
-	7,717	7,717
-	301,579	301,579
<u>-</u>	<u>656,843</u>	<u>656,843</u>
<u>(9,373,769)</u>	<u>656,843</u>	<u>(8,716,926)</u>
2,639,790	-	2,639,790
1,135,164	-	1,135,164
2,889,590	-	2,889,590
468,402	-	468,402
1,100,227	-	1,100,227
447,086	-	447,086
483,196	-	483,196
32,971	-	32,971
5	8,723	8,728
51,673	-	51,673
<u>-</u>	<u>-</u>	<u>-</u>
9,248,104	8,723	9,256,827
(64,748)	64,748	-
<u>9,183,356</u>	<u>73,471</u>	<u>9,256,827</u>
(190,413)	730,314	539,901
31,837,600	20,020,966	51,858,566
<u>\$ 31,647,187</u>	<u>\$ 20,751,280</u>	<u>\$ 52,398,467</u>

CITY OF McDONOUGH, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>GENERAL</u>	<u>SPLOST II</u>	<u>SPLOST III</u>
ASSETS			
Cash and cash equivalents	\$ 2,145,732	\$ 13,597	\$ -
Investments	-	-	2,363,056
Receivables			
Taxes	446,439	-	-
Intergovernmental	362,389	-	-
Fines	279,045	-	-
Other	9,848	-	19,853
Due from other funds	1,080,999	-	-
Prepaid items	444,679	-	-
Total Assets	<u>\$ 4,769,131</u>	<u>\$ 13,597</u>	<u>\$ 2,382,909</u>
LIABILITIES			
Accounts payable			
Trade	\$ 711,248	\$ -	\$ -
Construction	113,070	-	89,332
Accrued expenditures			
Payroll	170,332	-	-
Performance bonds	25,000	-	-
Court Bonds	71,126	-	-
Settlements	395,000	-	-
Unearned revenues	354,456	-	-
Due to other funds	2,500,573	-	115,694
Total Liabilities	<u>4,340,805</u>	<u>-</u>	<u>205,026</u>
DEFERRED INFLOWS			
Unavailable revenues	<u>291,384</u>	<u>-</u>	<u>-</u>
Fund Balance			
Nonspendable -			
Prepaid items	444,679	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	13,597	2,177,883
Police activities	-	-	-
Cemetery	-	-	-
Unassigned	(307,737)	-	-
Total Fund Balance	<u>136,942</u>	<u>13,597</u>	<u>2,177,883</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 4,769,131</u>	 <u>\$ 13,597</u>	 <u>\$ 2,382,909</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 97,126	\$ 206,082	\$ 2,462,537
904,298	187,660	3,455,014
-	135,290	581,729
-	-	362,389
-	-	279,045
-	-	29,701
-	-	1,080,999
-	-	444,679
<u>\$ 1,001,424</u>	<u>\$ 529,032</u>	<u>\$ 8,696,093</u>
\$ -	\$ 55,608	\$ 766,856
-	-	202,402
-	-	170,332
-	-	25,000
-	-	71,126
-	-	395,000
-	98	354,554
<u>91,216</u>	<u>277,436</u>	<u>2,984,919</u>
<u>91,216</u>	<u>333,142</u>	<u>4,970,189</u>
-	-	291,384
-	-	444,679
-	166,600	166,600
910,208	-	3,101,688
-	6,382	6,382
-	22,908	22,908
-	-	(307,737)
<u>910,208</u>	<u>195,890</u>	<u>3,434,520</u>
<u>\$ 1,001,424</u>	<u>\$ 529,032</u>	<u>\$ 8,696,093</u>

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

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

Total fund balances -- total governmental funds	\$ 3,434,520
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,180,570
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds: Unavailable revenues	291,384
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Capital lease Long-term portion of compensated absences	(1,056,509) <u>(202,778)</u>
Net position of governmental activities.	<u>\$ 31,647,187</u>

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

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CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL	SPLOST II	SPLOST III
REVENUES			
Taxes	\$ 8,795,099	\$ -	\$ -
Licenses and permits			
Business license	170,346	-	-
Building permits and fees	211,453	-	-
Intergovernmental	32,857	-	1,147,284
Charges for services	55,635	-	-
Fines and forfeitures	1,572,591	-	-
Interest	-	-	5,144
Miscellaneous	130,037	-	-
	<u>10,968,018</u>	<u>-</u>	<u>1,152,428</u>
Total Revenues			
	<u>10,968,018</u>	<u>-</u>	<u>1,152,428</u>
EXPENDITURES			
Current			
Governing Body	217,939	-	-
General Administration	2,324,246	-	-
Municipal Court	942,529	-	-
Probation	150,298	-	-
Public Safety	5,094,274	-	-
Highways & Streets	1,456,264	-	-
Cemetery	20,709	-	-
Parks and Recreation	112,162	-	-
Community Development	705,635	-	-
Economic Development	400,281	-	-
Code Enforcement	80,573	-	-
Debt service			
Principal	-	-	395,588
Interest	-	-	47,219
Capital outlay	1,365,021	-	2,631,655
	<u>12,869,931</u>	<u>-</u>	<u>3,074,462</u>
Total Expenditures			
	<u>12,869,931</u>	<u>-</u>	<u>3,074,462</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 483,196	\$ 9,278,295
-	-	170,346
-	-	211,453
-	-	1,180,141
65,533	-	121,168
-	11,696	1,584,287
1,405	288	6,837
-	-	130,037
<u>66,938</u>	<u>495,180</u>	<u>12,682,564</u>
-	-	217,939
-	-	2,324,246
-	-	942,529
-	-	150,298
-	5,365	5,099,639
-	-	1,456,264
-	-	20,709
-	-	112,162
-	-	705,635
-	193,279	593,560
-	-	80,573
-	-	-
-	-	395,588
-	-	47,219
<u>91,216</u>	<u>-</u>	<u>4,087,892</u>
<u>91,216</u>	<u>198,644</u>	<u>16,234,253</u>

Continued

CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	<u>GENERAL</u>	<u>SPLOST II</u>	<u>SPLOST III</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ (1,901,913)	\$ -	\$ (1,922,034)
Other Financing Sources (Uses)			
Proceeds from disposition of assets	-	-	-
Transfers	<u>225,169</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>225,169</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,676,744)	-	(1,922,034)
Fund Balance - Beginning of Year	<u>1,813,686</u>	<u>13,597</u>	<u>4,099,917</u>
Fund Balance - End of Year	<u>\$ 136,942</u>	<u>\$ 13,597</u>	<u>\$ 2,177,883</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>\$ (24,278)</u>	<u>\$ 296,536</u>	<u>\$ (3,551,689)</u>
-	-	-
<u>-</u>	<u>(289,917)</u>	<u>(64,748)</u>
<u>-</u>	<u>(289,917)</u>	<u>(64,748)</u>
(24,278)	6,619	(3,616,437)
<u>934,486</u>	<u>189,271</u>	<u>7,050,957</u>
<u>\$ 910,208</u>	<u>\$ 195,890</u>	<u>\$ 3,434,520</u>

Concluded

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances -- total governmental funds \$ (3,616,437)

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

Capital outlay	4,081,930
Depreciation	(1,021,355)

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

-

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

(31,378)

Proceeds from long-term debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Principal payments	395,588
Proceeds from debt issues	-

Write-off of bond issue cost which were considered deferred cost in the statement of net assets prior to July 1, 2013 but are now expensed in the year incurred.

Amortization expense	(16,293)
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	<u>17,532</u>

Change in net position of governmental activities. \$ (190,413)

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

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CITY OF McDONOUGH, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	\$ 8,620,000	\$ 8,803,031	\$ 8,795,099	\$ (7,932)
Licenses and permits				
Business license	176,000	176,000	170,346	(5,654)
Building permits and fees	245,400	250,876	211,453	(39,423)
Intergovernmental	11,538	24,925	32,857	7,932
Charges for services	57,600	151,128	55,635	(95,493)
Fines and forfeitures	1,300,000	1,572,591	1,572,591	-
Interest	100	283	-	(283)
Administration fees	196,797	-	144,673	144,673
Miscellaneous	104,000	134,420	130,037	(4,383)
Total Revenues	10,711,435	11,113,254	11,112,691	(563)
EXPENDITURES				
Current				
Governing Body	247,677	218,611	217,939	672
General Government -				
City Administrator	425,246	339,210	346,876	(7,666)
Administration	942,121	1,612,683	1,569,990	42,693
Finance	466,390	361,069	360,489	580
IT	117,973	191,735	191,564	171
Municipal Court	771,855	943,286	942,529	757
Probation	156,255	151,073	150,298	775
Public Safety -				
Police	3,393,752	4,697,218	4,682,478	14,740
Fire	1,802,987	1,728,763	1,722,552	6,211
Highways & Streets	1,482,201	1,494,375	1,491,309	3,066
Cemetery	23,532	27,417	27,417	-
Parks and Recreation	157,525	122,584	122,583	1
Community Development				
Planning and Zoning	466,365	450,613	449,597	1,016
Building Inspection	275,413	259,208	258,129	1,079
Economic Development				
Main Street	177,325	181,608	181,035	573
Business Development	94,197	50,451	50,331	120
Other	158,979	169,122	168,915	207
Code Enforcement	86,642	80,891	80,573	318
Debt Service	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	11,246,435	13,079,917	13,014,604	65,313

See accompanying notes to the financial statements.

Continued

**CITY OF McDONOUGH, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>\$ (535,000)</u>	<u>\$ (1,966,663)</u>	<u>\$ (1,901,913)</u>	<u>\$ 64,750</u>
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from disposition of assets	-	-	-	-
Transfers	<u>535,000</u>	<u>289,918</u>	<u>225,169</u>	<u>(64,749)</u>
Total Other Financing Sources (Uses)	<u>535,000</u>	<u>289,918</u>	<u>225,169</u>	<u>(64,749)</u>
Net Change in Fund Balance	-	(1,676,745)	(1,676,744)	1
Fund Balance - Beginning of Year	<u>1,813,686</u>	<u>1,813,686</u>	<u>1,813,686</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,813,686</u>	<u>\$ 136,941</u>	<u>\$ 136,942</u>	<u>\$ 1</u>

See accompanying notes to the financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

ASSETS	Water and Sewer	Solid Waste Management	Storm Water Management	Total
Current Assets				
Cash	\$ 362,702	\$ -	\$ 1,575,791	\$ 1,938,493
Investments	3,729,330	-	882,709	4,612,039
Receivables				
Accounts (net)	579,294	85,002	381,553	1,045,849
Other	6,385	-	-	6,385
Due from other funds	2,500,573	-	-	2,500,573
Prepaid expenses	14,855	2,878	1,631	19,364
Restricted Assets				
Cash	621,188	-	-	621,188
Total Current Assets	<u>7,814,327</u>	<u>87,880</u>	<u>2,841,684</u>	<u>10,743,891</u>
Noncurrent Assets				
Bond issue costs, net of amortization	-	-	-	-
Capital assets				
Land	1,144,569	-	222,161	1,366,730
Buildings	902,743	-	135,741	1,038,484
Improvements other than buildings	20,630,001	-	511,461	21,141,462
Machinery and equipment	1,078,001	52,608	227,782	1,358,391
Autos and trucks	601,305	77,919	-	679,224
Construction in progress	1,422,657	-	31,400	1,454,057
Accumulated depreciation	(11,584,280)	(55,391)	(140,627)	(11,780,298)
Capital assets (net of depreciation)	<u>14,194,996</u>	<u>75,136</u>	<u>987,918</u>	<u>15,258,050</u>
Total Noncurrent Assets	<u>14,194,996</u>	<u>75,136</u>	<u>987,918</u>	<u>15,258,050</u>
Total Assets	<u>22,009,323</u>	<u>163,016</u>	<u>3,829,602</u>	<u>26,001,941</u>

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

LIABILITIES	Water and Sewer	Solid Waste Management	Storm Water Management	Total
Current Liabilities				
Accounts payable				
Trade	\$ 166,898	\$ -	\$ 229	\$ 167,127
Construction	576,324	-	-	576,324
Accrued liabilities				
Deposits	235,941	-	-	235,941
Accrued compensated absences	48,476	3,024	4,817	56,317
Accrued salaries	31,715	2,111	4,172	37,998
Due to other funds	-	-	596,653	596,653
Current liabilities payable from restricted assets				
Revenue bonds	-	-	-	-
Notes payable	89,718	-	-	89,718
Accrued interest	5,524	-	-	5,524
Total Current Liabilities	<u>1,154,596</u>	<u>5,135</u>	<u>605,871</u>	<u>1,765,602</u>
Noncurrent Liabilities				
Revenue bonds	-	-	-	-
Notes payable	3,485,059	-	-	3,485,059
Total Noncurrent Liabilities	<u>3,485,059</u>	<u>-</u>	<u>-</u>	<u>3,485,059</u>
Total Liabilities	<u>4,639,655</u>	<u>5,135</u>	<u>605,871</u>	<u>5,250,661</u>
NET POSITION				
Net investment in capital assets	10,620,219	75,136	987,918	11,683,273
Restricted under debt ordinance	621,188	-	-	621,188
Unrestricted	6,128,261	82,745	2,235,813	8,446,819
Total Net Position	<u>\$ 17,369,668</u>	<u>\$ 157,881</u>	<u>\$ 3,223,731</u>	<u>\$ 20,751,280</u>

See accompanying notes to the basic financial statements.

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Water and Sewer	Solid Waste Management	Storm Water Management	Total
OPERATING REVENUES				
Charges for services				
Water sales	\$ 2,159,117	\$ -	\$ -	\$ 2,159,117
Sewer charges	1,788,979	-	-	1,788,979
Sanitation fees	-	1,402,203	-	1,402,203
Storm water fees	-	-	557,959	557,959
Connection fees				
Water	2,350	-	-	2,350
Sewer	-	-	-	-
Penalties and reconnect fees	141,387	-	-	141,387
Miscellaneous	19,514	-	-	19,514
Total Operating Revenues	<u>4,111,347</u>	<u>1,402,203</u>	<u>557,959</u>	<u>6,071,509</u>
OPERATING EXPENSES				
Purchased products / services	-	1,232,634	-	1,232,634
Personal services and benefits	1,482,246	104,439	112,166	1,698,851
Purchased / contracted services	477,266	19,097	81,493	577,856
Supplies	811,473	1,896	10,167	823,536
Cost allocations	94,610	33,637	16,425	144,672
Depreciation and amortization	728,170	2,783	36,129	767,082
Other	-	-	-	-
Total Operating Expenses	<u>3,593,765</u>	<u>1,394,486</u>	<u>256,380</u>	<u>5,244,631</u>
Operating Income (Loss)	<u>517,582</u>	<u>7,717</u>	<u>301,579</u>	<u>826,878</u>
NON-OPERATING INCOME (EXPENSE)				
Interest earned	7,355	-	1,368	8,723
Interest expense	(142,853)	-	-	(142,853)
Debt issuance costs	(121,133)	-	-	(121,133)
Total Non-Operating Income (Expense)	<u>(256,631)</u>	<u>-</u>	<u>1,368</u>	<u>(255,263)</u>
Net Income before Transfers and Capital Contributions	260,951	7,717	302,947	571,615
Capital Contributions				
Water	49,363	-	-	49,363
Sewer	44,588	-	-	44,588
Transfers	-	64,748	-	64,748
Change in Net Position	354,902	72,465	302,947	730,314
Net Position - Beginning of Year	<u>17,014,766</u>	<u>85,416</u>	<u>2,920,784</u>	<u>20,020,966</u>
Net Position - End of Year	<u>\$ 17,369,668</u>	<u>\$ 157,881</u>	<u>\$ 3,223,731</u>	<u>\$ 20,751,280</u>

See accompanying notes to the basic financial statements.

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**CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	<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	\$ 4,077,700	\$ 1,404,871	\$ 768,313	\$ 6,250,884
Cash paid to suppliers for goods	(1,678,176)	(1,323,794)	(139,870)	(3,141,840)
Cash paid to employees	(1,042,126)	(67,906)	(77,864)	(1,187,896)
Net Cash Flows from Operating Activities	<u>1,357,398</u>	<u>13,171</u>	<u>550,579</u>	<u>1,921,148</u>
Cash flows from investing activities:				
Interest received	7,355	-	1,368	8,723
(Purchase) / redemption of investments	1,199,106	-	(1,368)	1,197,738
Net Cash Flows from Investing Activities	<u>1,206,461</u>	<u>-</u>	<u>-</u>	<u>1,206,461</u>
Cash flows from non-capital financing activities:				
Transfers	-	64,748	-	64,748
Change in due to/from other funds	(1,431,180)	-	365,604	(1,065,576)
Net Cash Flows from Non-Capital Financing Activities	<u>(1,431,180)</u>	<u>64,748</u>	<u>365,604</u>	<u>(1,000,828)</u>
Cash flows from capital financing activities:				
Purchases / construction of capital assets	(1,043,199)	(77,919)	(167,141)	(1,288,259)
Capital contributions	93,951	-	-	93,951
Principal payments on long-term debt	(3,523,486)	-	-	(3,523,486)
Proceeds from debt issue	3,309,000	-	-	3,309,000
Debt issue costs	(117,679)	-	-	(117,679)
Interest paid	(158,530)	-	-	(158,530)
Net Cash Flows from Capital Financing Activities	<u>(1,439,943)</u>	<u>(77,919)</u>	<u>(167,141)</u>	<u>(1,685,003)</u>
Net Change in Cash and Cash Equivalents	(307,264)	-	749,042	441,778
Cash and Cash Equivalents - Beginning	<u>1,291,154</u>	<u>-</u>	<u>826,749</u>	<u>2,117,903</u>
Cash and Cash Equivalents - Ending	<u>\$ 983,890</u>	<u>\$ -</u>	<u>\$ 1,575,791</u>	<u>\$ 2,559,681</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)	\$ 517,582	\$ 7,717	\$ 301,579	\$ 826,878
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	728,170	2,783	36,129	767,082
(Increase) decrease in -				
Accounts receivable	(51,079)	2,668	210,354	161,943
Prepaid expense	(631)	(99)	(50)	(780)
Increase (Decrease) in -				
Accounts payable	146,422	-	(54)	146,368
Deposits	17,432	-	-	17,432
Accrued liabilities	(498)	102	2,621	2,225
Total Adjustments	839,816	5,454	249,000	1,094,270
Net Cash Flows from Operating Activities	\$ 1,357,398	\$ 13,171	\$ 550,579	\$ 1,921,148

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

\$ -	\$ -	\$ -	\$ -
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See accompanying notes to the basic financial statements.

CITY OF McDONOUGH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

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

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

B. The Reporting Entity

The City of McDonough, Georgia (the City) was incorporated on December 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 (GASB) No. 14, as amended by GASB No. 61 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on organization's for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City regardless of whether the organization has a separate elected or appointed governing board. Blended component units, although legally separate entities, are, in substance part of the government's operations and are reported with similar funds of the primary government. Using the above criteria, the City of McDonough Downtown Development Authority is a component unit of the City but did not have any financial transactions for the period and therefore is not included in this financial report. The City Council appoints all members of the Development Authority's Board of Directors and pays from the City's budget expenditures, if any, related to the Authority. 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 Position presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

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

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

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

D. Basic Financial Statements-Fund Financial Statements

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

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

(See Independent Auditor's Report)

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

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

D. Basic Financial Statements-Fund Financial Statements - Continued

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

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

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

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

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

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

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

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.

(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 position.

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total 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, 2013:

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, 2013 are recorded as prepaid items and are expensed during the period benefited

(See Independent Auditor's Report)

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

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

J. Restricted Assets

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

K. Capital Assets

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

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2013. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

L. Bond Premiums, Discounts and Issuance Cost

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

(See Independent Auditor’s Report)

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Revenues

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

O. Expenditures

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

P. Compensated Absences

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

Q. Interfund Activity

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

R. Encumbrances

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

(See Independent Auditor's Report).

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

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

S. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has no items that qualifies for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and probation fines.

T. Net Position

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

The City's government-wide statement of net position reports \$3,918,766 of restricted net position, of which \$3,108,070 is restricted by enabling legislation.

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

U. Fund Equity – Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

Committed – amounts that can be used only for specific purposes determined by a formal action of City of McDonough's Council. McDonough's Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council prior to end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

(See Independent Auditor's Report)

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

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

U. Fund Equity – Governmental Funds, Continued

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

Unassigned – all other spendable amounts.

As of June 30, 2013, fund balances are composed of the following:

	<u>General</u>	<u>SPLOST Funds</u>	<u>Development Impact Fee</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable					
Prepays	\$ 444,679	\$ -	\$ -	\$ -	\$ 444,679
Cemetery Trust Corpus	-	-	-	166,600	166,600
Restricted -					
Capital Projects	-	2,191,480	910,208	-	3,101,688
Police Activities	-	-	-	6,382	6,382
Cemetery	-	-	-	22,908	22,908
Unassigned	<u>(307,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,737)</u>
 Total Fund Balances	 <u>\$ 136,942</u>	 <u>\$ 2,191,480</u>	 <u>\$ 910,208</u>	 <u>\$ 195,890</u>	 <u>\$ 3,434,520</u>

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

V. Contributions of Capital

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

W. Estimates

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

(See Independent Auditor's Report)

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

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

X. Budgets and Budgetary Accounting

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

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a department. Budgets, as reported in the financial statements, are as originally approved or as amended in April 2014. 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, 2013, \$3,895,093 of the government's bank balance of \$5,379,171 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent	3,895,093
Total	<u>\$ 3,895,093</u>

Investments

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

The City's investments are classified as follows at June 30, 2013:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturities</u>	<u>Rating</u>	<u>Organization</u>
All Funds With Investments -				
Georgia Fund 1	\$ 8,067,053	58	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 State Treasurer (OST). OST is guided by the policies of the State Depository Board and OCGA 55-17-2 and 50-17-63.

(See Independent Auditor's Report).

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

3. PROPERTY TAX

Property taxes were levied on July 30, 2012 and are due 60 days after the receipt of the tax notice. Property taxes attach as an enforceable lien on the property as of January 1. A local option sales tax is in force. Proceeds from this tax are remitted to the City to help reduce property tax rates. The City has obtained the service of Henry County to bill and collect the City's property taxes. The County remits monies collected to the City on a semi-monthly basis. Property taxes receivable at June 30, 2013 amounted to \$111,014.

4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables reported in the fund financial statements for the year ended June 30, 2013 consist of the following:

	<u>Receivable</u>	<u>Revenues</u>
General Fund		
Department of Transportation - LCI Grant	\$ -	\$ 24,925
Department of Transportation - LMIG	354,457	-
McDonough Housing Authority	7,932	7,932
SPLOST III Fund		
Henry County - SPLOST	-	1,147,284
	<u>\$ 362,389</u>	<u>\$ 1,180,141</u>

5. RECEIVABLES

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

Governmental Funds

	<u>General</u>	<u>SPLOST III</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Taxes	\$ 446,439	\$ -	\$ 135,290	\$ 581,729
Fines	558,045	-	-	558,045
Other	9,848	19,853	-	29,701
Intergovernmental	362,389	-	-	362,389
Gross Receivables	1,376,721	19,853	135,290	1,531,864
Less: Allowance for Uncollectibles	(279,000)	-	-	(279,000)
Net Total Receivables	<u>\$ 1,097,721</u>	<u>\$ 19,853</u>	<u>\$ 135,290</u>	<u>\$ 1,252,864</u>

Proprietary Funds

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>	<u>Total</u>
Accounts	998,679	206,002	556,553	1,761,234
Less: Allowance for Uncollectibles	(413,000)	(121,000)	(175,000)	(709,000)
Net Total Receivable	<u>\$ 585,679</u>	<u>\$ 85,002</u>	<u>\$ 381,553</u>	<u>\$ 1,052,234</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, 2013 were as follows:

Payable From	Payable To		Totals
	General Fund	Water / Sewer	
General	\$ -	\$ 2,500,573	\$ 2,500,573
Hotel / Motel Tax	277,436	-	277,436
SPLOST III	115,694	-	115,694
Devel. Impact	91,216	-	91,216
Storm Water	596,653	-	596,653
Totals	<u>\$ 1,080,999</u>	<u>\$ 2,500,573</u>	<u>\$ 3,581,572</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 \$2,500,573 is due to the Water and Sewer Fund. The amount due from Storm Water to the General Fund of \$596,653 is for expenses paid by the General Fund which the Storm Water Fund has not yet repaid. The SPLOST III Fund and the Development Impact Fee Fund owed the General Fund \$115,694 and \$91,216 respectively for expenditures paid by the General Fund and not reimbursed by the SPLOST III Fund or the Development Impact Fee Fund as of June 30, 2013.

Individual fund interfund transfers for the year ended June 30, 2013 were as follows:

Transfer To	Transfer From		Totals
	General	Hotel / Motel Tax	
General	\$ -	\$ 289,917	\$ 289,917
Solid Waste	64,748	-	64,748
	<u>\$ 64,748</u>	<u>\$ 289,917</u>	<u>\$ 354,665</u>

During the fiscal year ended June 30, 2013, the General Fund transferred \$64,748 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 year ended June 30, 2013 the Hotel / Motel Tax Fund transferred \$289,917 to the General Fund.

(See Independent Auditor's Report)

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

7. DEFERRED COST

Deferred cost as of June 30, 2012 consisted of the following:

	Governmental Activities	Business- Type Activities
Debt issuance cost	\$ 54,310	\$ 153,542
Accumulated amortization	(38,017)	(150,088)
Net	<u>\$ 16,293</u>	<u>\$ 3,454</u>

Prior to July 1, 2012 debt issuance cost were considered other financing uses in governmental funds in the year incurred but were deferred costs and were amortized over the life of the related debt in the Statement of Net Position and Proprietary Fund Statements. Debt issuance costs were 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 were related to notes payable in the Water and Sewer Fund.

During the year ended June 30, 2013 the City adopted Governmental Accounting Standard Board's Statements No. 63 *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* and No. 65 *Items Previously Reported as Assets and Liabilities*. These Statements provide guidance for reporting deferred outflows of resources and deferred inflows of resources balances which are distinguished from assets and liabilities. The Statements changes the terminology of the residual of all other elements presented in a statement of financial position to *net position* from net assets. The Statements provide guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities along with defining items previously reported as assets and liabilities.

As a result of the adoption of the Statements, the City wrote off the remaining balances since debt issuance cost is no longer considered an asset. The Statements changed the reporting requirement for debt issuance costs so that these cost are now recognized as an expense in the period incurred.

(See Independent Auditor's Report)

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

8. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,922,869	\$ 667,044	\$ -	\$ 11,589,913
Construction in progress	-	419,501	-	419,501
Total	<u>10,922,869</u>	<u>1,086,545</u>	<u>-</u>	<u>12,009,414</u>
Capital assets being depreciated:				
Buildings	9,352,378	2,647,990	-	12,000,368
Improvements other than buildings	7,402,228	53,772	-	7,456,000
Vehicles, including related equipment	4,454,181	222,172	-	4,676,353
Machinery and equipment	3,095,033	71,452	-	3,166,485
Furniture and fixtures	339,162	-	-	339,162
Total capital assets being depreciated	<u>24,642,982</u>	<u>2,995,386</u>	<u>-</u>	<u>27,638,368</u>
Less accumulated depreciation for:				
Buildings	2,187,972	266,677	-	2,454,649
Improvements other than buildings	1,658,195	184,791	-	1,842,986
Vehicles, including related equipment	3,283,455	329,719	-	3,613,174
Machinery and equipment	2,051,474	225,988	-	2,277,462
Furniture and fixtures	264,761	14,180	-	278,941
Total accumulated depreciation	<u>9,445,857</u>	<u>1,021,355</u>	<u>-</u>	<u>10,467,212</u>
Total capital assets being depreciated, net	<u>15,197,125</u>	<u>1,974,031</u>	<u>-</u>	<u>17,171,156</u>
Governmental capital assets, net	<u>\$ 26,119,994</u>	<u>\$ 3,060,576</u>	<u>\$ -</u>	<u>\$ 29,180,570</u>

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

Administrative	\$ 135,218
Public Safety and Courts	556,561
Highways and Streets	139,689
Cemetery	4,543
Code Enforcement	-
Parks and Recreation	167,274
Community Development	5,536
Economic Development	<u>12,534</u>
Total depreciation expense	<u>\$ 1,021,355</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
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,334,215	\$ 32,515	\$ -	\$ 1,366,730
Construction in progress	34,650	1,419,407	-	1,454,057
Total	<u>1,368,865</u>	<u>1,451,922</u>	<u>-</u>	<u>2,820,787</u>
Capital assets being depreciated:				
Buildings	902,743	135,741	-	1,038,484
Improvements other than buildings	21,141,462	-	-	21,141,462
Machinery and equipment	1,301,246	57,145	-	1,358,391
Vehicles	459,449	219,775	-	679,224
Total capital assets being depreciated	<u>23,804,900</u>	<u>412,661</u>	<u>-</u>	<u>24,217,561</u>
Less accumulated depreciation for:				
Buildings	789,174	10,838	-	800,012
Improvements other than buildings	8,964,502	638,985	-	9,603,487
Machinery and equipment	847,527	86,733	-	934,260
Vehicles	412,012	30,527	-	442,539
Total capital assets being depreciated	<u>11,013,215</u>	<u>767,083</u>	<u>-</u>	<u>11,780,298</u>
Total capital assets being depreciated, net	<u>12,791,685</u>	<u>(354,422)</u>	<u>-</u>	<u>12,437,263</u>
Business-Type Activities capital assets, net	<u>\$ 14,160,550</u>	<u>\$ 1,097,500</u>	<u>\$ -</u>	<u>\$ 15,258,050</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 290,904
Sewer	437,267
Storm Water	36,129
Solid Waste Management	<u>2,783</u>
Total depreciation expense	<u>\$ 767,083</u>

(See Independent Auditor's Report)

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

9. UNAVAILABLE REVENUES

Deferred revenues as of June 30, 2013, 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	\$ 196,060
Property taxes	<u>95,324</u>
Total unavailable revenues - Governmental Funds	<u>\$ 291,384</u>

10. LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Accrued Compensated Absences	\$ 220,310	\$ 202,875	\$ (220,407)	\$ 202,778	\$ 20,000
Capital Leases	<u>1,452,098</u>	<u>-</u>	<u>(395,589)</u>	<u>1,056,509</u>	<u>410,810</u>
Total Governmental Activity					
Long-Term Debt	<u>\$ 1,312,118</u>	<u>\$ 202,875</u>	<u>\$ (615,996)</u>	<u>\$ 1,259,287</u>	<u>\$ 430,810</u>
Business-Type Activities					
Revenue Bonds	\$ -	\$ 3,309,000	\$ -	\$ 3,309,000	\$ -
GEFA Notes Payable	<u>3,789,264</u>	<u>-</u>	<u>(3,523,487)</u>	<u>265,777</u>	<u>89,718</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$ 3,789,264</u>	<u>\$ 3,309,000</u>	<u>\$ (3,523,487)</u>	<u>\$ 3,574,777</u>	<u>\$ 89,718</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.

(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

Governmental Activities Long-Term Obligations -

Governmental activities long-term obligations as of June 30, 2013 consist of the following:

Capital Lease Obligation – See Note 11 \$1,056,509

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
2014	\$ 410,810	\$ 31,997	\$ 442,807
2015	426,203	16,604	442,807
2016	219,496	1,907	221,403
Totals	<u>\$ 1,056,509</u>	<u>\$ 50,508</u>	<u>\$ 1,107,017</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:

Two notes payable to the Georgia Environmental Facilities Authority, in the total amount of \$1,345,141, interest from 2% to 5.12%, matures in 2026. \$ 265,777

Construction loan payable to GEFA, in the total amount of \$3,000,000, interest at 1.4% and is estimated to mature in June 2034. There were no drawdowns under the loan as of June 30, 2013. \$ ---

(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 2013, in the amount of \$3,309,000, interest at 1.65%, due in annual installments of up to \$335,826 with varying maturity dates through July, 2026.

\$3,309,000

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

Year Ending 6/30	<u>NOTES PAYABLE</u>		<u>REVENUE BONDS</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 89,718	\$ 10,375	\$ -	\$ 31,394	\$ 131,487
2015	93,438	6,654	279,000	52,297	431,389
2016	65,672	3,000	288,000	47,619	404,291
2017	16,949	219	293,000	42,826	352,994
2018	-	-	297,000	37,958	334,958
2019	-	-	302,000	33,016	335,016
2020	-	-	307,000	27,992	334,992
2021	-	-	312,000	22,886	334,886
2022	-	-	219,000	18,505	237,505
2023	-	-	196,000	15,081	211,081
2024	-	-	199,000	11,822	210,822
2025	-	-	202,000	8,514	210,514
2026	-	-	206,000	5,148	211,148
2027	-	-	209,000	1,724	210,724
2028	-	-	-	-	-
Totals	<u>\$ 265,777</u>	<u>\$ 20,248</u>	<u>\$ 3,309,000</u>	<u>\$ 356,782</u>	<u>\$ 3,951,807</u>

Subsequent to June 30, 2013, the City repaid one of the GEFA notes in the amount of \$204,327.

The City issued \$3,309,000 of Water and Sewer revenue bonds in May 2013. The proceeds of the issue provided resources to pay off the principal balance and interest due on two of the four Georgia Environmental Finance Authority notes totaling \$3,217,177 as of June 4, 2013. As a result, the refunded debt is considered defeased and the liability has been removed from the Water and Sewer statement of net position. The remaining proceeds from the bonds were used to pay for the issuance cost of the bonds of \$91,823.

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

(See Independent Auditor's Report)

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

11. CAPITAL LEASE OBLIGATION

The City has entered into a lease-purchase and security agreement with RBC Centura for the purchase of park land 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, 2013:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 442,807
2015	442,807
2016	<u>221,403</u>
Less the amount representing interest	<u>(50,508)</u>
Present value of minimum lease payments	<u>\$ 1,056,509</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)	\$43,704,505
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, 2013, 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, 2013. No provisions have been made in the financial statements for the year ended June 30, 2013 for any estimate of potential unpaid claims.

(See Independent Auditor's Report)

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

12. Risk Management (continued)

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

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

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

13. HOTEL / MOTEL TAX

The City levies a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 40% of the monies collected under this provision to the McDonough Tourism and Hospitality Organization, a not-for-profit entity. The following is a summary of the collections and expenditures for the year ended June 30, 2013:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 483,196	100.0%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 193,279	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 30328

Flint Circuit Drug Task Force

The City has entered into an intergovernmental agreement with the two other cities and Henry County, Georgia to provide personnel and the necessary assets to the Flint Circuit Drug Task Force, a joint venture among the cities, in order to carry on investigations into illegal drug activities. The governing authority consists of a board made up of the District Attorney of Henry County and the Police Chiefs of each member 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.

16. CONTINGENCIES AND COMMITMENTS

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

As reported in previous audit reports, the City was 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 was denied coverage by the City's insurance carrier. During fiscal year June 30, 2013 the case was settled with the City having to refund impact fees (plus interest) in the amount of \$532,660. The plaintiffs in the case lost their claim to attorneys' fees, however, they did appeal the Court's denial of attorneys' fees. Subsequent to June 30, 2013 the plaintiffs were awarded \$395,000 in attorney fees which the City paid from the General Fund in September 2013. The liability of \$395,000 has been recorded in the June 30, 2013 financial statements.

Development impact fee credits – As reported in previous audit reports, the City was a defendant in a lawsuit which claimed that fees collected while the City was contemplating the adoption of an impact fee ordinance were illegal. Plaintiffs also sought statutory bad faith attorneys' fees and costs of litigation. The City's insurance carrier denied coverage for the claim and declined to provide a defense for the lawsuit. During fiscal year June 30, 2013, a judgment was entered against the City on the main claim, requiring the City to refund impact fees (plus interest) in the amount of \$532,660. Litigation continued on the remaining claim for attorneys' fees, which Plaintiffs lost at the trial court level, but subsequently appealed. Simultaneously with their notice of appeal, Plaintiffs also filed a ne, post-judgment claim for attorney fees based on O.C.G.A. 9-15-14. Ultimately, in September 2013, Plaintiffs claims for attorney's fees, as well as any and all other remaining claims were settled as a result of mediation in the amount of \$395,000. The City paid the final settlement amount from the General Fund in September 2013 and the liability has been recorded in the June 30, 2013 statements.

(See Independent Auditor's Report)

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

16. CONTINGENCIES AND COMMITMENTS – Continued

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.

Sewer System Rehabilitation Project – The City is in the process of making significant improvements to the City's sewer system. The project is expected to cost approximately \$3,450,000. The project is being funded with a loan from the Georgia Environmental Finance Authority in the amount of \$3,000,000 with the City being responsible for the remainder of the project's cost. Cost incurred through June 30, 2013 amounted to approximately \$1,375,000.

Use of Speed Detection Devices by the City's Police Department – Subsequent to June 30, 2013 it was determined that the City had not received the necessary final approval from the Georgia Department of Transportation prior to beginning routine speed enforcement, via radar and laser, on newly annexed City streets. As a result, the state Department of Public Safety has temporarily suspended the City's speed detection device permit for all City streets, effective April 1, 2014 through December 31, 2014. The financial outcome of the suspension has not been determined; however, the City is eligible to re-apply for its permit on January 1, 2015. No liability, if any, as a result of the City's non-compliance has been recorded in the financial statement for the year ended June 30, 2013.

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 year ended June 30, 2013 amounted to \$94,806.

(See Independent Auditor's Report)

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

17. EMPLOYEE BENEFIT PENSION PLANS – Continued

Mayor and Council Retirement Plan-

In 1999, the City created the City of McDonough Exclusive Benefit Governmental 401(a) Nontrusteed Retirement Plan, a defined contribution plan, for the retirement benefit of the Mayor and Council. The plan is administered by the Security Benefit Group. The plan provides that the City should contribute the amount of compensation allowed under IRS regulations for each participant's account. The balance in the account shall become distributable in accordance with the payout options in the annuity contract. Annual contributions to the plan are determined by the City Council and can be up to 100% of eligible salaries. For the year ended June 30, 2013, contributions to this plan amounted to \$43,407, 50.0% of eligible salaries. The amount of payroll covered under the plan for the year ended June 30, 2013 amounted to \$85,133. This plan was established by an adoption agreement executed by the City Council.

Defined Benefit Plan – GMA Administered

During the year ended June 30, 2008 the City terminated its Single Employer Defined Benefit Plan and transferred it 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 2013 is 14.48% of annual covered payroll based on the actuarial valuation as of January 1, 2012. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013 the City contributed \$783,020 to the plan which was the City's annual pension cost of and was equal to the City's required and anticipated actual contributions. The required contribution was determined as part of the January 1, 2012 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), (b) inflation rate of 3.5% and (c) 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 January 1 is funded on a monthly basis beginning July of the same 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, 2013 was 25 years. These amortization periods, if applicable, are closed for this plan year.

(See Independent Auditor's Report)

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

17. EMPLOYEE BENEFIT PENSION PLANS – Continued

Annual Pension Cost - Continued

Three-Year Trend Information for MRP			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2013	\$ 783,020	100.0%	\$ -
6/30/2012	\$ 685,065	100.0%	\$ -
* 6/30/2011	\$ 342,532	100.0%	\$ -

* For the six months ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$4,082,564	\$ 8,445,106	\$ 4,362,542	48.3%	\$ 5,525,119	79.0%
1/1/2012	\$3,492,301	\$ 7,867,784	\$ 4,375,483	44.4%	\$ 5,313,560	82.3%
7/1/2010	\$2,830,725	\$ 6,953,007	\$ 4,122,282	40.7%	\$ 4,724,570	87.3%
7/1/2009	\$2,488,088	\$ 6,452,530	\$ 3,964,442	38.6%	\$ 4,714,947	84.1%

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. 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, 2013 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 514,387
Gefa debt service fund	106,801
Capital projects-	
Special purpose local option sales funds	2,376,653
Development impact fee funds	1,001,424
Confiscated asset funds	6,480
Cemetery perpetual care funds	189,508
	<u>\$ 4,195,253</u>

19. 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.

In July 2013 the City received notice that the Department of Community Affairs (DCA) was exercising its right to repossess and retain title to all collateral in satisfaction of the Authority's debt to DCA. This action was taken since the above referenced loans were in default due to nonpayment on the note.

In August 2012 the Georgia Department of Community Affairs and the Georgia Cities Foundation, Inc. (the Lenders) entered into a "Work-out and Forbearance Agreement" with the Borrower. Within the agreement the Lenders compromised the amounts owed under the Guaranties to \$40,000 (\$20,000 to each Lender) with \$10,000 paid to each Lender upon the execution of the Agreement and the remaining \$10,000 to each Lender to be paid under a new note agreement with payments beginning in August 2012. Since receiving the \$20,000 payment from the Guarantor on August 2, 2012, neither Lender has received any additional payments. The loan is presently in default, and the Principal/Guarantor has advised that she is planning to file bankruptcy.

(See Independent Auditor's Report)

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

20. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A) Deficit fund balances or net asset balances of individual funds – As of June 30, 2013, none of the City's Funds had a deficit fund balance or net asset balance.
- B) Excess expenditures over budget – None of the City's funds had material excesses (if over 5 percent and greater than \$5,000) of expenditures over appropriations at the department level (the legal level of control).

(See Independent Auditor's Report)

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**CITY OF McDONOUGH, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds		Pemanent Fund	Total Non-Major Governmental Funds
	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Cemetery Perpetual Care Fund	
ASSETS				
Cash	\$ 197,754	\$ 6,480	\$ 1,848	\$ 206,082
Investments	-	-	187,660	187,660
Receivables				
Taxes	135,290	-	-	135,290
Accounts	-	-	-	-
Interest	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 333,044</u>	<u>\$ 6,480</u>	<u>\$ 189,508</u>	<u>\$ 529,032</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 55,608	\$ -	\$ -	\$ 55,608
Due to other funds	277,436	-	-	277,436
Unearned revenues	-	98	-	98
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>333,044</u>	<u>98</u>	<u>-</u>	<u>333,142</u>
Fund Balance				
Nonspendable -				
Cemetery corpus	-	-	166,600	166,600
Restricted for specified purposes	-	6,382	22,908	29,290
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>-</u>	<u>6,382</u>	<u>189,508</u>	<u>195,890</u>
Total Liabilities and Fund Balance	<u>\$ 333,044</u>	<u>\$ 6,480</u>	<u>\$ 189,508</u>	<u>\$ 529,032</u>

CITY OF McDONOUGH, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds		Permanent Fund	Total Non-Major Governmental Funds
	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Cemetery Perpetual Care Fund	
REVENUES				
Taxes	\$ 483,196	\$ -	\$ -	\$ 483,196
Forfeitures	-	11,696	-	11,696
Interest	-	-	288	288
Contributions	-	-	-	-
Reimbursements	-	-	-	-
Total Revenues	<u>483,196</u>	<u>11,696</u>	<u>288</u>	<u>495,180</u>
EXPENDITURES				
Current				
Purchased / contracted services	-	-	-	-
Supplies	-	5,365	-	5,365
Payments to others	193,279	-	-	193,279
Capital outlay	-	-	-	-
Total Expenditures	<u>193,279</u>	<u>5,365</u>	<u>-</u>	<u>198,644</u>
Excess Revenues Over (Under)				
Expenditures Before Other				
Financing Sources (Uses)	<u>289,917</u>	<u>6,331</u>	<u>288</u>	<u>296,536</u>
Other Financing Sources (Uses)				
Transfers	<u>(289,917)</u>	<u>-</u>	<u>-</u>	<u>(289,917)</u>
Total Other Financing Sources (Uses)	<u>(289,917)</u>	<u>-</u>	<u>-</u>	<u>(289,917)</u>
Excess Revenues Over (Under)				
Expenditures and Other Financing				
Sources (Uses)	-	6,331	288	6,619
Fund Balance - Beginning of Year	<u>-</u>	<u>51</u>	<u>189,220</u>	<u>189,271</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 6,382</u>	<u>\$ 189,508</u>	<u>\$ 195,890</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 YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012
	Original and Final Budget	Actual	Variance	Actual
REVENUES				
Taxes	\$ 475,000	\$ 483,196	\$ 8,196	\$ 561,534
Interest	-	-	-	2
Miscellaneous	-	-	-	1,971
Total Revenue	<u>475,000</u>	<u>483,196</u>	<u>8,196</u>	<u>563,507</u>
EXPENDITURES				
Current				
Tourism and Hospitality	<u>190,000</u>	<u>193,279</u>	<u>(3,279)</u>	<u>224,615</u>
Total Expenditures	<u>190,000</u>	<u>193,279</u>	<u>(3,279)</u>	<u>224,615</u>
Excess Revenues Over (Under) Expenditures	285,000	289,917	4,917	338,892
Other Financing Sources (Uses)				
Transfers	<u>(285,000)</u>	<u>(289,917)</u>	<u>(4,917)</u>	<u>(338,892)</u>
Total Other Financing Sources (Uses)	<u>(285,000)</u>	<u>(289,917)</u>	<u>(4,917)</u>	<u>(338,892)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
CONFISCATED ASSETS SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

	2013			2012
	Original & Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	\$ 1,510	\$ 11,696	\$ 10,186	\$ -
Sales of confiscated property	-	-	-	-
Interest	-	-	-	-
Contributions	-	-	-	-
Total Revenue	<u>1,510</u>	<u>11,696</u>	<u>10,186</u>	<u>-</u>
EXPENDITURES				
Current				
Purchased / contracted services	-	-	-	4,656
Supplies	1,510	5,365	(3,855)	-
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,510</u>	<u>5,365</u>	<u>(3,855)</u>	<u>4,656</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>6,331</u>	<u>6,331</u>	<u>(4,656)</u>
Other Financing Sources (Uses) Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	6,331	6,331	(4,656)
Fund Balance - Beginning of Year	<u>51</u>	<u>51</u>	<u>-</u>	<u>4,707</u>
Fund Balance - End of Year	<u>\$ 51</u>	<u>\$ 6,382</u>	<u>\$ 6,331</u>	<u>\$ 51</u>

CITY OF McDONOUGH, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX II FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PROJECT LENGTH
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ 6,637,436	\$ -	\$ 6,637,436	\$ 6,637,436
Intergovernmental - other	275,243	-	275,243	-
Interest	<u>281,465</u>	<u>-</u>	<u>281,465</u>	<u>-</u>
Total Revenues	<u>7,194,144</u>	<u>-</u>	<u>7,194,144</u>	<u>6,637,436</u>
EXPENDITURES				
Capital Outlay				
General government - including debt service	2,615,020	-	2,615,020	2,600,000
Public safety - including debt service	1,099,710	-	1,099,710	1,500,000
Highways and streets	1,540,951	-	1,540,951	2,000,000
Water and sewer improvements	230,926	-	230,926	237,436
Parks - including debt service	<u>1,693,940</u>	<u>-</u>	<u>1,693,940</u>	<u>300,000</u>
Total Expenditures	<u>7,180,547</u>	<u>-</u>	<u>7,180,547</u>	<u>6,637,436</u>
Excess Revenues Over (Under) Expenditures	13,597	-	13,597	-
Other Financing Uses (Sources) Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 13,597</u>	<u>-</u>	<u>\$ 13,597</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>13,597</u>		
Fund Balance - End of Year		<u>\$ 13,597</u>		

**CITY OF McDONOUGH, GEORGIA
SPLOST III CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PROJECT LENGTH
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ 5,167,155	\$ 1,147,284	\$ 6,314,439	\$ 26,842,500
Interest	<u>69,246</u>	<u>5,144</u>	<u>74,390</u>	<u>-</u>
Total Revenues	<u>5,236,401</u>	<u>1,152,428</u>	<u>6,388,829</u>	<u>26,842,500</u>
EXPENDITURES				
Current				
Capital Outlay				
Community development facilities	168,575	188,819	357,394	250,000
Public safety facilities and equipment	1,892,245	2,003,107	3,895,352	8,342,500
Roads, bridges, sidewalks & facilities	158,130	384,007	542,137	2,500,000
Public works facilities and equipment	995,476	-	995,476	3,250,000
Parks and recreation	2,030,400	55,722	2,086,122	7,000,000
Water storage tank	2,183,443	-	2,183,443	-
Repayment of public debt associated with above projects or previously issued G.O. debt	<u>1,033,215</u>	<u>442,807</u>	<u>1,476,022</u>	<u>5,500,000</u>
Total Expenditures	<u>8,461,484</u>	<u>3,074,462</u>	<u>11,535,946</u>	<u>26,842,500</u>
Excess Revenues Over (Under) Expenditures	<u>(3,225,083)</u>	<u>(1,922,034)</u>	<u>(5,147,117)</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>\$ 4,099,917</u>	<u>(1,922,034)</u>	<u>\$ 2,177,883</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		4,099,917		
Fund Balance - End of Year		<u>\$ 2,177,883</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 YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012
	Original / Final Budget	Actual	Variance	Actual
REVENUES				
Impact fees	\$ 250,000	\$ 65,533	\$ (184,467)	\$ 272,914
Interest	-	1,405	1,405	1,034
Total Revenues	250,000	66,938	(183,062)	273,948
EXPENDITURES				
Current				
Administration	7,500	-	7,500	535,660
Capital outlay				
Public Safety				
Police	1,142,500	91,216	1,051,284	-
Fire	-	-	-	-
Parks	-	-	-	33,500
Debt service - Parks				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	1,150,000	91,216	1,058,784	569,160
Excess Revenues Over (Under) Expenditures	(900,000)	(24,278)	875,722	(295,212)
Other Financing Sources (Uses) Transfers	-	-	-	-
Net Change in Fund Balance	(900,000)	(24,278)	875,722	(295,212)
Fund Balance - Beginning of Year	934,486	934,486	-	1,229,698
Fund Balance - End of Year	\$ 34,486	\$ 910,208	\$ 875,722	\$ 934,486

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	PAGE
Financial Trends	62
These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	63-66
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	67-69
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	70-71
These schedules help the reader understand the environment within which the City's financial activities take place.	
Operating Information	72-74
These schedule contain and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and activities it performs.	

City of McDonough, Georgia
General Governmental Tax Revenues By Source
Last Five Fiscal Years

Fiscal Year	Property Tax	L.O.S.T SALES Tax	Franchise Tax	Occupational Tax	Insurance Premium Tax	Alcoholic Bev Tax	Motor Vehicle Tax	Other Tax	Total
2009	\$ 2,625,152	\$ 2,404,074	\$ 1,032,038	\$ 403,620	\$ 470,878	\$ 409,709	\$ 131,523	\$ 7,531	\$ 7,484,525
2010	\$ 2,465,462	\$ 2,727,181	\$ 1,156,039	\$ 338,593	\$ 457,193	\$ 430,840		\$ 16,675	\$ 7,591,983
** 2011	\$ 80,752	\$ 1,333,607	\$ 165,813	\$ 356,222	\$ -	\$ 213,266	\$ 3,597	\$ 4,742	\$ 2,157,999
2012	\$ 2,874,345	\$ 2,859,555	\$ 1,081,983	\$ 408,800	\$ 1,035,832	\$ 453,810	\$ 140,000	\$ 19,398	\$ 8,873,723
2013	\$ 2,434,710	\$ 2,889,590	\$ 1,135,164	\$ 468,402	\$ 1,100,227	\$ 447,086	\$ 286,950	\$ 32,970	\$ 8,795,099

Source:

Annual Financial Reports 2008-2013- City of McDonough, Georgia

** Per Audit Report - Short year -six month Jan - June 2011. City converted from a calendar to a fiscal year ending.

City of McDonough, Georgia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Tax Year	Real & Personal				Public		Total Assessed Value
	Property	Motor Vehicle	Utility	Exemptions			
2004	\$ 489,760,514	\$ 23,495,700	\$ 6,224,120	\$ (41,828,852)	\$ 477,651,482		
2005	\$ 525,907,215	\$ 23,070,060	\$ 6,249,288	\$ (17,570,627)	\$ 537,655,936		
2006	\$ 609,828,440	\$ 25,862,550	\$ 6,942,770	\$ (18,782,033)	\$ 623,851,727		
2007	\$ 679,494,182	\$ 29,809,870	\$ 7,766,153	\$ (30,316,656)	\$ 686,753,549		
2008	\$ 815,767,197	\$ 37,838,050	\$ 7,309,509	\$ (30,531,271)	\$ 830,383,485		
2009	\$ 839,777,037	\$ 42,254,170	\$ 9,278,563	\$ (58,683,362)	\$ 832,626,408		
2010	\$ 720,409,802	\$ 36,897,360	\$ 9,045,001	\$ (32,341,695)	\$ 734,010,468		
2011	\$ 682,337,806	\$ 38,292,090	\$ 9,115,906	\$ (50,700,416)	\$ 679,045,386		
2012	\$ 600,837,883	\$ 40,892,690	\$ 8,164,525	\$ (47,494,348)	\$ 602,400,750		
2013	\$ 612,219,554	\$ 43,411,100	\$ 8,543,062	\$ (42,655,749)	\$ 621,517,967		

Source: Henry County Tax Commissioner

City of McDonough, Georgia
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Years	State of Georgia Millage Rate	McDonough				School District	Millage Rate Total
		Millage Rates	Henry County	City			
2004	0.25	2.71	4.89		13.42		21.27
2005	0.25	2.56	8.97		19.4		31.18
2006	0.25	2.51	7.97		15.35		26.08
2007	0.25	2.45	11.2		12.47		26.37
2008	0.25	3.45	9.45		12.47		25.62
2009	0.25	3.45	10.96		20.00		34.66
2010	0.25	4.39	11.75		20.00		36.39
2011	0.25	4.39	11.75		20.00		36.39
2012	0.25	4.39	14.5		20.00		39.14
2013	0.15	4.38	11.41		20.00		35.94

Source: Georgia Department of Revenue

City of McDonough, Georgia
Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Years	Taxes		Year of the Levy	
	Levied	Amount	% Collected	
2003/2004	\$ 1,160,787	\$ 1,121,930	0.97	
2004/2005	\$ 1,243,731	\$ 1,198,529	0.96	
2005/2006	\$ 1,421,284	\$ 1,335,451	0.94	
2006/2007	\$ 1,522,100	\$ 1,406,181	0.92	
2007/2008	\$ 2,605,122	\$ 2,298,148	0.88	
2008/2009	\$ 2,690,768	\$ 2,434,819	0.90	
2009/2010	\$ 2,370,951	\$ 2,162,614	0.91	
2010/2011	\$ 2,774,786	\$ 2,574,884	0.93	
2011/2012	\$ 2,424,175	\$ 2,307,473	0.95	
2012/2013	\$ 2,489,313	\$ 2,323,312	0.93	

Source: Henry County Tax Commission

City of McDonough, Georgia
Principal Property Taxpayers

Taxpayer	Taxable		Rank	Percentage Of	
	Assessed Value	Value		Total Taxable Assessed Value	
Briggs & Stratton Power Prod	\$ 47,539,030		1	7.765%	
US Industrial Reit II	\$ 19,965,960		2	3.261%	
Trees of Avalon LLC	\$ 17,504,465		3	2.859%	
MRP South Point, LLD	\$ 9,200,000		4	1.503%	
SG Amber Chase- McDonough LLC	\$ 8,400,000		5	1.372%	
MRP Carrington Green, LLC	\$ 7,240,000		6	1.183%	
Wal-Mart	\$ 6,625,200		7	1.082%	
Bradford Realty, Inc.	\$ 6,068,000		8	0.991%	
Passco Sundace Creek DST	\$ 5,435,000		9	0.888%	
Bre/Maac Walden Run, LLC	\$ 5,000,000		10	0.817%	
	\$ 132,977,655			21.721%	

Source: Henry County Tax Assessor

City of McDonough, Georgia
Outstanding Debt
Last Five Fiscal Years

Fiscal Year	Notes Payable	Capital Leases	Revenue Bonds	GEFA	
				Notes	Total
* 2009	\$ -	\$ 2,380,929.00	\$ 1,235,000.00	\$ 4,524,181.00	\$ 8,140,110.00
* 2010	\$ -	\$ 2,019,618.00	\$ 845,000.00	\$ 4,239,263.00	\$ 7,103,881.00
* 2011	\$ -	\$ 1,833,814.00	\$ 435,000.00	\$ 4,091,658.00	\$ 6,360,472.00
* 2012	\$ -	\$ 1,452,098.00	\$ -	\$ 3,789,264.00	\$ 5,241,362.00
* 2013	\$ -	\$ 1,056,509.00	\$ 3,309,000.00	\$ 265,777.00	\$ 4,631,286.00

* Source: Financial Reports 2009 to 2013 City Of McDonough

City of McDonough, Georgia
Legal Debt Margin Information
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Approximated Assessed Value	\$ 477,651,482	\$ 537,655,936	\$ 623,851,727	\$ 678,987,396	\$ 830,383,485	\$ 823,347,845	\$ 734,015,508	\$ 679,045,386	\$ 602,400,750	\$ 612,219,554
Debt limit 10% Assessed Value	\$ 47,765,148	\$ 53,765,594	\$ 62,385,173	\$ 67,898,740	\$ 83,038,349	\$ 82,334,785	\$ 73,401,551	\$ 67,904,539	\$ 60,240,075	\$ 61,221,955
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	\$ 47,765,148	\$ 53,765,594	\$ 62,385,173	\$ 67,898,740	\$ 83,038,349	\$ 82,334,785	\$ 73,401,551	\$ 67,904,539	\$ 60,240,075	\$ 61,221,955

Source: Calculated from data supplied by the State of Georgia Tax Digest for the City of McDonough, Georgia

City of McDonough, GA
Computation of Direct and Overlapping Debt
Periods Ending June 30, 2013

<u>Henry County Debt</u>	
Direct General Obligation Debt	\$ 36,885,000
Certificates of Participation	\$ -
Series 2010 Revenue Bonds	
Capital Leases	\$ 40,372,801
Total Direct Gen Obligation Debt	\$ -
Capital leases and other long term debt	\$ 77,257,801
Total Direct Debt, Capital leases and Overlapping	
General Obligation Debt Henry County	<u>\$ 77,257,801</u>
<u>City of McDonough Debt</u>	
Direct General Obligation bonded debt	\$ -
Certificates of Participation	\$ -
GEFA Note	\$ 265,777
Revenue Bonds	\$ 3,309,000
Capital leases and other long term debt	\$ 1,056,509
Total debt per Capital	<u>\$ 4,631,286</u>

Source: Henry County Website and City of McDonough Audited Finance Statement

City of McDonough, Georgia
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Median Income	Median Age	*School Enrollment	*Unemployment Rate
2004	13,323	na	na	na	4.4
2005	13,440	na	na	na	5.2
2006	16,660	na	na	na	4.4
2007	17,969	\$51,264	na	na	4.4
2008	19,280	\$ 51,264	na	na	6.2
2009	19,928	\$ 51,264	na	na	9.6
2010	22,084	\$ 51,264	31.7	na	9.9
2011	22,544	\$ 51,264	31.7	na	9.9
2012	22,599	\$ 45,684	31.7	na	9
2013	22,654	\$ 46,596	31.7	2,815	10

* Data only available for combined Henry County and the City of McDonough

Source: City of McDonough Planning Department

na - Information not available

City of McDonough
Principal Employers
FY 2013

Rank	
1	Briggs and Stratton
2	Encompass
3	Bennett International LLC
4	Wal-Mart
5	Bellamy-Strickland Chev/GMC
6	Legacy Ford/Hyundai
7	Sons Honda
8	McDonough Toyota
9	Academy Sports
10	JC Penny

City of McDonough, Georgia
Full-Time Equivalent City Government Employees by Function
Last Five Fiscal Years

	2009	2010	2011	2012	2013
General Government					
Governing Body	1.00	1.00	1.00	1.00	1.00
Finance/ Administration	10.00	10.00	11.00	4.00	3.00
Accounting	0.00	0.00	0.00	6.00	6.00
City Manager's Office	3.00	3.00	3.00	3.00	3.00
Information Tech				0.00	1.00
Court Services	8.00	8.00	9.00	8.00	8.00
Probation	2.00	2.00	2.00	2.00	2.00
Public Safety					
<i>Police</i>					
Officers	40.50	41.00	41.00	44.00	44.00
Civilians	5.00	5.00	5.00	5.00	5.00
<i>Fire</i>					
Firefighters & Officers	19.50	22.00	24.00	28.00	28.00
Cemetery	0.50	0.50	0.50	0.50	0.50
Public Works	12.50	9.50	9.50	11.50	14.50
Community Development	9.00	9.00	8.00	9.00	9.00
Bus. Dev./Main St	4.00	4.00	5.00	5.00	6.00
General Fund Totals	115.00	115.00	119.00	127.00	131.00
Water					
Water Plant	7.00	7.00	7.00	7.00	8.00
Storm Water	2.00	2.00	2.00	2.00	2.00
Water & Sewer	12.00	12.00	12.00	12.00	12.00
Wastewater Plant	7.00	7.00	7.00	7.00	7.00
Enterprise Fund Totals	28.00	28.00	28.00	28.00	29.00
Sanitation	0.00	2.00	2.00	2.00	2.00
Total Employees	143.00	145.00	149.00	157.00	162.00

Source: City of McDonough Personnel

City of McDonough, Georgia
Operating Indicators by Function
Last Five Years

	2008	2009	2010	2011	2012	2013
Police						
Number of Stations	1	1	1	1	1	1
Physical Arrests	1,076	1,053	1,081	976	886	821
Traffic Violations	7,257	6,690	6,087	7,844	9,574	9,226
Fire						
Number of Stations	2	2	2	2	2	2
Number of Fire Related Calls	607	1,331	834	799	474	789
Number of EMS Related Calls	1,557	1,528	1,694	1,541	1,423	1,456
Inspections	na	178	193	210	238	1,183
Community Development						
Business licenses issued	4,278	1,651	1,431	1,288	1,377	1,425
Building Permits issued	1,077	614	713	663	723	842

na - Information not available

CITY OF McDonough, GEORGIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST FIVE YEARS

	2008	2009	2010	2011	2012	2013
Function Program						
Police						
Stations	1	1	1	1	1	1
Zone offices	0	0	0	0	0	0
Patrol units	na	50	50	50	52	54
Fire Stations	2	2	2	2	2	2
Public Works						
Streets (miles)	85.82	85.82	85.82	85.82	85.82	85.82
Parks & Recreation						
Acreage	184.21	184.21	184.21	184.21	184.21	184.21
Playgrounds	3	3	3	3	3	3

na - Information not available

