

City of McDonough
The Geranium City



MCDONOUGH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

**CITY OF McDONOUGH, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of McDonough, Georgia (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of McDonough, Georgia, as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the schedule of changes in the net pension liability and related ratios on pages 58 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

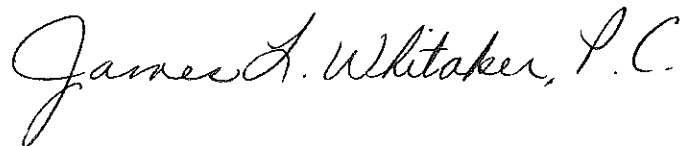
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 18, 2017 on our consideration of City of McDonough, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of McDonough, Georgia's internal control over financial reporting and compliance.



Snellville, Georgia
December 18, 2017

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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, 2017, (the current period). We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- Assets and deferred outflows of the City of McDonough exceeded its liabilities and deferred inflows at June 30, 2017 by \$71,387,137. Of this amount unrestricted net position of \$13,788,325 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$3,139,659. Of this amount, a net increase of \$1,611,703 was associated with governmental activities and an increase of \$1,527,956 was associated with business-type activities.
- As of the close of the current period, the City of McDonough's governmental funds reported combined ending fund balances of \$17,986,383, a decrease of \$2,723,028 in comparison with the prior period. Of this amount \$7,942,659 is unassigned, \$9,192,889 is restricted for capital projects and other specific future uses, \$200,000 is assigned for the FY 2018 budget, and \$650,835 is nonspendable for such amounts as prepaid items of \$480,235, and the cemetery trust corpus of \$170,600.
- At the end of the current year, unassigned fund balance for the general fund was \$7,942,659 or 60.86 percent of total general fund expenditures.
- The millage rate decreased to 4.560, a 7.35 percent decrease from Fiscal Year 2016.
- The McDonough Urban Redevelopment Authority, a component unit of the City, issued revenue bonds in the amount of \$4,235,000 for the purpose of constructing a municipal courthouse during Fiscal Year 2016. The construction was 100% percent complete as of June 30, 2017.

Overview of the Financial Statements

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

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

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

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

City of McDonough

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

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

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

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

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

The City of McDonough adopts an annual budget for all of its Governmental Funds. Budgetary comparison statements have been provided for the General Fund beginning on page 21 to demonstrate compliance with the FY 2017 budget. A project length budget has been adopted for each Capital Projects Fund and is presented in the individual fund financial statements. Non-major special revenue funds' budget comparisons are also presented in the individual fund financial statements.

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

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

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

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

City of McDonough
Government-wide financial analysis (Continued)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2017, the City's net position exceeded liabilities by \$71,387,137. The City's net position reflects its investment in capital assets \$47,882,425 (67.07 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, \$9,716,387 (13.61 percent) is restricted for capital projects and other specified activities and \$13,788,325 (19.32 percent) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The comparative government-wide information for the years ended June 30, 2017 and June 30, 2016 is as follows:

	Governmental Activities		Business-type Activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	\$ 19,129,169	\$ 22,495,800	\$ 10,343,719	\$ 9,203,849	\$ 29,472,888	\$ 31,699,649
Deferred outflows	923,358	873,601	230,840	218,400	1,154,198	1,092,001
Capital assets	39,278,211	35,033,053	18,335,127	18,432,757	57,613,338	53,465,810
Total assets and deferred outflows	<u>59,330,738</u>	<u>58,402,454</u>	<u>28,909,686</u>	<u>27,855,006</u>	<u>88,240,424</u>	<u>86,257,460</u>
Current liabilities	1,047,895	1,634,585	950,865	995,049	1,998,760	2,629,634
Long-term liabilities and deferred inflows	9,102,247	9,198,976	5,752,280	6,181,372	14,854,527	15,380,348
Total liabilities	<u>10,150,142</u>	<u>10,833,561</u>	<u>6,703,145</u>	<u>7,176,421</u>	<u>16,853,287</u>	<u>18,009,982</u>
Net position:						
Net investment in capital assets	34,732,647	32,262,198	13,149,778	12,821,660	47,882,425	45,083,858
Restricted	9,363,489	11,679,446	352,898	352,898	9,716,387	12,032,344
Unrestricted	<u>5,084,460</u>	<u>3,627,249</u>	<u>8,703,865</u>	<u>7,504,027</u>	<u>13,788,325</u>	<u>11,131,276</u>
Total net position	<u>\$ 49,180,596</u>	<u>\$ 47,568,893</u>	<u>\$ 22,206,541</u>	<u>\$ 20,678,585</u>	<u>\$ 71,387,137</u>	<u>\$ 68,247,478</u>

**City of McDonough's Change in Net Position
For The Years Ended June 30, 2017 and 2016**

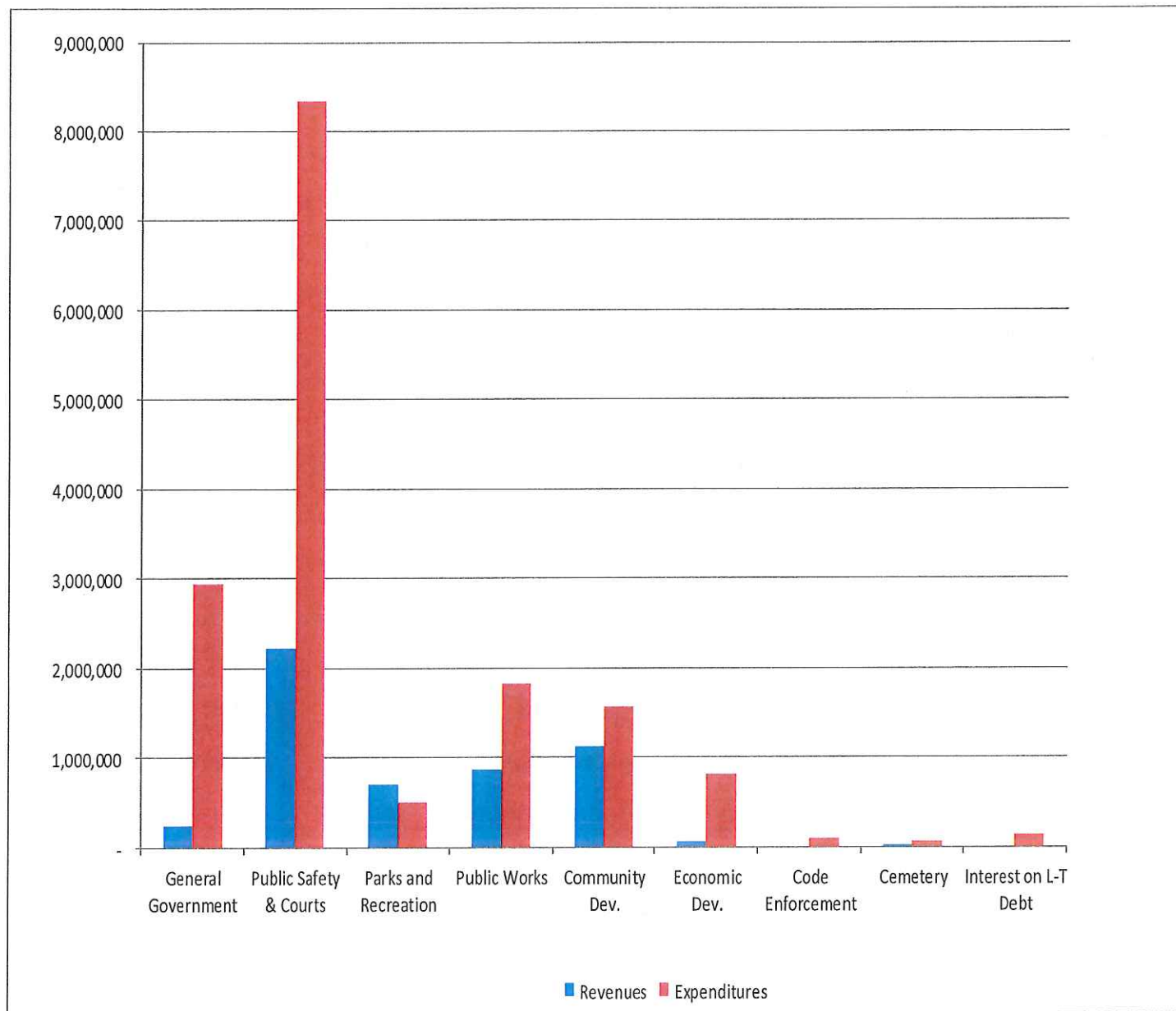
	Governmental Activities		Business-type Activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues:						
Program Revenues -						
Charges for services	\$ 2,840,446	\$ 2,387,146	\$ 7,626,060	\$ 7,227,166	\$ 10,466,506	\$ 9,614,312
Operating grants and contributions	2,608	-	-	-	\$ 2,608	-
Capital grants and contributions	2,361,555	1,809,285	853,849	799,494	3,215,404	2,608,779
General Revenues-						
Property taxes	3,723,532	3,720,837	-	-	3,723,532	3,720,837
Sales taxes	3,364,335	3,235,117	-	-	3,364,335	3,235,117
Other taxes	4,952,823	4,717,091	-	-	4,952,823	4,717,091
Interest	21,384	7,013	26,503	12,745	47,887	19,758
Gain (Loss) on disposal of assets	-	8,847	-	-	-	8,847
Other	27,512	60,194	2,710	-	30,222	60,194
	<u>17,294,195</u>	<u>15,945,530</u>	<u>8,509,122</u>	<u>8,039,405</u>	<u>25,803,317</u>	<u>23,984,935</u>
Expenses:						
General government	2,942,496	2,574,274	-	-	2,942,496	2,574,274
Public safety and courts	8,333,825	7,859,436	-	-	8,333,825	7,859,436
Public works	1,827,139	1,518,130	-	-	1,827,139	1,518,130
Cemetery	63,205	16,530	-	-	63,205	16,530
Parks and recreation	504,647	522,531	-	-	504,647	522,531
Community development	1,566,833	678,434	-	-	1,566,833	678,434
Economic development	817,155	834,445	-	-	817,155	834,445
Code enforcement	83,867	83,512	-	-	83,867	83,512
Interest on long-term debt	134,306	100,647	-	-	134,306	100,647
Bond issuance costs and fees	-	106,345	-	-	-	106,345
Water	-	-	2,526,930	2,942,003	2,526,930	2,942,003
Sewer	-	-	1,403,005	1,403,540	1,403,005	1,403,540
Solid waste	-	-	1,786,796	1,664,957	1,786,796	1,664,957
Storm Water	-	-	673,454	696,340	673,454	696,340
	<u>16,273,473</u>	<u>14,294,284</u>	<u>6,390,185</u>	<u>6,706,840</u>	<u>22,663,658</u>	<u>21,001,124</u>
Increase (decrease) in net position before transfers	1,020,722	1,651,246	2,118,937	1,332,565	3,139,659	2,983,811
Transfers	(1) 590,981	3,033,196	(590,981)	(3,033,196)	-	-
Increase (decrease) in net position	1,611,703	4,684,442	1,527,956	(1,700,631)	3,139,659	2,983,811
Net position - beginning of year	<u>47,568,893</u>	<u>42,884,451</u>	<u>20,678,585</u>	<u>22,379,216</u>	<u>68,247,478</u>	<u>65,263,667</u>
Net position - end of year	<u>\$ 49,180,596</u>	<u>\$ 47,568,893</u>	<u>\$ 22,206,541</u>	<u>\$ 20,678,585</u>	<u>\$ 71,387,137</u>	<u>\$ 68,247,478</u>

(1) FY 2016 transfers of \$3,033,196 include \$2,213,196 of eliminated inter-fund debt.

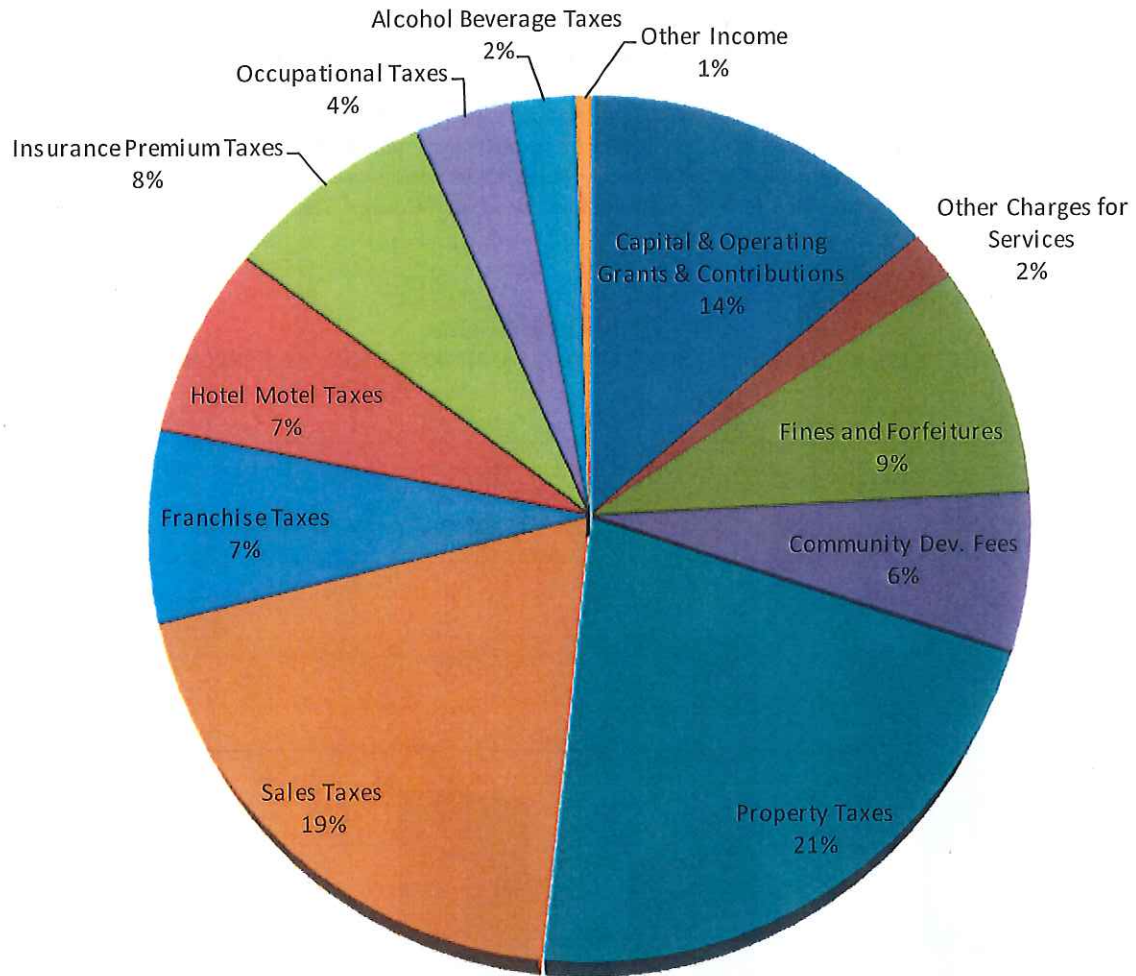
City of McDonough
Governmental Activities:

For the year ended June 30, 2017, an increase in net position of \$1,611,703 was reported in Governmental Activities when compared to period ending June 30, 2016. General revenues increased from \$11,749,099 in 2016 to \$12,089,586 for the fiscal year ended June 30, 2017. The increase of \$340,487 is attributed the increases in collections of local option sales taxes, hotel motel taxes, occupational taxes, and insurance premium taxes.

CITY OF MCDONOUGH
GOVERNMENTAL PROGRAM REVENUES AND EXPENDITURES



CITY OF MCDONOUGH
REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



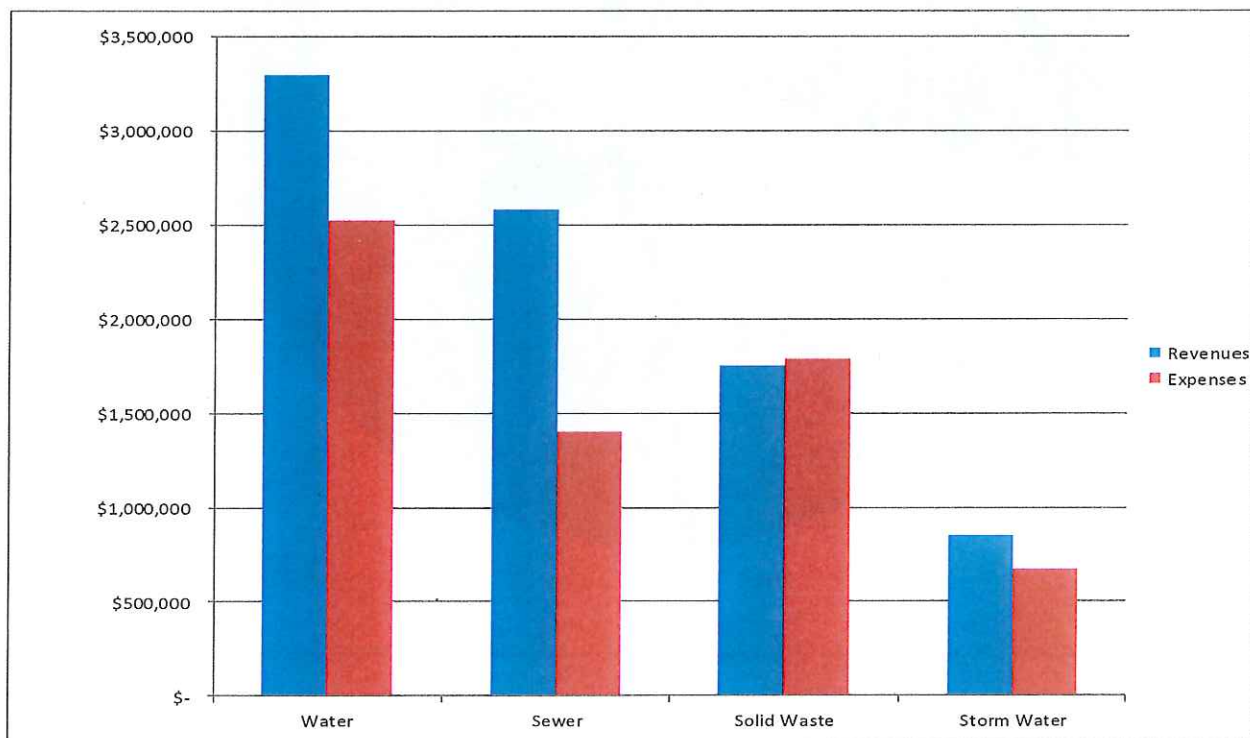
City of McDonough

Business-type activities. Business-type activities increased the City's net position by \$1,527,956 of which an increase of \$1,341,985 was from Water and Sewer activities, a decrease of (\$33,204) was from Solid Waste Management Activities, an increase of \$182,156 was from Storm Water Management Activities, and an increase of \$37,019 was from Cemetery Enterprise Activities.

The City uses an outside contractor to perform most of its solid waste services. The Solid Waste Management Fund reported a decrease in net position for the year of (\$33,204) reducing net position at the end of the year to \$26,799.

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

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



Financial Analysis of the Government's Funds

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

Financial Analysis of the Government's Funds (Continued)

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

At June 30, 2017, the city's governmental funds reported combined ending fund balances of \$17,986,383, a decrease of \$2,723,028 in comparison to the prior period. Of this amount, \$7,942,659 or (44.16 percent) is unassigned fund balance. A portion of fund balance is restricted to indicate that it is to be used for specified purposes: 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax, Development Impact Fees, and Urban Redevelopment Revenue Bonds (\$9,171,812), 2) for Perpetual Care of the City's cemetery (\$21,009), and for police activities (\$68). The remainder of fund balance is nonspendable for such items as prepaid items of \$480,235, cemetery trust corpus of \$170,600, and budget appropriation for fiscal year 2018 of \$200,000.

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 \$7,942,659 while the total fund balance amounted to \$8,622,894. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 60.86 percent of the total general fund expenditures, while total fund balance represents 66.07 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,572,469. The increase was the result of both tax revenue increases and management's planning to reduce expenditures.

The City of McDonough received \$1,253,792 in Special Purpose Local Option Sales Taxes for the year. The City began receiving its share of SPLOST proceeds under the SPLOST III intergovernmental agreement during 2008. In addition, Henry County issued bonds in order to begin projects approved by the voters in November 2008. The new SPLOST IV agreement started collecting taxes in April 2015. The City received \$9,200,000 and \$7,325,000 in 2015 and 2008, respectively, from the County's bond issue. Projects approved by voters in the SPLOST referendum include public safety facilities and equipment, public works facilities and equipment, park improvements and roads, bridges, sidewalks and transportation facilities. As a condition of the Bonds, SPLOST Revenues were first used to pay the principle and interest on the bonds secured and guaranteed by Henry County SPLOST. Any remaining SPLOST Revenues were used to funds other SPLOST projects. During FY 2017, the City spent \$877,035 for public safety facilities and equipment; \$1,759,588 for roads, bridges and sidewalks; \$356,956 for parks and recreation, 121,119 for cultural, historic & recreation facilities, and \$1,000,000 for community development facilities.

The City also received Development Impact Fees during the year totaling \$801,648. These funds can only be expended for the category of system improvements (public safety and parks) within the service area for which the fee was assessed and collected. During FY 2017 this fund expended \$384,715 for public safety and \$23,290 for administrative purposes.. The fund balance of this fund at June 30, 2017 amounted to \$1,234,815.

The Urban Redevelopment Authority (URA) received proceeds from revenue bonds of \$4,235,000 and bond issuance premiums of \$185,132 during FY 2017. In addition, it benefited from the receipt of a transfer-in from the Water Sewer Fund of \$250,000, and \$279,020 from the General Fund. The URA expended \$2,118,836 during FY 2017 towards the construction of the McDonough Municipal Courthouse which was 100 percent complete as of June 30, 2017. The URA paid \$115,000 of bond principal payments and \$164,020 of bond interest during the year ended June 30, 2017.

Financial Analysis of the Business-type Funds

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

Unrestricted net position (deficit) of the proprietary funds at the end of the year was \$8,703,865 of which the Water and Sewer Fund had \$5,671,366; Solid Waste Management Fund had (\$34,217), the Storm Water Management Fund had \$3,066,716 and the Cemetery Enterprise Fund had \$0.

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

City of McDonough

General Fund Budgetary Highlights

The original general fund budgeted expenditures of \$14,469,260 were amended to a total of \$15,093,122 or 104.3 percent of the original budget. Budget amendments were made mainly for the increase in insurance costs and capital outlays.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2017, amounted to \$57,613,338, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, construction in progress, automobiles and equipment, sidewalks, bridges and roads.

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

Construction in Process	
Alexander Park	\$ 167,527
Alvalon Park	50,417
Jonesboro Road Park	11,650
Digital Sign Installation	12,948
Phillips Drive Improvements	1,358,507
Polk Building Improvements	121,119
Southpoint Blvd Extension	150,698
Courthouse Construction	1,845,655
Water Sewer Plant Enhancements	115,005
Total Construction in Process	<u>3,833,526</u>
Alexander Park Structures	28,975
Building Improvements - Public Safety	78,500
Cemetery Improvements	37,019
E-911 Radio System	624,000
Furniture and Equipment - Courthouse	222,974
Machinery and Equipment - Public Works	18,825
Machinery and Equipment - Public Safety	170,441
Machinery and Equipment - City Hall	30,079
Machinery and Equipment - Water Sewer	111,803
Vehicles - Public Safety	558,640
Vehicles - Water Sewer	110,578
WiFi Infrastructure	138,456
Water Sewer Plant Improvements	528,227
Totals	<u>\$6,492,043</u>

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

City of McDonough

Long-term debt. At the end of the current fiscal year, the City had \$14,953,495 in outstanding debt consisting of the following:

Governmental Activities:

Accrued Compensated Absences	\$ 229,485
Series 2015 Revenue Bonds	4,120,000
Bond Premium	172,509
Capital Leases	70,913
Unearned Rental Income (Obligation)	182,142
Net Pension Obligation	3,728,078
Net OPEB Obligation	333,000
Total Government Activities	<u>8,836,127</u>

Business-Type Activities:

Series 2014 Revenue Bonds	2,449,000
GEFA Notes Payable	2,736,349
Net Pension Obligation	932,019
Total Business-Type Activities	<u>6,117,368</u>

Total Long-Term Debt	<u>\$ 14,953,495</u>
----------------------	----------------------

The City's total long-term debt decreased by a net of \$659,716 during the year ended June 30, 2017.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of McDonough is approximately \$78,512,000 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 5.70 percent which is consistent with the state and national rates. Inflationary trends in the region compare favorably to national indices. Recent job growth was 2.29%. Future job growth over the next 10 years is predicted to be 38.87%.
- Building permits, both commercial and residential, have shown significant increases in recent months.
- Local option sales tax receipts continue to meet budgeted expectations.

Requests for Information

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

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

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets and Deferred Outflows			
Assets			
Cash and cash equivalents	\$ 2,712,839	\$ 4,088,488	\$ 6,801,327
Investments	5,104,138	4,664,314	9,768,452
Receivables, net			
Taxes	707,994	-	707,994
Fines	178,139	-	178,139
Accounts	-	1,205,757	1,205,757
Intergovernmental	-	-	-
Other	4,486	-	4,486
Internal balances	-	-	-
Prepaid items	480,235	32,262	512,497
Restricted assets			
Cash	3,275,642	352,898	3,628,540
Investments	6,665,696	-	6,665,696
Non-depreciable capital assets	14,224,373	2,307,770	16,532,143
Depreciable capital assets, net	25,053,838	16,027,357	41,081,195
Total Assets	<u>58,407,380</u>	<u>28,678,846</u>	<u>87,086,226</u>
Deferred Outflows			
Deferred pension outflows	923,358	230,840	1,154,198
Total Assets and Deferred Outflows	<u>59,330,738</u>	<u>28,909,686</u>	<u>88,240,424</u>

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES AND DEFERRED INFLOWS			
Liabilities			
Accounts payable			
Trade	\$ 344,542	\$ 245,830	\$ 590,372
Construction	-	-	-
Accrued liabilities			
Salaries	62,009	13,543	75,552
Compensated absences	-	41,144	41,144
Customer deposits	52,580	195,333	247,913
Other	48,673	-	48,673
Unearned revenues	218,356	-	218,356
Liabilities payable from restricted assets			
Revenue bonds	-	297,000	297,000
Notes payable	-	134,618	134,618
Accrued interest	68,777	23,397	92,174
Accounts payable	252,958	-	252,958
Long-term liabilities			
Due within one year	243,718	-	243,718
Due in more than one year	8,592,409	5,685,750	14,278,159
Total Liabilities	<u>9,884,022</u>	<u>6,636,615</u>	<u>16,520,637</u>
Deferred Inflows			
Deferred pension inflows	<u>266,120</u>	<u>66,530</u>	<u>332,650</u>
Total Liabilities and Deferred Inflows	<u>10,150,142</u>	<u>6,703,145</u>	<u>16,853,287</u>
NET POSITION			
Net investment in			
capital assets	34,732,647	13,149,778	47,882,425
Restricted for			
Perpetual care			
Expendable	21,009	-	21,009
Nonexpendable	170,600	-	170,600
Police activities	68	-	68
Capital projects	9,171,812	-	9,171,812
Promotional activities	-	-	-
Debt covenants	-	352,898	352,898
Unrestricted	<u>5,084,460</u>	<u>8,703,865</u>	<u>13,788,325</u>
Total Net Position	<u>\$ 49,180,596</u>	<u>\$ 22,206,541</u>	<u>\$ 71,387,137</u>

See accompanying notes to the basic financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 2,942,496	\$ 217,787	\$ 2,575	\$ 24,878
Public Safety and Courts	8,333,825	1,497,525	-	729,143
Public Works	1,827,139	43,076	-	815,729
Cemetery	63,205	1,000	-	-
Parks and Recreation	504,647	-	-	693,968
Community Development	1,566,833	1,022,375	-	97,837
Economic Development	817,155	58,683	33	-
Code Enforcement	83,867	-	-	-
Interest	134,306	-	-	-
Bond issuance costs and fees	-	-	-	-
Total Governmental Activities	<u>16,273,473</u>	<u>2,840,446</u>	<u>2,608</u>	<u>2,361,555</u>
Business-Type Activities				
Water	2,526,930	2,821,140	-	472,722
Sewer	1,403,005	2,200,778	-	381,127
Cemetery Enterprise	-	-	-	-
Solid Waste Management	1,786,796	1,753,592	-	-
Storm Water Management	673,454	850,550	-	-
Total Business-Type Activities	<u>6,390,185</u>	<u>7,626,060</u>	<u>-</u>	<u>853,849</u>
Total Government	<u>\$ 22,663,658</u>	<u>\$ 10,466,506</u>	<u>\$ 2,608</u>	<u>\$ 3,215,404</u>

General Revenues

Taxes

Property

Franchise

Local option sales

Occupational

Insurance premium

Alcohol beverage

Hotel/motel

Other

Investment earnings

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying notes to the basic financial statements.

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

Governmental Activities	Business- Type Activities	Total
\$ (2,697,256)	\$ -	\$ (2,697,256)
(6,107,157)	-	(6,107,157)
(968,334)	-	(968,334)
(62,205)	-	(62,205)
189,321	-	189,321
(446,621)	-	(446,621)
(758,439)	-	(758,439)
(83,867)	-	(83,867)
(134,306)	-	(134,306)
-	-	-
<u>(11,068,864)</u>	<u>-</u>	<u>(11,068,864)</u>
-	766,932	766,932
-	1,178,900	1,178,900
-	-	-
-	(33,204)	(33,204)
-	177,096	177,096
<u>-</u>	<u>2,089,724</u>	<u>2,089,724</u>
<u>(11,068,864)</u>	<u>2,089,724</u>	<u>(8,979,140)</u>
3,723,532	-	3,723,532
1,235,617	-	1,235,617
3,364,335	-	3,364,335
627,342	-	627,342
1,374,297	-	1,374,297
429,127	-	429,127
1,238,703	-	1,238,703
47,737	-	47,737
21,384	26,503	47,887
27,512	2,710	30,222
<u>12,089,586</u>	<u>29,213</u>	<u>12,118,799</u>
<u>590,981</u>	<u>(590,981)</u>	<u>-</u>
<u>12,680,567</u>	<u>(561,768)</u>	<u>12,118,799</u>
1,611,703	1,527,956	3,139,659
<u>47,568,893</u>	<u>20,678,585</u>	<u>68,247,478</u>
<u>\$ 49,180,596</u>	<u>\$ 22,206,541</u>	<u>\$ 71,387,137</u>

CITY OF McDONOUGH, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL	SPLOST III	SPLOST IV
ASSETS			
Cash and cash equivalents	\$ 2,712,839	\$ 62,003	\$ 1,773,456
Investments	5,104,138	629,500	5,588,463
Receivables			
Taxes	479,387	-	-
Intergovernmental	-	-	-
Fines	178,139	-	-
Other	-	57	4,428
Due from other funds	241,637	-	-
Prepaid items	480,235	-	-
Long-term assets -			
Due from other funds	-	-	-
Total Assets	<u>\$ 9,196,375</u>	<u>\$ 691,560</u>	<u>\$ 7,366,347</u>
LIABILITIES			
Accounts payable			
Trade	\$ 244,526	\$ -	\$ -
Construction	-	-	134,551
Accrued expenditures			
Payroll	62,009	-	-
Court Bonds	52,580	-	-
Other	48,673	-	-
Unearned revenues	2,026	-	-
Due to other funds	-	-	104,182
Total Liabilities	<u>409,814</u>	<u>-</u>	<u>238,733</u>
DEFERRED INFLOWS			
Unavailable revenues	<u>163,667</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable -			
Prepaid items	480,235	-	-
Cemetery corpus	-	-	-
Restricted -			
Capital projects	-	691,560	7,127,614
Police activities	-	-	-
Cemetery	-	-	-
Assigned -			
Appropriated for next year's budget	200,000	-	-
Unassigned	<u>7,942,659</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>8,622,894</u>	<u>691,560</u>	<u>7,127,614</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 9,196,375</u>	 <u>\$ 691,560</u>	 <u>\$ 7,366,347</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 1,024,706	\$ 190,111	\$ 225,366	\$ 5,988,481
257,973	-	189,760	11,769,834
-	-	228,607	707,994
-	-	-	-
-	-	-	178,139
-	-	-	4,485
-	-	-	241,637
-	-	-	480,235
-	-	-	-
<u>\$ 1,282,679</u>	<u>\$ 190,111</u>	<u>\$ 643,733</u>	<u>\$ 19,370,805</u>
\$ -	\$ -	\$ 100,016	\$ 344,542
39,000	79,407	-	252,958
-	-	-	62,009
-	-	-	52,580
-	-	-	48,673
-	-	216,330	218,356
8,864	-	128,591	241,637
<u>47,864</u>	<u>79,407</u>	<u>444,937</u>	<u>1,220,755</u>
-	-	-	163,667
-	-	-	480,235
-	-	170,600	170,600
1,234,815	110,704	7,119	9,171,812
-	-	68	68
-	-	21,009	21,009
-	-	-	200,000
-	-	-	7,942,659
<u>1,234,815</u>	<u>110,704</u>	<u>198,796</u>	<u>17,986,383</u>
<u>\$ 1,282,679</u>	<u>\$ 190,111</u>	<u>\$ 643,733</u>	<u>\$ 19,370,805</u>

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

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

Total fund balances -- total governmental funds	\$ 17,986,383
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,278,211
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	163,668
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:	
Deferred outflows	923,358
Deferred inflows	(266,120)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital lease	(70,913)
Long-term portion of compensated absences	(229,485)
Bonds payable	(4,120,000)
Unamortized bond premium	(172,509)
Unearned rental revenue (obligation)	(182,142)
Accrued interest	(68,777)
Net pension liability	(3,728,078)
Net OPEB obligation	(333,000)
Net position of governmental activities.	<u>\$ 49,180,596</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, 2017

	GENERAL	SPLOST III	SPLOST IV
REVENUES			
Taxes	\$ 10,828,934	\$ -	\$ -
Licenses and permits			
Business license	180,225	-	-
Building permits and fees	872,964	-	-
Intergovernmental	101,390	-	1,253,792
Charges for services	153,365	-	-
Fines and forfeitures	1,553,563	-	-
Interest	20,308	460	37,603
Miscellaneous	130,060	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	13,840,809	460	1,291,395
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
Governing Body	302,198	-	-
General Administration	2,297,900	-	-
Municipal Court	962,129	-	-
Probation	248,554	-	-
Public Safety	6,530,885	-	-
Highways & Streets	1,132,276	-	-
Cemetery	15,053	-	-
Parks and Recreation	296,706	-	-
Community Development	553,521	-	1,000,000
Economic Development	258,473	-	-
Code Enforcement	84,250	-	-
Debt service			
Principal	44,987	-	-
Interest	4,774	-	-
Bond insurance costs	-	-	-
Capital outlay	318,885	31,378	3,083,320
	<hr/>	<hr/>	<hr/>
Total Expenditures	13,050,591	31,378	4,083,320
	<hr/>	<hr/>	<hr/>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ -	\$ 1,238,703	\$ 12,067,637
-	-	-	180,225
-	-	-	872,964
-	-	165,200	1,520,382
801,648	-	-	955,013
-	-	-	1,553,563
1,463	-	1,076	60,910
-	-	-	130,060
<u>803,111</u>	<u>-</u>	<u>1,404,979</u>	<u>17,340,754</u>
-	-	-	302,198
23,290	-	-	2,321,190
-	-	-	962,129
-	-	-	248,554
-	-	-	6,530,885
-	-	-	1,132,276
-	-	-	15,053
-	-	-	296,706
-	-	-	1,553,521
-	-	555,432	813,905
-	-	-	84,250
-	115,000	-	159,987
-	164,020	-	168,794
-	-	-	-
<u>384,715</u>	<u>2,118,836</u>	<u>165,200</u>	<u>6,102,334</u>
<u>408,005</u>	<u>2,397,856</u>	<u>720,632</u>	<u>20,691,782</u>

Continued

CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ 790,218	\$ (30,918)	\$ (2,791,925)
Other Financing Sources (Uses)			
Proceeds from debt issue	-	-	-
Proceeds from disposition of capital asset	-	-	-
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers	782,251	-	-
Total Other Financing Sources (Uses)	782,251	-	-
Net Change in Fund Balance	1,572,469	(30,918)	(2,791,925)
Fund Balance - Beginning of Year	7,050,425	722,478	9,919,539
Fund Balance - End of Year	<u>\$ 8,622,894</u>	<u>\$ 691,560</u>	<u>\$ 7,127,614</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	URBAN REDEVELOPMENT AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>\$ 395,106</u>	<u>\$ (2,397,856)</u>	<u>\$ 684,347</u>	<u>\$ (3,351,028)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	529,020	(683,271)	628,000
-	529,020	(683,271)	628,000
395,106	(1,868,836)	1,076	(2,723,028)
<u>839,709</u>	<u>1,979,540</u>	<u>197,720</u>	<u>20,709,411</u>
<u>\$ 1,234,815</u>	<u>\$ 110,704</u>	<u>\$ 198,796</u>	<u>\$ 17,986,383</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, 2017

Net change in fund balances -- total governmental funds \$ (2,723,028)

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	5,626,429
Depreciation	(1,269,253)

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

Donated capital assets	-
Sale of asset to the Cemetery Enterprise Fund	-
Other dispositions of capital assets	(112,018)

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.

(82,987)

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	159,987
Proceeds from debt issues	-
Premium from debt issue	-

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in net OPEB obligation	(104,944)
Change in net pension liability and related deferred items	39,651
Change in unearned rental income (obligation)	36,429
Change in accrued interest	26,073
Amortization of bond premium	8,415
Change in long-term portion of accrued compensated absences	<u>6,948</u>

Change in net position of governmental activities. \$ 1,611,702

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, 2017

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	\$ 10,550,000	\$ 10,550,000	\$ 10,828,934	\$ 278,934
Licenses and permits				
Business license	189,000	189,000	180,225	(8,775)
Building permits and fees	359,000	359,000	872,964	513,964
Intergovernmental	8,000	102,300	101,390	(910)
Charges for services	74,780	74,780	153,365	78,585
Fines and forfeitures	1,912,000	1,912,000	1,553,563	(358,437)
Interest	4,500	4,500	20,308	15,808
Administration fees *	360,500	312,900	355,790	42,890
Miscellaneous	134,700	150,700	130,060	(20,640)
Total Revenues	<u>13,592,480</u>	<u>13,655,180</u>	<u>14,196,599</u>	<u>541,419</u>
EXPENDITURES				
Current				
Governing Body	341,621	357,703	302,198	55,505
General Government -				
City Administrator	337,608	337,608	323,961	13,647
City Clerk	989,084	1,001,749	927,030	74,719
Finance	490,937	522,139	457,555	64,584
Legal	217,545	217,545	202,812	14,733
IT	665,378	686,057	634,582	51,475
Human Resources	178,812	203,812	172,550	31,262
Municipal Court	1,075,828	1,146,142	962,129	184,013
Probation	286,214	286,214	248,554	37,660
Public Safety -				
Police	4,711,236	4,968,426	4,398,942	569,484
Fire	2,387,931	2,471,555	2,324,738	146,817
Highways & Streets	1,249,092	1,334,692	1,215,464	119,228
Cemetery	23,655	23,655	15,053	8,602
Parks and Recreation	350,338	347,060	313,867	33,193
Community Development				
Planning and Zoning	492,733	500,867	349,944	150,923
Building Inspection	277,843	278,493	214,279	64,214
Economic Development				
Main Street	287,547	303,547	250,335	53,212
Business Development	18,000	18,000	8,138	9,862
Code Enforcement	87,858	87,858	84,250	3,608
Debt Service**	-	-	-	-
Capital outlay **	-	-	-	-
Total Expenditures	<u>14,469,260</u>	<u>15,093,122</u>	<u>13,406,381</u>	<u>1,686,741</u>

See accompanying notes to the financial statements.

Continued

**CITY OF McDONOUGH, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<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>\$ (876,780)</u>	<u>\$ (1,437,942)</u>	<u>\$ 790,218</u>	<u>\$ 2,228,160</u>
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	220,000	-	(220,000)
Proceeds from disposition of assets	-	-	-	-
Transfers	<u>773,000</u>	<u>773,980</u>	<u>782,251</u>	<u>8,271</u>
Total Other Financing Sources (Uses)	<u>773,000</u>	<u>993,980</u>	<u>782,251</u>	<u>(211,729)</u>
Net Change in Fund Balance	(103,780)	(443,962)	1,572,469	2,016,431
Fund Balance - Beginning of Year	<u>7,050,425</u>	<u>7,050,425</u>	<u>7,050,425</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 6,946,645</u>	<u>\$ 6,606,463</u>	<u>\$ 8,622,894</u>	<u>\$ 2,016,431</u>

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

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

See accompanying notes to the financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
ASSETS AND DEFERRED OUTFLOWS			
Current Assets			
Cash	\$ 2,267,496	\$ 31,363	\$ 1,789,629
Investments	3,771,744	-	892,570
Receivables			
Accounts (net)	622,684	108,556	474,517
Other	-	-	-
Due from other funds	-	-	-
Due from other government	-	-	-
Prepaid expenses	26,803	3,519	1,940
Restricted Assets			
Cash	352,898	-	-
Total Current Assets	<u>7,041,625</u>	<u>143,438</u>	<u>3,158,656</u>
Noncurrent Assets			
Capital assets			
Land	1,144,569	-	222,162
Buildings	910,843	-	135,741
Improvements other than buildings	24,276,680	-	2,305,019
Machinery and equipment	1,365,257	96,567	653,890
Autos and trucks	702,305	77,919	46,574
Construction in progress	115,005	-	-
Accumulated depreciation	(14,001,811)	(113,470)	(465,176)
Capital assets (net of depreciation)	<u>14,512,848</u>	<u>61,016</u>	<u>2,898,210</u>
Total Assets	<u>21,554,473</u>	<u>204,454</u>	<u>6,056,866</u>
Deferred Outflows			
Deferred pension outflows	<u>196,214</u>	<u>11,542</u>	<u>23,084</u>
Total Assets and Deferred Outflows	<u>21,750,687</u>	<u>215,996</u>	<u>6,079,950</u>

See accompanying notes to the basic financial statements.

Continued

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 4,088,488
-	4,664,314
-	1,205,757
-	-
-	-
-	-
-	32,262
-	352,898
<u>-</u>	<u>10,343,719</u>
826,034	2,192,765
-	1,046,584
37,019	26,618,718
-	2,115,714
-	826,798
-	115,005
-	(14,580,457)
<u>863,053</u>	<u>18,335,127</u>
<u>863,053</u>	<u>28,678,846</u>
-	230,840
<u>863,053</u>	<u>28,909,686</u>

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities			
Accounts payable			
Trade	\$ 98,300	\$ 136,630	\$ 10,900
Construction	-	-	-
Accrued liabilities			
Deposits	195,333	-	-
Accrued compensated absences	36,279	1,978	2,887
Accrued salaries	11,499	662	1,382
Due to other funds	-	-	-
Current liabilities payable from restricted assets			
Revenue bonds	297,000	-	-
Notes payable	134,618	-	-
Accrued interest	23,397	-	-
Total Current Liabilities	<u>796,426</u>	<u>139,270</u>	<u>15,169</u>
Noncurrent Liabilities			
Revenue bonds	2,152,000	-	-
Notes payable	2,601,731	-	-
Net pension liability	792,216	46,601	93,202
Due to other funds	-	-	-
Total Noncurrent Liabilities	<u>5,545,947</u>	<u>46,601</u>	<u>93,202</u>
Total Liabilities	<u>6,342,373</u>	<u>185,871</u>	<u>108,371</u>
Deferred Inflows			
Deferred pension inflows	<u>56,551</u>	<u>3,326</u>	<u>6,653</u>
Total Liabilities and Deferred Inflows	<u>6,398,924</u>	<u>189,197</u>	<u>115,024</u>
NET POSITION			
Net investment in capital assets	9,327,499	61,016	2,898,210
Restricted under debt ordinance	352,898	-	-
Unrestricted	<u>5,671,366</u>	<u>(34,217)</u>	<u>3,066,716</u>
Total Net Position	<u>\$ 15,351,763</u>	<u>\$ 26,799</u>	<u>\$ 5,964,926</u>

See accompanying notes to the basic financial statements.

Concluded

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 245,830
-	-
-	195,333
-	41,144
-	13,543
-	-
-	297,000
-	134,618
-	23,397
-	<u>950,865</u>
-	2,152,000
-	2,601,731
-	932,019
-	-
-	<u>5,685,750</u>
-	<u>6,636,615</u>
-	66,530
-	<u>6,703,145</u>
863,053	13,149,778
-	352,898
-	<u>8,703,865</u>
<u>\$ 863,053</u>	<u>\$ 22,206,541</u>

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
OPERATING REVENUES			
Charges for services			
Water sales	\$ 2,667,856	\$ -	\$ -
Sewer charges	2,100,280	-	-
Sanitation fees	-	1,753,592	-
Storm water fees	-	-	850,550
Connection fees	-	-	-
Water	52,785	-	-
Sewer	-	-	-
Penalties and reconnect fees	163,758	-	-
Miscellaneous	37,239	-	-
Total Operating Revenues	<u>5,021,918</u>	<u>1,753,592</u>	<u>850,550</u>
OPERATING EXPENSES			
Purchased products / services	-	1,536,112	-
Personal services and benefits	1,705,366	96,323	160,574
Purchased / contracted services	476,008	53,729	241,070
Supplies	669,445	11,073	56,070
Cost allocations	188,645	64,032	39,823
Depreciation and amortization	796,799	15,527	150,917
Other	14,100	10,000	25,000
Total Operating Expenses	<u>3,850,363</u>	<u>1,786,796</u>	<u>673,454</u>
Operating Income (Loss)	<u>1,171,555</u>	<u>(33,204)</u>	<u>177,096</u>
NON-OPERATING INCOME (EXPENSE)			
Interest earned	21,443	-	5,060
Interest expense	(79,572)	-	-
Gain (Loss) on disposition of capital assets	2,710	-	-
Total Non-Operating Income (Expense)	<u>(55,419)</u>	<u>-</u>	<u>5,060</u>
Net Income before Transfers and Capital Contributions	1,116,136	(33,204)	182,156
Capital Contributions			
Water	472,722	-	-
Sewer	381,127	-	-
Cemetery	-	-	-
Transfers	<u>(628,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,341,985	(33,204)	182,156
Net Position - Beginning of Year (Adjusted)	<u>14,009,778</u>	<u>60,003</u>	<u>5,782,770</u>
Net Position - End of Year	<u>\$ 15,351,763</u>	<u>\$ 26,799</u>	<u>\$ 5,964,926</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 2,667,856
-	2,100,280
-	1,753,592
-	850,550
-	
-	52,785
-	-
-	163,758
-	37,239
<u>-</u>	<u>7,626,060</u>
-	
-	1,536,112
-	1,962,263
-	770,807
-	736,588
-	292,500
-	963,243
-	49,100
<u>-</u>	<u>6,310,613</u>
-	
<u>-</u>	<u>1,315,447</u>
-	
-	26,503
-	(79,572)
-	2,710
<u>-</u>	<u>(50,359)</u>
-	
-	1,265,088
-	
-	472,722
-	381,127
37,019	37,019
<u>-</u>	<u>(628,000)</u>
37,019	1,527,956
<u>826,034</u>	<u>20,678,585</u>
<u>\$ 863,053</u>	<u>\$ 22,206,541</u>

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Cash flows from operating activities:			
Cash received from customers and users	\$ 5,055,713	\$ 1,744,612	\$ 825,707
Cash paid to suppliers for goods	(1,829,949)	(1,700,925)	(417,710)
Cash paid to employees	(1,207,813)	(56,969)	(124,791)
Net Cash Flows from Operating Activities	<u>2,017,951</u>	<u>(13,282)</u>	<u>283,206</u>
Cash flows from investing activities:			
Interest received	21,443	-	5,060
(Purchase) / redemption of investments	(21,380)	-	(5,059)
Net Cash Flows from Investing Activities	<u>63</u>	<u>-</u>	<u>1</u>
Cash flows from non-capital financing activities:			
Transfers	(628,000)	-	-
Change in due to/from other funds	-	-	118,622
Net Cash Flows from Non-Capital Financing Activities	<u>(628,000)</u>	<u>-</u>	<u>118,622</u>
Cash flows from capital financing activities:			
Purchases / construction of capital assets	(669,787)	-	(158,808)
Capital contributions	853,849	-	-
Principal payments on long-term debt	(425,748)	-	-
Change in net pension liability	(21,613)	(1,270)	(2,543)
Proceeds from debt issue	-	-	-
Proceeds from disposition of capital assets	2,710	-	-
Interest paid	(82,144)	-	-
Net Cash Flows from Capital Financing Activities	<u>(342,733)</u>	<u>(1,270)</u>	<u>(161,351)</u>
Net Change in Cash and Cash Equivalents	1,047,281	(14,552)	240,478
Cash and Cash Equivalents - Beginning	<u>1,573,113</u>	<u>45,915</u>	<u>1,549,151</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,620,394</u>	<u>\$ 31,363</u>	<u>\$ 1,789,629</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 7,626,032
-	(3,948,584)
-	(1,389,573)
-	<u>2,287,875</u>
-	26,503
-	<u>(26,439)</u>
-	<u>64</u>
-	(628,000)
-	<u>118,622</u>
-	<u>(509,378)</u>
-	(828,595)
-	853,849
-	(425,748)
-	(25,426)
-	-
-	2,710
-	<u>(82,144)</u>
-	<u>(505,354)</u>
-	1,273,207
-	<u>3,168,179</u>
<u>\$ -</u>	<u>\$ 4,441,386</u>

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

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

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Operating Income (Loss)	\$ 1,171,555	\$ (33,204)	\$ 177,096
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	796,799	15,527	150,917
(Increase) decrease in -			
Accounts receivable	77,279	(8,980)	(24,843)
Prepaid expense	(1,905)	(256)	(141)
Deferred outflows	(10,574)	(622)	(1,244)
Increase (decrease) in -			
Accounts payable	7,823	13,006	(21,054)
Deposits	(43,484)	-	-
Deferred inflows	23,761	1,397	2,795
Accrued liabilities	(3,303)	(150)	(320)
Total Adjustments	<u>846,396</u>	<u>19,922</u>	<u>106,110</u>
Net Cash Flows from Operating Activities	<u>\$ 2,017,951</u>	<u>\$ (13,282)</u>	<u>\$ 283,206</u>

NON-CASH TRANSACTIONS

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

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 1,315,447
-	963,243
-	43,456
-	(2,302)
	(12,440)
-	(225)
-	(43,484)
	27,953
-	(3,773)
-	972,428
\$ -	\$ 2,287,875
<u>\$ 37,019</u>	<u>\$ 37,019</u>

CITY OF McDONOUGH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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

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

(See Independent Auditor's Report)

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

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

B. The Reporting Entity – (Continued)

Blended Component Unit –

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

C. Basic Financial Statements—Government-Wide Statements

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

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

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

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

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

(See Independent Auditor's Report)

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

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

D. Basic Financial Statements-Fund Financial Statements

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

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

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

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

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

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

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

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

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

(See Independent Auditor's Report)

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

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

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

Proprietary Fund Type, Continued –

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

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

E. Measurement Focus

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

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

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

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

F. Basis of Accounting

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

1. Accrual

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

(See Independent Auditor's Report)

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

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

F. Basis of Accounting, continued

2. Modified Accrual:

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

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

G. Cash and Investments

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

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2017:

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

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

H. Inventory

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

(See Independent Auditor's Report)

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

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

I. Prepaid Expenses

Payments made to vendors for service that will benefit periods beyond June 30, 2017 are recorded as prepaid items and are expensed during the period benefited

J. Restricted Assets

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

K. Capital Assets

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

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized in the Water and Sewer Fund during the year ended June 30, 2017. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

L. Bond Premiums, Discounts and Issuance Cost

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

(See Independent Auditor’s Report)

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Revenues

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

O. Expenditures

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

P. Compensated Absences

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

Q. Interfund Activity

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

R. Encumbrances

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

(See Independent Auditor's Report).

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

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

S. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has one item that qualifies for reporting in this category as of June 30, 2017 which is deferred pension outflows recognized in the Statements of Net Position.

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

T. Net Position

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

The City's government-wide statement of net position reports \$9,716,387 of restricted net position, of which \$9,061,176 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, 2017, 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, 2017, fund balances are composed of the following:

	General	SPLOST Funds	Development Impact Fee	Urban Redevelopment Authority	Other Governmental Funds	Total
Nonspendable						
Prepays	\$ 480,235	\$ -	\$ -	\$ -	\$ -	\$ 480,235
Cemetery Trust Corpus	-	-	-	-	170,600	170,600
Restricted -						
Capital projects	-	7,819,174	1,234,815	110,704	7,119	9,171,812
Police activities	-	-	-	-	68	68
Cemetery	-	-	-	-	21,009	21,009
Assigned -						
Appropriated for 2018 budget	200,000	-	-	-	-	200,000
Unassigned	7,942,659	-	-	-	-	7,942,659
 Total Fund Balances	 \$ 8,622,894	 \$ 7,819,174	 \$ 1,234,815	 \$ 110,704	 \$ 198,796	 \$ 17,986,383

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

V. Contributions of Capital

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

W. Estimates

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

(See Independent Auditor's Report)

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

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

X. Budgets and Budgetary Accounting

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

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a department. Budgets, as reported in the financial statements, are as originally approved or as amended in December 2017. All annual appropriations lapse at year end.

Y. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of McDonough Retirement Plan (MRP) and additions to / deductions from MRP's fiduciary net position have been determined on the same basis as they are reported in the MRP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of June 30, 2017, \$10,345,068 of the government's bank balance of \$11,223,873 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its agent	10,345,068
Total	<u>\$ 10,345,068</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, 2017:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturities</u>	<u>Rating</u>	<u>Organization</u>
All Funds With Investments -				
Georgia Fund 1	\$ 16,434,148	26	AAAf	S&P

(See Independent Auditor's Report).

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

2. CASH AND INVESTMENTS – (Continued)

Investments , continued

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

3. PROPERTY TAX

Property taxes were levied on July 18, 2016 and are due 60 days after the receipt of the tax notice. Property taxes attach as an enforceable lien on the property as of January 1. A local option sales tax is in force. Proceeds from this tax are remitted to the City to help reduce property tax rates. The City has obtained the service of Henry County to bill and collect the City’s property taxes. The County remits monies collected to the City on a semi-monthly basis. Property taxes receivable at June 30, 2017 amounted to \$ 82,132.

4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables reported in the governmental fund financial statements for the year ended June 30, 2017 consist of the following:

	Receivable	Revenues
General Fund		
Henry County - Community Development Block Grant Program	\$ -	\$ 78,747
Police department computer grants	-	20,000
Police department vest grants	-	2,643
SPLOST Funds		
Henry County - SPLOST	-	1,253,792
LMIG Grant Fund		
Department of Transportation	-	165,200
	<u>\$ -</u>	<u>\$ 1,520,382</u>

5. RECEIVABLES

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

Governmental Funds	General	SPLOST	Nonmajor	Total
Taxes	\$ 479,387	\$ -	\$ 228,607	\$ 707,994
Fines	356,277	-	-	356,277
Other	23,586	4,485	-	28,071
Intergovernmental	-	-	-	-
Gross receivables	859,250	4,485	228,607	1,092,342
Less allowance for bad debt	(201,724)	-	-	(201,724)
Net Total Receivables	<u>\$ 657,526</u>	<u>\$ 4,485</u>	<u>\$ 228,607</u>	<u>\$ 890,618</u>
Proprietary Funds	Water/Sewer	Solid Waste	Stormwater	Total
Accounts	\$ 1,166,684	\$ 264,556	\$ 749,517	\$ 2,180,757
Less allowance for bad debt	(544,000)	(156,000)	(275,000)	(975,000)
Net Total Receivable	<u>\$ 622,684</u>	<u>\$ 108,556</u>	<u>\$ 474,517</u>	<u>\$ 1,205,757</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, 2017 were as follows:

Payable From	Payable To		
	General Fund	Non-Major Funds	Total
General	\$ -	\$ -	\$ -
SPLOST IV	104,182	-	104,182
Devel. Impact	8,864	-	8,864
Non-Major Funds	128,591	-	128,591
Totals	<u>\$ 241,637</u>	<u>\$ -</u>	<u>\$ 241,637</u>

The City's General Fund's operating bank account receives all deposits from the general fund and water and sewer fund operations. All monies collected for the Water and Sewer Fund and all expenditures paid for the Water and Sewer Fund are made through the General Fund's operating bank account. The amount due from Development Impact Fund to the General Fund of \$8,864 is for expenses paid by the General Fund which the Development Impact Fee Fund has not yet repaid. The SPLOST Funds owed the General Fund \$104,182 for expenditures paid by the General Fund and not reimbursed by the SPLOST Funds as of June 30, 2017.

Individual fund interfund transfers for the year ended June 30, 2017 were as follows:

Transfer To	Transfer From			
	General	Non- Major	Water & Sewer	Totals
General	\$ -	\$ 683,271	\$ 378,000	\$ 1,061,271
Cemetery	-	-	-	-
Urban Redevelopment Authority	279,020	-	250,000	529,020
Stormwater	-	-	-	-
Solid Waste	-	-	-	-
	<u>\$ 279,020</u>	<u>\$ 683,271</u>	<u>\$ 628,000</u>	<u>\$ 1,590,291</u>

In the Statement of Activities, additional transfers were recognized in the amount of \$37,019 as a result of the SPLOST IV Fund financing improvements to the City Cemetery. Governmental Funds transferred the improvements to the Cemetery Enterprise Fund in which it was recognized as a capital improvement. This decreased the total transfers in the Statement of Activities to \$590,891. These transactions were recognized as capital outlay expenditures in the governmental funds and as capital contributions in the proprietary funds.

(See Independent Auditor's Report)

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

6. INTER-FUND TRANSACTIONS – (Continued)

The City created the Hotel / Motel Tax Fund during 2006 in order to comply with state law. The City reports the income from hotel / motel taxes in this fund along with the required payments to the McDonough Hospitality and Tourism Board and other qualifying expenditures. The remaining monies are transferred to the General Fund to help fund the General Fund budgetary appropriations. For the year ended June 30, 2017 the Hotel / Motel Tax Fund transferred \$683,271 to the General Fund and as of June 30, 2017 the Hotel / Motel Tax Fund owed the General Fund \$128,591 for unreimbursed expenditures and transfers. The Water and Sewer Fund transferred \$378,000 to the General Fund to support the fund balance of the General Fund and \$250,000 to the Urban Redevelopment Authority Fund for the construction of the new courthouse. The General Fund transferred \$279,020 to the Urban Redevelopment Fund to finance debt service on the URA revenue bonds.

7. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,327,787	\$ -	\$ -	\$ 12,327,787
Construction in progress	2,954,050	3,718,521	(4,775,985)	1,896,586
Total	15,281,837	3,718,521	(4,775,985)	14,224,373
Capital assets being depreciated:				
Buildings	13,092,460	4,816,502	(37,019)	17,871,943
Improvements other than buildings	10,061,163	167,431	-	10,228,594
Vehicles, including related equipment	4,716,357	558,639	-	5,274,996
Machinery and equipment	3,455,685	876,894	-	4,332,579
Furniture and fixtures	421,102	189,428	-	610,530
Total capital assets being depreciated	31,746,767	6,608,894	(37,019)	38,318,642
Less accumulated depreciation for:				
Buildings	3,413,094	376,986	-	3,790,080
Improvements other than buildings	2,477,424	259,663	-	2,737,087
Vehicles, including related equipment	3,347,534	346,718	-	3,694,252
Machinery and equipment	2,491,985	260,033	-	2,752,018
Furniture and fixtures	265,514	25,853	-	291,367
Total accumulated depreciation	11,995,551	1,269,253	-	13,264,804
Total capital assets being depreciated, net	19,751,216	5,339,641	(37,019)	25,053,838
Governmental capital assets, net	\$ 35,033,053	\$ 9,058,162	\$ (4,813,004)	\$ 39,278,211

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

Administrative	\$ 221,077
Public Safety and Courts	674,230
Highways and Streets	165,354
Cemetery	4,543
Code Enforcement	-
Parks and Recreation	188,790
Community Development	4,801
Economic Development	10,458
Total depreciation expense	\$ 1,269,253

(See Independent Auditor's Report)

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

7. PROPERTY, PLANT AND EQUIPMENT – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,192,765	\$ -	\$ -	\$ 2,192,765
Construction in progress	-	115,005	-	115,005
Total	<u>2,192,765</u>	<u>115,005</u>	<u>-</u>	<u>2,307,770</u>
Capital assets being depreciated:				
Buildings	1,046,584	-	-	1,046,584
Improvements other than buildings	26,090,490	528,228	-	26,618,718
Machinery and equipment	2,022,901	111,803	(18,990)	2,115,714
Vehicles	<u>716,220</u>	<u>110,578</u>	<u>-</u>	<u>826,798</u>
Total capital assets being depreciated	<u>29,876,195</u>	<u>750,609</u>	<u>(18,990)</u>	<u>30,607,814</u>
Less accumulated depreciation for:				
Buildings	831,057	10,477	-	841,534
Improvements other than buildings	11,073,779	723,666	-	11,797,445
Machinery and equipment	1,179,873	155,750	(18,990)	1,316,633
Vehicles	<u>551,494</u>	<u>73,351</u>	<u>-</u>	<u>624,845</u>
Total capital assets being depreciated	<u>13,636,203</u>	<u>963,244</u>	<u>(18,990)</u>	<u>14,580,457</u>
Total capital assets being depreciated, net	<u>16,239,992</u>	<u>(212,635)</u>	<u>-</u>	<u>16,027,357</u>
Business-Type Activities capital assets, net	<u>\$ 18,432,757</u>	<u>\$ (97,630)</u>	<u>\$ -</u>	<u>\$ 18,335,127</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 262,945
Sewer	533,855
Storm Water	150,917
Solid Waste Management	<u>15,527</u>
Total depreciation expense	<u>\$ 963,244</u>

(See Independent Auditor's Report)

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

8. UNAVAILABLE REVENUES

Deferred revenues as of June 30, 2017, reported in the Governmental Fund's balance sheet, consisted of the following revenue items which had been earned and were measurable but were not received within 60 days after year end and therefore were not considered available:

Fines and forfeitures	\$ 97,306
Property taxes	<u>66,361</u>
Total unavailable revenues - Governmental Funds	<u>\$ 163,667</u>

9. LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Accrued Compensated Absences	\$ 236,434		\$ (6,949)	\$ 229,485	\$ 20,000
Revenue bonds	4,235,000	-	(115,000)	4,120,000	140,000
Bond premium	180,924	-	(8,415)	172,509	-
Capital Leases	115,900	-	(44,987)	70,913	47,289
Unearned Rental Income (Obligation)	218,571	-	(36,429)	182,142	36,429
Net Pension Obligation	3,829,783	-	(101,705)	3,728,078	-
Net OPEB Obligation	<u>228,056</u>	<u>104,944</u>	<u>-</u>	<u>333,000</u>	<u>-</u>
Total Governmental Activity					
Long-Term Debt	<u>\$ 9,044,668</u>	<u>\$ 104,944</u>	<u>\$ (313,485)</u>	<u>\$ 8,836,127</u>	<u>\$ 243,718</u>
Business-Type Activities					
Revenue Bonds	\$ 2,742,000	\$ -	\$ (293,000)	\$ 2,449,000	\$ 297,000
GEFA Notes Payable	2,869,097	-	(132,748)	2,736,349	134,618
Net Pension Obligation	<u>957,446</u>	<u>-</u>	<u>(25,427)</u>	<u>932,019</u>	<u>-</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$ 6,568,543</u>	<u>\$ -</u>	<u>\$ (451,175)</u>	<u>\$ 6,117,368</u>	<u>\$ 431,618</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 except each enterprise fund will be responsible for its share of the net pension obligation.

(See Independent Auditor's Report)

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

9. LONG-TERM DEBT - (Continued)

Governmental Activities Long-Term Obligations -

Governmental activities long-term obligations as of June 30, 2017 consist of the following:

Capital Lease Obligations – See Note 10 **\$ 70,913**

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

Year Ending 6/30	CAPITAL LEASES		
	Principal	Interest	Total
2018	\$ 47,289	\$ 2,467	\$ 49,756
2019	<u>23,624</u>	<u>352</u>	<u>23,976</u>
Totals	<u>\$ 70,913</u>	<u>\$ 2,819</u>	<u>\$ 73,732</u>

McDonough Urban Redevelopment Authority Long-Term Debt

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

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

\$4,120,000

(See Independent Auditor's Report)

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

9. LONG-TERM DEBT - (Continued)

McDonough Urban Redevelopment Authority Long-Term Debt – Continued

Year Ending 6/30	REVENUE BONDS		
	Principal	Interest	Total
✓ 2018	\$ 140,000	\$ 136,963	\$ 276,963
✓ 2019	145,000	134,163	279,163
✓ 2020	150,000	129,813	279,813
2021	155,000	125,313	280,313
2022	160,000	120,663	280,663
2023	165,000	115,862	280,862
2024	165,000	110,912	275,912
2025	175,000	105,962	280,962
2026	180,000	100,712	280,712
2027	185,000	94,862	279,862
2028	190,000	88,850	278,850
2029	195,000	82,200	277,200
2030	205,000	75,375	280,375
2031	210,000	68,200	278,200
2032	220,000	60,850	280,850
2033	230,000	54,250	284,250
2034	230,000	47,350	277,350
2035	240,000	38,150	278,150
2036	250,000	28,550	278,550
2037	260,000	18,550	278,550
2038	270,000	9,450	279,450
Totals	<u>\$ 4,120,000</u>	<u>\$ 1,747,000</u>	<u>\$ 5,867,000</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:

Note payable to GEFA, in the total amount of \$3,000,000, interest at 1.4%, due in monthly installments of \$14,339 through June 2035.	<u>\$2,736,349</u>
Revenue Bonds Payable, Series 2014, in the amount of \$3,309,000, interest at 1.65%, due in annual installments of up to \$335,826 with varying maturity dates through July, 2026.	<u>\$2,449,000</u>

(See Independent Auditor's Report)

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

9. LONG-TERM DEBT - (Continued)

Water and Sewer Long-Term Debt -- Continued

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

Year Ending 6/30	<u>NOTES PAYABLE</u>		<u>REVENUE BONDS</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 134,618	\$ 37,448	\$ 297,000	\$ 37,958	\$ 507,024
2019	136,516	35,550	302,000	33,016	507,082
2020	138,439	33,627	307,000	27,992	507,058
2021	140,389	31,677	312,000	22,886	506,952
2022	142,367	29,699	219,000	18,505	409,571
2023	144,374	27,692	196,000	15,081	383,147
2024	146,407	25,659	199,000	11,822	382,888
2025	148,471	23,595	202,000	8,514	382,580
2026	150,562	21,504	206,000	5,148	383,214
2027	152,684	19,382	209,000	1,724	382,790
2028	154,836	17,230	-	-	172,066
2029	157,017	15,049	-	-	172,066
2030	159,229	12,837	-	-	172,066
2031	161,473	10,593	-	-	172,066
2032	163,748	8,318	-	-	172,066
2033	166,055	6,011	-	-	172,066
2034	168,395	3,671	-	-	172,066
2035	170,769	1,297	-	-	172,066
Totals	<u>\$ 2,736,349</u>	<u>\$ 360,839</u>	<u>\$ 2,449,000</u>	<u>\$ 182,646</u>	<u>\$ 5,728,834</u>

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

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

(See Independent Auditor's Report)

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

10. CAPITAL LEASE OBLIGATION

During fiscal year ended June 30, 2014 the City entered into two capital lease obligations with a private corporation for the purchase of telephone and network equipment. The lease agreements principal amounts totaled \$219,750 and interest was imputed at 5%. The leased assets, which are being depreciated along with other capital assets, had depreciation expense of \$21,975 and accumulated depreciation of \$80,738 as of and for the year ended June 30, 2017.

The following is a schedule by year of the remaining minimum lease payments under the terms of the lease agreements together with the present value of the net minimum lease payments as of June 30, 2017:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 49,757
2019	<u>23,975</u>
Less the amount representing interest	<u>(2,819)</u>
Present value of minimum lease payments	<u><u>\$ 70,913</u></u>

(See Independent Auditor's Report)

11. RISK MANAGEMENT

The City of McDonough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of Georgia Interlocal Risk Management Agency. This membership allows the City to share liability, crime, motor vehicle and property damage risks.

Coverages are as follows:

Coverage Description – Property:	
Buildings and contents – (Blanket)	\$42,625,991
Automobile physical damage	Per Application on file with GIRMA

Coverage Description – Casualty:	
Comprehensive general liability	\$1,000,000
Automobile liability	\$1,000,000
Errors and omissions (Public Officials)	\$1,000,000
Employee benefits liability	\$1,000,000
Pollution liability	\$1,000,000

Coverage Description – Crime:	
Blanket bond – employees required to be bonded	\$500,000
Blanket bond – all other employees	\$500,000
Depositors forgery	\$500,000
Money and securities – loss inside and outside premises	\$500,000

Deductible:	
Law Enforcement Liability	\$50,000
Public Officials Errors & Omissions Liability	\$50,000
Building and Contents	\$25,000
Other coverages are subject to a per occurrence deductible of	\$1,000

Coverage Exceptions:

Coverage Subject to a Retroactive Date:

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

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

During the year ended June 30, 2017, 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, 2017. No provisions have been made in the financial statements for the year ended June 30, 2017 for any estimate of potential unpaid claims.

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

(See Independent Auditor's Report)

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

11. Risk Management (continued)

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

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

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

12. HOTEL / MOTEL TAX

Prior to August 2013 the City levied a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 40% of the monies collected under this provision to the McDonough Tourism and Hospitality Organization, a not-for-profit entity. Starting in August 2013 the City began to levy an 8% hotel / motel tax in accordance with the provisions of O.C.G.A. 48-13-50. In order to comply with the expenditure requirements of this code section the City must expend 62.5% of the monies collected under this provision for the purpose of promoting tourism, conventions, trade shows or tourism product development. The following is a summary of the collections and expenditures for the year ended June 30, 2017:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 1,238,703	100.00%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 541,932	43.75%
Product development	\$ 232,257	18.75%

13. RELATED ORGANIZATION

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

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

(See Independent Auditor's Report)

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

14. JOINT VENTURES

Atlanta Regional Commission

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

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

Flint Circuit Drug Task Force

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

15. CONTINGENCIES AND COMMITMENTS

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

Development impact fee credits – During the year ended June 30, 2007, the City received public safety and park improvements from a private developer in the amount of \$6,812,407. As part of a development agreement with the developer, the developer contributed these improvements in exchange for Development Impact Fee Credits prior to being issued a building permit, which is when the fees are actually due. As of June 30, 2017, the developer had actually used approximately \$2,885,501 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$3,926,906. The City recognizes impact fees as revenues when received.

(See Independent Auditor's Report)

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

15. CONTINGENCIES AND COMMITMENTS – Continued

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

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

16. EMPLOYEE BENEFIT PENSION PLANS

Deferred Compensation Plan-

Under the terms of the deferred compensation plan, any employee can voluntarily defer receipt of up to 25% of gross compensation per year. Each participant selects one of three options to administer the investment of the deferred funds. All administration costs of the plan are deducted from the participants' accounts. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). Total amounts deferred by employees for the year ended June 30, 2017 amounted to \$84,993.

Mayor and Council Retirement Plans-

In 1999, the City created the City of McDonough Exclusive Benefit Governmental 401(a) Nontrusteed Retirement Plan, a defined contribution plan, for the retirement benefit of the Mayor and Council. The plan is administered by the Security Benefit Group and currently has 2 participants. In addition, the City created the 401a Defined Contribution Plan which began January 1, 2011 and is administered by the Georgia Municipal Employees Benefit System (GMEBS). The two plans provide that the City should contribute the amount of compensation allowed under IRS regulations for each participant's account. The balance in the account shall become distributable in accordance with the payout options in the annuity contract. Annual contributions to the plans are determined by the City Council and can be up to 100% of eligible salaries. For the year ended June 30, 2017, contributions to the plans amounted to \$39,972, which is 44.4% of eligible salaries. The amount of payroll covered under the plan for the year ended June 30, 2017 amounted to \$90,031. This plan was established by an adoption agreement executed by the City Council.

(See Independent Auditor's Report)

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

16. EMPLOYEE BENEFIT PENSION PLANS – Continued

Defined Benefit Plan – GMA Administered

Plan Description

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

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

At January 1, 2017, the date of the most recent actuarial valuation, there were 214 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	26
Terminated vested participants not yet receiving benefits	30
Active employees - vested	89
Active employees - nonvested	<u>69</u>
Total	<u>214</u>

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standard law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For fiscal year 2017, the actuarially determined contribution rate was 12.55% of covered payroll.

For fiscal year ended June 30, 2017, the City's recommended and actual contribution was \$841,514 which was actuarially determined and is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The amount of employer contributions recognized in the actuarial report date January 1, 2017 and the Statements of Net Position for the fiscal year ended June 30, 2017 amounted to \$791,951.

(See Independent Auditor's Report)

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

16. EMPLOYEE BENEFIT PENSION PLANS – Continued

Defined Benefit Plan – GMA Administered, continued

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

At June 30, 2017, the City reported a liability of \$4,787,229 for its net pension liability. The net pension liability was measured as of September 30, 2015 and was determined by an actuarial valuation as of January 1, 2017. The changes in the Net Pension Liability for the year ended September 30, 2015 (the measurement date) were as follow:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 11,743,970	\$ 6,956,741	\$ 4,787,229
Changes for the year-			
Service cost	392,336	-	392,336
Interest	890,810	-	890,810
Differences between expected and actual experience	193,990	-	193,990
Contributions - Employer	-	827,632	(827,632)
Net investment income	-	791,561	(791,561)
Benefit payments, including refunds of employee contributions	(499,291)	(499,291)	-
Administrative expense	-	(14,925)	14,925
Other	-	-	-
Net Changes	<u>977,845</u>	<u>1,104,977</u>	<u>(127,132)</u>
Balance at September 30, 2016	<u>\$ 12,721,815</u>	<u>\$ 8,061,718</u>	<u>\$ 4,660,097</u>

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

For the year ended June 30, 2017, the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	\$ 392,336
Interest on The Pension Liability (TPL)	890,810
Administrative expenses	14,925
Expected return on assets	(551,292)
Expensed portion of current year period differences between expected and actual experience in TPL	32,330
Current year recognition of deferred inflows and outflows established in prior years	60,895
Expensed portion of current year period differences between projected and actual investment earnings	<u>(48,053)</u>
Total expense	<u>\$ 791,951</u>

(See Independent Auditor's Report)

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

16. EMPLOYEE BENEFIT PENSION PLANS – Continued

Defined Benefit Plan – GMA Administered, continued

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

\$631,136 reported as deferred outflows of resources related to pensions resulting from the City's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

F/Y/E June 30,	Deferred Outflows	Deferred Inflows	Net
2018	\$ 145,678	\$ (100,505)	\$ 45,173
2019	145,678	(100,505)	45,173
2020	145,678	(59,898)	85,780
2021	53,696	(59,898)	(6,202)
2022	32,332	(11,844)	20,488
2023 and thereafter	-	-	-
	<u>\$ 523,062</u>	<u>\$ (332,650)</u>	<u>\$ 190,412</u>

Outstanding balances of deferred outflows/inflows of resources related to pensions as of June 30, 2017 are as follow:

	<u>Outflows</u>	<u>Inflows</u>
Contributions subsequent to measurement date	\$ 631,136	\$ -
Demographic	238,076	(59,220)
Investment	275,946	(273,430)
Assumption change	9,040	-
Total	<u>\$ 1,154,198</u>	<u>\$ (332,650)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates - Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - sex-distinct rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

(See Independent Auditor's Report)

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

16. EMPLOYEE BENEFIT PENSION PLANS – Continued

Defined Benefit Plan – GMA Administered, continued

Actuarial Assumptions, continued

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45.00%	6.75%
International equity	20.00%	7.45%
Real estate	10.00%	4.55%
Global fixed income	5.00%	3.30%
Domestic fixed income	20.00%	1.75%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease 6.75%</u>	<u>Current Rate 7.75%</u>	<u>1% Increase 8.75%</u>
Net Pension Liability	\$ 6,417,441	\$ 4,660,097	\$ 3,210,027

Pension Plan Net Fiduciary Net Position

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

(See Independent Auditor's Report)

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

17. OTHER POSTEMPLOYMENT BENEFIT

Plan Description – The City provides postemployment healthcare benefits (OPEB) for retired employees and their dependents through the City of McDonough Health Insurance Plan (the Plan), a single-employer defined benefit healthcare plan. The benefits, coverage levels, employee contributions and employer contributions are governed by the City Council and can be amended by the City through approval by the City Council. Eligible retirees are required to pay 100% of the health insurance premiums to receive healthcare benefits until age 65. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The City contracts with an actuarial consultant to provide a biennial actuarial valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed in October 2017 for the fiscal year ending June 30, 2017. A copy of the financial report and the required supplementary information for the Plan may be obtained from the City of McDonough, Human Resource Director, 136 Key Ferry Street, McDonough, GA. 30253.

Funding Policy – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently funds these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits.

Annual OPEB cost: The City's annual OPEB cost is calculated based on the annual required contribution (ARC), an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty (30) years. The components of the City's annual OPEB obligation are summarized in the following table.

Normal cost	\$ 114,000
Amortization of Unfunded	-
Interest	9,000
Annual Required Contribution	123,000
Interest on Net OPEB Obligation	-
Amortizing Adjustment to ARC	(20,000)
Annual OPEB Cost	103,000
Contribution Made *	1,944
Increase in Net OPEB Obligation	104,944
Net OPEB obligation - beginning of year	228,056
Net OPEB obligation - end of year	<u>\$ 333,000</u>

(See Independent Auditor's Report)

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

17. OTHER POSTEMPLOYMENT BENEFIT - Continued

The following table represents the OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 103,000	1.8%	\$ 333,000
June 30, 2016	\$ 75,000	1.3%	\$ 228,056
June 30, 2015	\$ 82,056	1.2%	\$ 154,056

Funding Status and Funding Progress: The funded status of the plan as of June 30, 2017 was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2017	\$ -	\$ 544,000	\$ 544,000	0.0%	N/A	N/A
7/1/2016	\$ -	\$ 523,000	\$ 523,000	0.0%	\$ 6,963,000	7.5%
10/1/2014	\$ -	\$ 342,000	\$ 342,000	0.0%	\$ 5,343,000	6.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions: Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefits cost between the City and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Valuation date	June 30, 2014
Actuarial cost method	Projected unit credit
Amortization method	15-year open period: level dollar payment
Investment return	4.00% per annum (includes inflation at 2.5% per annum)
Healthcare cost trend rate(s)	
	<u>Insurance Premiums</u>
Select rates	8.00% for 2014/15 graded to 5.5% for 2019/20
Ultimate rate	5.00% per annum

(See Independent Auditor's Report)

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

18. RESTRICTED ASSETS

Pursuant to the Water and Sewer Revenue Bonds and notes payable, the City was required to create various funds and accounts. Balances in these bond restricted funds and other various restricted funds and accounts as of June 30, 2017 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 352,898
Capital projects-	
Special purpose local option sales funds	8,060,541
Development impact fee funds	1,282,679
Urban Redevelopment authority	190,111
LMIG grant funds	216,172
Confiscated asset funds	226
Cemetery perpetual care funds	191,609
	<u>\$ 10,294,236</u>

19. UNEARNED RENTAL INCOME (OBLIGATION)

During fiscal year ended June 30, 2015, the City entered into an agreement with Henry County which transferred property owned by the County, valued at \$255,000, to the City in exchange for rental of a piece of property owned by the City for a period of seven years, which rental value for the period was also \$255,000. The transaction has been recorded by the City in the Statement of Net Position under Governmental Activities by reporting the land purchase and the corresponding unearned rental income obligation. The obligation will be amortized over a seven year period at \$36,429 annually. The outstanding balance as of June 30, 2017 is 182,142.

20. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A) Deficit fund balances or net position balances of individual funds – As of June 30, 2017, no fund had a deficit fund balance or net position.
- 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)

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

	Fiscal Year End									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	\$ 392,336	\$ 381,005	\$ 374,655							
Interest	890,810	840,753	777,801							
Differences between expected and actual experience	193,990	(82,909)	133,731							
Changes of assumptions	-	-	15,821							
Benefit payments	(499,291)	(486,606)	(492,844)							
Net changes in total pension liability	977,845	652,243	809,164							
Total pension liability - beginning	11,743,970	11,091,727	10,282,563							
Total pension liability - ending	\$ 12,721,815	\$ 11,743,970	\$ 11,091,727							
										(Historical information prior to implementation of GASB 67/68 is not required)
Plan Fiduciary Net Position										
Contributions - employer	\$ 827,632	\$ 813,118	\$ 800,328							
Net investment income	791,561	62,378	651,380							
Benefit payments	(499,291)	(486,606)	(492,844)							
Administrative expense	(14,925)	(16,223)	(12,347)							
Other	-	-	-							
Net change in fiduciary net position	1,104,977	372,667	946,517							
Plan fiduciary net position - beginning	6,956,741	6,584,074	5,637,557							
Plan fiduciary net position - ending	\$ 8,061,718	\$ 6,956,741	\$ 6,584,074							
										(Historical information prior to implementation of GASB 67/68 is not required)
Net Pension Liability										
Net pension liability	\$ 4,660,097	\$ 4,787,229	\$ 4,507,653							
Plan's fiduciary net position as a percentage of the total pension liability	63.37%	59.24%	59.36%							
Covered-employee payroll	\$ 7,025,189	\$ 6,598,557	\$ 6,384,685							
Net pension liability as a percentage of covered payroll	66.33%	72.55%	70.60%							
										(Historical information prior to implementation of GASB 67/68 is not required)

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

	Fiscal Year End									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contributions	841,514	823,005	809,822							
Contributions in relation to the actuarially determined contribution	(841,514)	(823,005)	(809,822)							
Contribution deficiency (excess)	-	-	-							
Covered-employee payroll	6,598,557	6,384,685	5,752,771							
Contributions as a percentage of covered- employee payroll	12.55%	12.89%	14.08%							

CITY OF MCDONOUGH, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Note 1

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 23 years.
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates - Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - unisex rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

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**CITY OF McDONOUGH, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds		Capital Projects Funds	
	Hotel/ Motel Tax Fund	Confiscated Assets Fund	SPLOST II Fund	LMIG Grant Funds
ASSETS				
Cash	\$ -	\$ 226	\$ 7,119	\$ 216,172
Investments	-	-	-	-
Receivables				
Taxes	228,607	-	-	-
Accounts	-	-	-	-
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 228,607</u>	<u>\$ 226</u>	<u>\$ 7,119</u>	<u>\$ 216,172</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 100,016	\$ -	\$ -	\$ -
Due to other funds	128,591	-	-	-
Unearned revenues	-	158	-	216,172
	<u>-</u>	<u>158</u>	<u>-</u>	<u>216,172</u>
Total Liabilities	<u>228,607</u>	<u>158</u>	<u>-</u>	<u>216,172</u>
Fund Balance				
Nonspendable -				
Cemetery corpus	-	-	-	-
Restricted for specified purposes	-	68	7,119	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>68</u>	<u>7,119</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 228,607</u>	<u>\$ 226</u>	<u>\$ 7,119</u>	<u>\$ 216,172</u>

Permanent Fund Cemetery Perpetual Care Fund	Total Non-Major Governmental Funds
\$ 1,849	\$ 225,366
189,760	189,760
-	228,607
-	-
-	-
<u>\$ 191,609</u>	<u>\$ 643,733</u>

\$ -	\$ 100,016
-	128,591
-	216,330
-	444,937

170,600	170,600
21,009	28,196
-	-
<u>191,609</u>	<u>198,796</u>
<u>\$ 191,609</u>	<u>\$ 643,733</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, 2017

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Hotel/ Motel Tax Fund</u>	<u>Confiscated Assets Fund</u>	<u>SPLOST II Fund</u>	<u>LMIG Grant Fund</u>
REVENUES				
Taxes	\$ 1,238,703	\$ -	\$ -	\$ -
Forfeitures	-	-	-	-
Intergovernmental	-	-	-	165,200
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>1,238,703</u>	<u>-</u>	<u>-</u>	<u>165,200</u>
EXPENDITURES				
Current				
Purchased / contracted services	13,500	-	-	-
Supplies	-	-	-	-
Payments to others	541,932	-	-	-
Capital outlay	-	-	-	165,200
Total Expenditures	<u>555,432</u>	<u>-</u>	<u>-</u>	<u>165,200</u>
Excess Revenues Over (Under)				
Expenditures Before Other				
Financing Sources (Uses)	<u>683,271</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers	<u>(683,271)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing				
Sources (Uses)	<u>(683,271)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues Over (Under)				
Expenditures and Other Financing				
Sources (Uses)	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>68</u>	<u>7,119</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 68</u>	<u>\$ 7,119</u>	<u>\$ -</u>

Permanent Fund Cemetery Perpetual Care Fund	Total Non-Major Governmental Funds
\$ -	\$ 1,238,703
-	-
-	165,200
1,076	1,076
-	-
1,076	1,404,979
-	13,500
-	-
-	541,932
-	165,200
-	720,632
1,076	684,347
-	(683,271)
-	(683,271)
1,076	1,076
190,533	197,720
\$ 191,609	\$ 198,796

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
HOTEL / MOTEL TAX FUND
FOR THE YEAR ENDED JUNE 30, 2017

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes	\$ 1,238,703	\$ 1,238,703	\$ -	\$ 1,125,239
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenue	<u>1,238,703</u>	<u>1,238,703</u>	<u>-</u>	<u>1,125,239</u>
EXPENDITURES				
Current				
Contracted Services	13,500	13,500	-	13,500
Tourism and Hospitality	549,189	541,932	7,257	492,292
Capital				
Tourism Product	-	-	-	-
Total Expenditures	<u>562,689</u>	<u>555,432</u>	<u>7,257</u>	<u>505,792</u>
Excess Revenues Over (Under)				
Expenditures	676,014	683,271	7,257	619,447
Other Financing Sources (Uses)				
Transfers	<u>(676,014)</u>	<u>(683,271)</u>	<u>(7,257)</u>	<u>(619,447)</u>
Total Other Financing Sources (Uses)	<u>(676,014)</u>	<u>(683,271)</u>	<u>(7,257)</u>	<u>(619,447)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
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 YEAR ENDED JUNE 30, 2017

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	\$ 100	\$ -	\$ (100)	\$ -
Sales of confiscated property	-	-	-	-
Interest	-	-	-	-
Contributions	-	-	-	-
Total Revenue	100	-	(100)	-
EXPENDITURES				
Current				
Purchased / contracted services	80	-	80	200
Supplies	20	-	20	80
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	100	-	100	280
Excess Revenues Over (Under) Expenditures	-	-	-	(280)
Other Financing Sources (Uses) Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	(280)
Fund Balance - Beginning of Year	68	68	-	348
Fund Balance - End of Year	\$ 68	\$ 68	\$ -	\$ 68

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, 2017

	<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	281,465	-	281,465	-
 Total Revenues	 7,194,144	 -	 7,194,144	 6,637,436
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	1,547,429	-	1,547,429	2,000,000
Water and sewer improvements	230,926	-	230,926	237,436
Parks - including debt service	1,693,940	-	1,693,940	300,000
 Total Expenditures	 7,187,025	 -	 7,187,025	 6,637,436
 Excess Revenues Over (Under)				
Expenditures	7,119	-	7,119	-
 Other Financing Uses (Sources)				
Transfers	-	-	-	-
 Net Change in Fund Balance	 <u>\$ 7,119</u>	 -	 <u>\$ 7,119</u>	 <u>\$ -</u>
 Fund Balance - Beginning of Year		 <u>7,119</u>		
Fund Balance - End of Year		<u>\$ 7,119</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, 2017**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ 7,368,585	\$ -	\$ 7,368,585	\$ 26,842,500
Interest	<u>78,480</u>	<u>460</u>	<u>78,940</u>	<u>-</u>
Total Revenues	<u>7,447,065</u>	<u>460</u>	<u>7,447,525</u>	<u>26,842,500</u>
EXPENDITURES				
Current				
Capital Outlay				
Community development facilities	357,394	-	357,394	250,000
Public safety facilities and equipment	4,081,944	-	4,081,944	8,342,500
Roads, bridges, sidewalks & facilities	584,520	-	584,520	2,500,000
Public works facilities and equipment	995,476	-	995,476	3,250,000
Parks and recreation	3,263,529	31,378	3,294,907	7,000,000
Water storage tank	2,183,443	-	2,183,443	-
Repayment of public debt associated		-		
with above projects or previously		-		
issued G.O. debt	<u>2,583,281</u>	<u>-</u>	<u>2,583,281</u>	<u>5,500,000</u>
Total Expenditures	<u>14,049,587</u>	<u>31,378</u>	<u>14,080,965</u>	<u>26,842,500</u>
Excess Revenues Over (Under)				
Expenditures	<u>(6,602,522)</u>	<u>(30,918)</u>	<u>(6,633,440)</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>\$ 722,478</u>	<u>(30,918)</u>	<u>\$ 691,560</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>722,478</u>		
Fund Balance - End of Year		<u>\$ 691,560</u>		

CITY OF McDONOUGH, GEORGIA
SPLOST IV CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PROJECT LENGTH
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Amended Project Authorization</u>	<u>Original Project Authorization</u>
REVENUES					
Intergovernmental - SPLOST	\$13,370,763	\$ 1,253,792	\$14,624,555	\$ 24,236,500	\$ 22,962,500
Interest	29,988	37,603	67,591	-	-
Total Revenues	<u>13,400,751</u>	<u>1,291,395</u>	<u>14,692,146</u>	<u>24,236,500</u>	<u>22,962,500</u>
EXPENDITURES					
Current					
Capital Outlay					
Cultural, historic & recreation facilities	23,551	121,119	144,670	5,000,000	4,000,000
Public safety facilities and equipment	1,428,934	877,035	2,305,969	2,424,000	2,424,000
Roads, bridges, sidewalks & facilities	882,823	1,759,588	2,642,411	10,673,500	10,673,500
Community development facilities	-	1,000,000	1,000,000	1,774,000	1,500,000
Parks and recreation	1,145,904	325,578	1,471,482	4,365,000	4,365,000
Total Expenditures	<u>3,481,212</u>	<u>4,083,320</u>	<u>7,564,532</u>	<u>24,236,500</u>	<u>22,962,500</u>
Excess Revenues Over (Under)					
Expenditures	<u>9,919,539</u>	<u>(2,791,925)</u>	<u>7,127,614</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	-	-	-	-
Transfers	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 9,919,539</u>	<u>(2,791,925)</u>	<u>\$ 7,127,614</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>9,919,539</u>			
Fund Balance - End of Year		<u>\$ 7,127,614</u>			

**CITY OF McDONOUGH, GEORGIA
DEVELOPMENT IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Impact fees	\$ 300,828	\$ 801,648	\$ 500,820	\$ 372,335
Interest	650	1,463	813	696
Total Revenues	<u>301,478</u>	<u>803,111</u>	<u>501,633</u>	<u>373,031</u>
EXPENDITURES				
Current				
Administration	23,290	23,290	-	8,046
Capital outlay				
Public Safety				
Police	219,495	174,495	45,000	-
Fire	735,522	210,220	525,302	-
Parks	-	-	-	-
Debt service - Parks				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>978,307</u>	<u>408,005</u>	<u>570,302</u>	<u>8,046</u>
Excess Revenues Over (Under)				
Expenditures	(676,829)	395,106	1,071,935	364,985
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Net Change in Fund Balance	(676,829)	395,106	1,071,935	364,985
Fund Balance - Beginning of Year	<u>839,709</u>	<u>839,709</u>	<u>-</u>	<u>474,724</u>
Fund Balance - End of Year	<u>\$ 162,880</u>	<u>\$ 1,234,815</u>	<u>\$ 1,071,935</u>	<u>\$ 839,709</u>

CITY OF McDONOUGH, GEORGIA
LMIG GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	2017			2016
	Original / Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 165,200	\$ 165,200	\$ -	\$ 165,824
Interest	-	-	-	-
Total Revenues	165,200	165,200	-	165,824
EXPENDITURES				
Current				
Administration	-	-	-	-
Capital outlay				
Streets and Roads	165,200	165,200	-	170,981
Total Expenditures	165,200	165,200	-	170,981
Excess Revenues Over (Under)				
Expenditures	-	-	-	(5,157)
Other Financing Sources (Uses)				
Transfers	-	-	-	(77,122)
Net Change in Fund Balance	-	-	-	(82,279)
Fund Balance - Beginning of Year	-	-	-	82,279
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

**CITY OF McDONOUGH, GEORGIA
URBAN REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PROJECT LENGTH
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current				
Administration	500	-	500	-
Capital Outlay				
Municipal court facilities	2,833,747	2,118,836	4,952,583	4,808,082
Debt Service				
Principal	-	115,000	115,000	-
Interest	-	164,020	164,020	-
Debt issuance cost	<u>106,345</u>	<u>-</u>	<u>106,345</u>	<u>112,050</u>
Total Expenditures	<u>2,940,592</u>	<u>2,397,856</u>	<u>5,338,448</u>	<u>4,920,132</u>
Excess Revenues Over (Under) Expenditures	<u>(2,940,592)</u>	<u>(2,397,856)</u>	<u>(5,338,448)</u>	<u>(4,920,132)</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	4,420,132	-	4,420,132	4,420,132
Transfers	<u>500,000</u>	<u>529,020</u>	<u>1,029,020</u>	<u>500,000</u>
Total Other Financing Sources (Uses)	<u>4,920,132</u>	<u>529,020</u>	<u>5,449,152</u>	<u>4,920,132</u>
Net Change in Fund Balance	<u>\$ 1,979,540</u>	<u>(1,868,836)</u>	<u>\$ 110,704</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>1,979,540</u>		
Fund Balance - End of Year		<u>\$ 110,704</u>		

