

CITY OF MCDONOUGH, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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CITY OF McDONOUGH, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of McDonough, Georgia, as of June 30, 2014 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McDonough, Georgia's basic financial statements. The 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 March 26, 2015 on our consideration of City of McDonough, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of McDonough, Georgia's internal control over financial reporting and compliance.

James L. Whitaker, P.C.

McDonough, Georgia
March 26, 2015

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, 2014. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- Assets of the City of McDonough exceeded its liabilities at June 30, 2014 by \$55,380,688. Of this amount unrestricted net position of \$11,067,733 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$2,982,221. Of this amount a net increase of \$1,566,941 was associated with governmental activities and an increase of \$1,415,280 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 \$4,670,521, an increase of \$1,236,001 in comparison with the prior period. Of this amount a deficit of \$174,990 is unassigned and, \$3,381,956 is restricted for capital projects and other specific future uses and \$1,463,555 is nonspendable for such amounts as prepaid items of \$469,921, the cemetery trust corpus of \$167,600 and a long term receivable of \$826,034.
- At the end of the current year, unassigned fund balance for the general fund was \$(174,900) or -1.5 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The City of McDonough adopts an annual budget for all of its Governmental Funds. Budgetary comparison statements have been provided for the General Fund beginning on page 21 to demonstrate compliance with the FY 2014 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 newly created 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2014, the City's position exceeded liabilities by \$55,380,688. The City's net position reflects its investment in capital assets \$40,379,081 (72.9 percent), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Of the total net position, \$3,933,874 (7.1 percent) is restricted for capital projects and other specified activities and \$11,067,733 (20.0 percent) is unrestricted.

The comparative government-wide information for the year ended June 30, 2014 and June 30, 2013 is as follows:

City of McDonough's Net Position

	Governmental Activities		Business-type Activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 6,332,319	\$ 5,711,174	\$ 11,140,896	\$ 10,147,238	\$ 17,473,215	\$ 15,858,412
Capital assets	<u>29,358,937</u>	<u>29,180,570</u>	<u>17,858,458</u>	<u>15,258,050</u>	<u>47,217,395</u>	<u>44,438,620</u>
Total assets	<u>35,691,256</u>	<u>34,891,744</u>	<u>28,999,354</u>	<u>25,405,288</u>	<u>64,690,610</u>	<u>60,297,032</u>
Current liabilities	1,333,441	1,985,270	1,130,546	1,168,949	2,463,987	3,154,219
Long-term liabilities	<u>1,143,687</u>	<u>1,259,287</u>	<u>5,702,248</u>	<u>3,485,059</u>	<u>6,845,935</u>	<u>4,744,346</u>
Total liabilities	<u>2,477,128</u>	<u>3,244,557</u>	<u>6,832,794</u>	<u>4,654,008</u>	<u>9,309,922</u>	<u>7,898,565</u>
Net position:						
Net investment in capital assets	29,358,937	28,124,061	11,020,144	11,683,273	40,379,081	39,807,334
Restricted	3,549,556	3,297,578	384,318	621,188	3,933,874	3,918,766
Unrestricted	<u>305,635</u>	<u>225,548</u>	<u>10,762,098</u>	<u>8,446,819</u>	<u>11,067,733</u>	<u>8,672,367</u>
Total net position	<u>\$ 33,214,128</u>	<u>\$ 31,647,187</u>	<u>\$ 22,166,560</u>	<u>\$ 20,751,280</u>	<u>\$ 55,380,688</u>	<u>\$ 52,398,467</u>

A portion of the net position (7.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$11,067,733) may be used to meet the government's ongoing obligations to citizens and creditors.

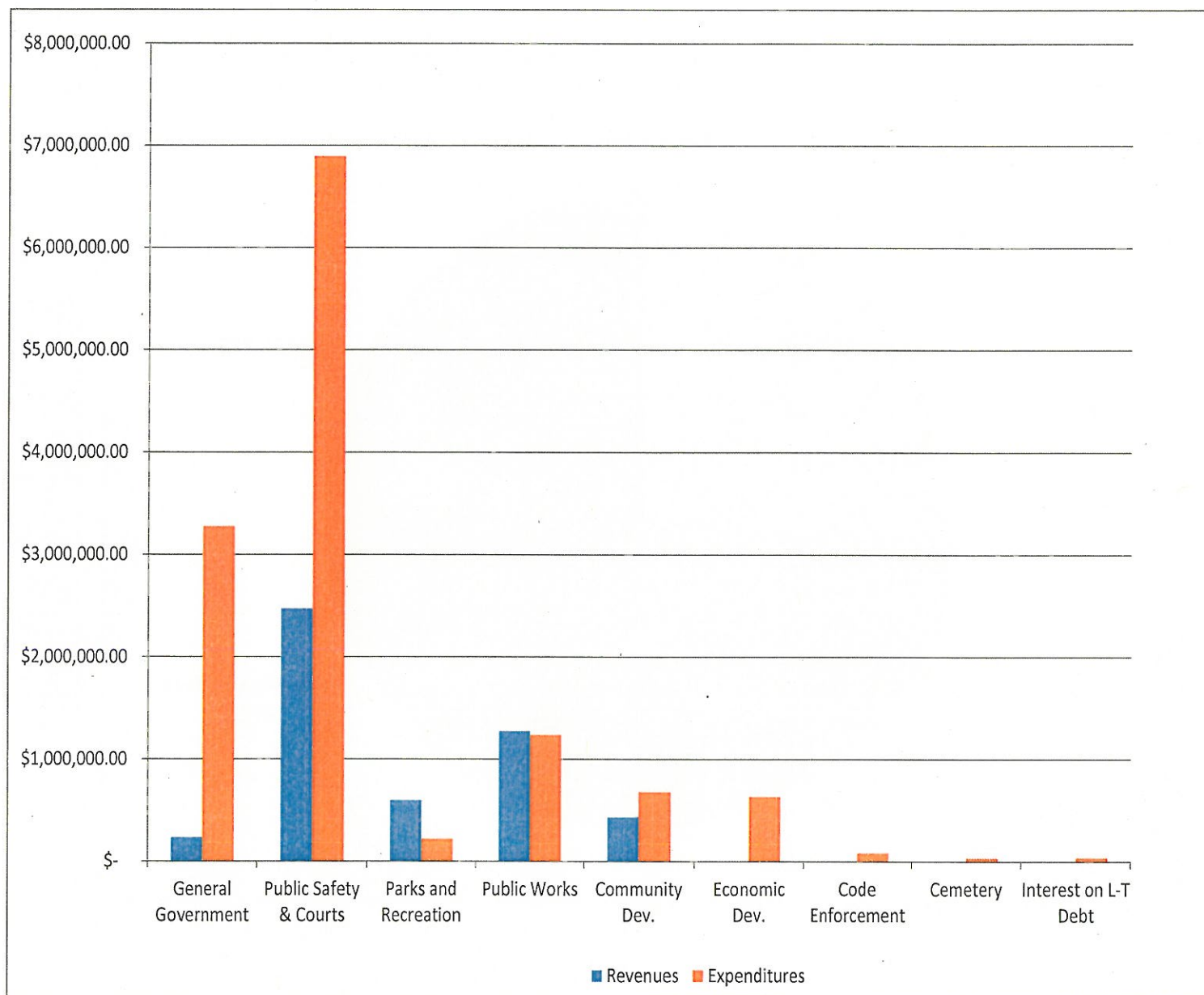
Governmental activities. Governmental activities increased the City of McDonough's net position by \$1,566,941.

**City of McDonough's Change in Net Position
For The Years Ended June 30, 2014 and 2013**

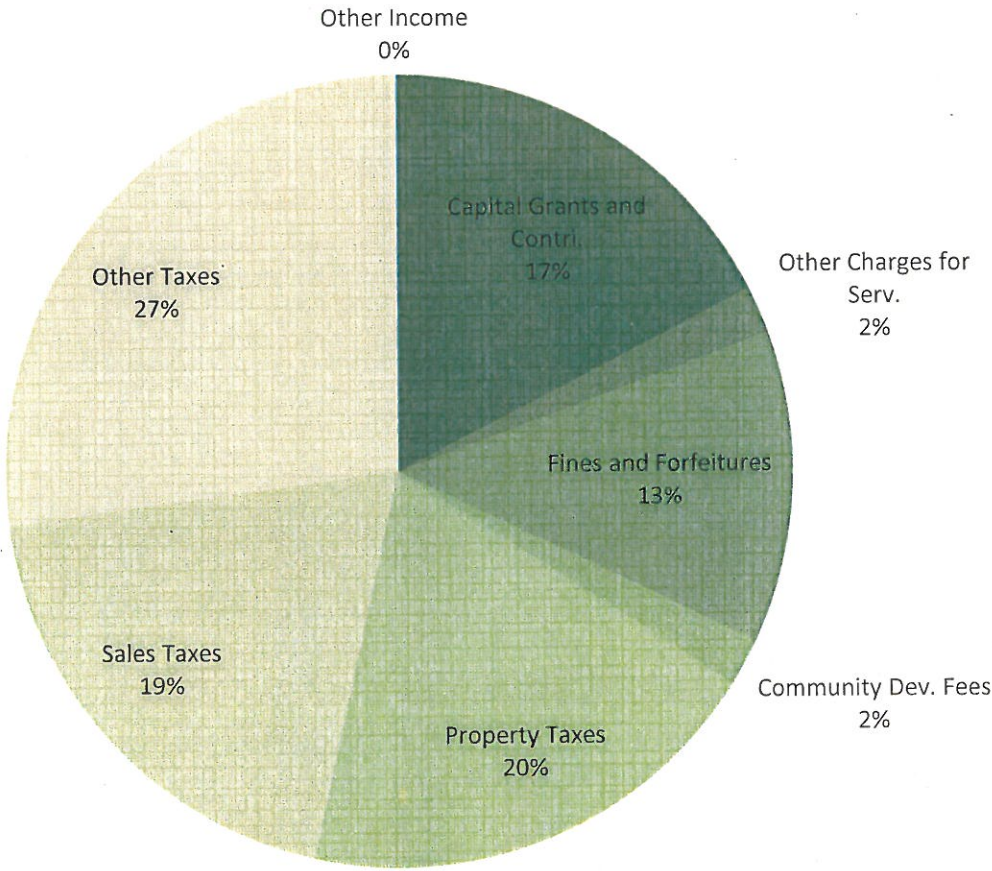
	Governmental Activities		Business-type Activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program Revenues -						
Charges for services	\$ 2,451,282	\$ 2,198,648	\$ 6,628,541	\$ 6,071,509	\$ 9,079,823	\$ 8,270,157
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	2,566,796	1,219,367	203,230	93,951	2,770,026	1,313,318
General Revenues-						
Property taxes	2,869,475	2,639,790	-	-	2,869,475	2,639,790
Sales taxes	2,856,349	2,889,590	-	-	2,856,349	2,889,590
Other taxes	3,971,008	3,667,046	-	-	3,971,008	3,667,046
Interest	583	5	6,026	8,723	6,609	8,728
Gain on disposal of capital assets	-	-	-	-	-	-
Other	27,207	51,673	-	-	27,207	51,673
	<u>14,742,700</u>	<u>12,666,119</u>	<u>6,837,797</u>	<u>6,174,183</u>	<u>21,580,497</u>	<u>18,840,302</u>
Expenses:						
General government	3,276,034	2,633,641	-	-	3,276,034	2,633,641
Public safety and courts	6,893,523	6,766,992	-	-	6,893,523	6,766,992
Public works	1,238,087	1,617,709	-	-	1,238,087	1,617,709
Cemetery	31,531	31,897	-	-	31,531	31,897
Parks and recreation	219,403	283,284	-	-	219,403	283,284
Community development	678,741	760,508	-	-	678,741	760,508
Economic development	633,095	553,605	-	-	633,095	553,605
Code enforcement	81,861	80,636	-	-	81,861	80,636
Interest on long-term debt	37,729	63,512	-	-	37,729	63,512
Water	-	-	2,204,120	2,350,734	2,204,120	2,350,734
Sewer	-	-	1,403,074	1,507,017	1,403,074	1,507,017
Solid waste	-	-	1,492,405	1,394,486	1,492,405	1,394,486
Storm Water	-	-	408,673	256,380	408,673	256,380
	<u>13,090,004</u>	<u>12,791,784</u>	<u>5,508,272</u>	<u>5,508,617</u>	<u>18,598,276</u>	<u>18,300,401</u>
Increase (decrease) in net position before transfers	1,652,696	(125,665)	1,329,525	665,566	2,982,221	539,901
Transfers	(85,755)	(64,748)	85,755	64,748	-	-
Increase (decrease) in net position	1,566,941	(190,413)	1,415,280	730,314	2,982,221	539,901
Net position - beginning of year	<u>31,647,187</u>	<u>31,837,600</u>	<u>20,751,280</u>	<u>20,020,966</u>	<u>52,398,467</u>	<u>51,858,566</u>
Net position - end of year	<u>\$ 33,214,128</u>	<u>\$ 31,647,187</u>	<u>\$ 22,166,560</u>	<u>\$ 20,751,280</u>	<u>\$ 55,380,688</u>	<u>\$ 52,398,467</u>

For the year ended June 30, 2014 an increase in net position of \$1,566,941 was reported in Governmental Activities, when compared to period ending June 30, 2013. General revenues increased from to \$9,248,104 in 2013 to \$9,724,622 for the fiscal year ended June 30, 2014. The increase is attributed the City's change in the Hotel / Motel Tax Ordinance from a 5% to an 8% tax rate which resulted in an increase in hotel / motel taxes of \$316,000.

CITY OF MCDONOUGH GOVERNMENTAL PROGRAM REVENUES AND EXPENDITURES



Revenue by Source-Governmental Activities

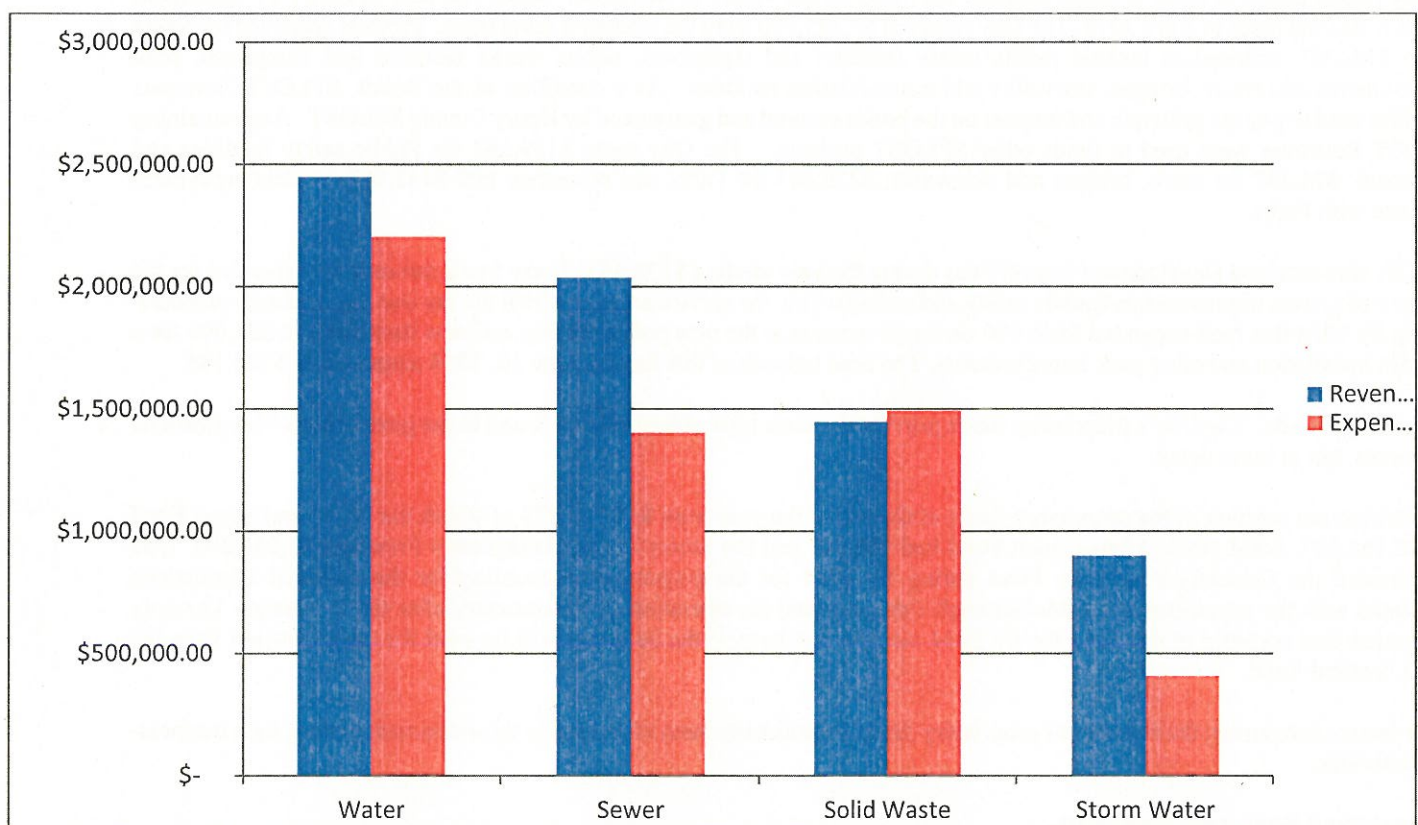


Business-type activities. Business-type activities increased the City's net position by \$1,415,280 of which \$883,015 was from Water and Sewer activities, \$39,659 was from Solid Waste Management Activities and \$492,606 was from Storm Water Management Activities.

The City uses an outside contractor to perform most of its solid waste services. The Solid Waste Management Fund reported an increase in net position for the year of \$39,659, of which \$85,755 was the result of transfers from the General Fund.

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

Expenses and Program Revenues-Business-Type Activities



Financial Analysis of the Government's Funds

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

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

At June 30, 2014 the city's governmental funds reported combined ending fund balances of \$4,670,521 an increase of \$1,236,001 in comparison to the prior period. Of this amount a deficit of \$174,990 or (-3.7 percent) is unassigned fund balance. A portion of fund balance is restricted to indicate that it is to be used for specified purposes: 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax and Development Impact Fees (\$3,221,379);

2) for Perpetual Care of the City's cemetery (\$22,118); and for police activities (\$2,332). The remainder of fund balance is nonspendable for such items as prepaid items of \$469,921 and cemetery trust corpus of \$167,600 and a long term receivable of \$826,034.

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 (\$174,900) while the total fund balance amounted to \$1,121,055. 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 -1.50 percent of the total general fund expenditures, while total fund balance represents 9.6 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$984,113. A major transaction that caused the increase was the sale of property to the newly created cemetery enterprise fund in the amount of \$826,034.

The City of McDonough received \$1,812,303 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 2014. The City received \$7,325,000 from the County's bond issue. Projects approved by voters in the SPLOST referendum include public safety facilities and equipment, public works facilities and equipment, park improvements and roads, bridges, sidewalks and transportation facilities. As a condition of the Bonds, SPLOST Revenues were first used to pay the principle and interest on the bonds secured and guaranteed by Henry County SPLOST. Any remaining SPLOST Revenues were used to funds other SPLOST projects. The City spent \$189,362 for Public safety facilities and equipment; \$71,397 for roads, bridges and sidewalks; \$220,205 for Parks and recreation and \$442,807 for debt repayment associate with Parks.

The City also received Development Impact Fees during the year totaling \$138,442. 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 f/y 2014 this fund expended \$886,000 on improvements to the new police facility and new furniture and \$21,000 for a fountain installation and other park improvements. The fund balance of this fund at June 30, 2014 amounted to \$138,546.

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

Unrestricted net position of the proprietary funds at the end of the year were \$10,762,098 of which the Water and Sewer Fund had \$8,164,857; Solid Waste Management Fund had \$89,942 and the Storm Water Management Fund had \$2,507,299. The City created the Cemetery Enterprise Fund during f/y 2014 for the purpose of accounting for the financial transactions associated with the expansion of the McDonough Cemetery and the operation of the cemetery after the expansion. The only transaction that occurred in this fund for f/y 2014 was the purchase of the land that will be used for the expansion from the City's General Fund.

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

General Fund Budgetary Highlights

The original General Fund budgeted expenditures of \$11,826,291 were amended to a total of \$12,221,290 or 103.3% of the original budget. Budget amendments were made mainly for: 1) the creation of a "Legal" department since the City hired an internal legal representative and 2) to increase the municipal court payments to other agencies due to the increase in fine revenues. Other departmental budgets were amended to adjust for actual expenditures.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2014 amounts to \$47,217,395 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles and equipment, sidewalks, bridges and roads.

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

- \$ 206,600 Public safety vehicles
- \$ 490,505 Hwy 81 and Phillips Drive improvements
- \$ 858,345 Improvements to the new police building and furniture and fixtures.
- \$ 220,000 Alexander Park Improvements
- \$ 219,750 Telephone and networking improvements
- \$ 165,275 Street Sweeper
- \$ 139,943 Stormwater improvements
- \$2,195,000 Sewer Rehab and Hwy 20/80 projects

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

Long-term debt. At the end of the current fiscal year, the City had \$7,155,967 in outstanding debt consisting of the following:

CITY OF McDONOUGH'S OUTSTANDING DEBT

	<u>Balance</u>
Governmental Activities:	
Accrued compensated absences	\$ 226,489
Capital lease obligations	845,198
Net OPEB Obligation	72,000
Business-Type Activities -	
Revenue bonds, net of discount	3,309,000
GEFA notes	<u>2,703,280</u>
Total	<u>\$ 7,155,967</u>

The City's total debt increased by \$2,269,072 which was mainly due to the GEFA loan proceeds of \$2,672,248 to finance a sewer rehabilitation project and from a capital lease obligation of \$219,750 to finance a new telephone and networking system..

Additional information on the City's long-term debt can be found in note 10.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of McDonough is approximately \$67,000,000 which is significantly in excess of the City of McDonough's outstanding general obligation debt.

Status of the City of McDonough's Economy

- The unemployment rate for the regional development center in which the City of McDonough is located was approximately 6.4 percent which is consistent with the state and national rates. Inflationary trends in the region compare favorably to national indices.
- Building permits, both commercial and residential, have shown a slight improvement in recent months.
- The occupancy rate of the City's downtown area has shown a slight improvement.
- Sales tax receipts have shown a slight increase in recent months.

Requests for Information

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

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

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CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,610,020	\$ 3,087,458	\$ 4,697,478
Investments	1,101,191	4,617,994	5,719,185
Receivables, net			
Taxes	610,375	-	610,375
Fines	327,116	-	327,116
Accounts	-	1,134,453	1,134,453
Intergovernmental	258,379	56,500	314,879
Other	5,887	6,385	12,272
Internal balances	(1,827,409)	1,827,409	-
Prepaid items	469,921	26,379	496,300
Restricted assets			
Cash	371,048	384,318	755,366
Investments	3,405,791	-	3,405,791
Non-depreciable capital assets	11,570,104	5,981,837	17,551,941
Depreciable capital assets, net	<u>17,788,833</u>	<u>11,876,621</u>	<u>29,665,454</u>
 Total Assets	 <u>35,691,256</u>	 <u>28,999,354</u>	 <u>64,690,610</u>

See accompanying notes to the basic financial statements.

Continued

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable			
Trade	\$ 559,251	\$ 17,569	\$ 576,820
Construction	170,737	422,655	593,392
Accrued liabilities			
Salaries	188,201	40,165	228,366
Compensated absences	-	63,434	63,434
Customer deposits	-	249,340	249,340
Other	113,191	-	113,191
Unearned revenues	302,061	-	302,061
Liabilities payable from restricted assets			
Revenue bonds	-	279,000	279,000
Notes payable	-	31,032	31,032
Accrued interest	-	27,351	27,351
Accounts payable	-	-	-
Long-term liabilities			
Due within one year	486,919	-	486,919
Due in more than one year	656,768	5,702,248	6,359,016
Total Liabilities	<u>2,477,128</u>	<u>6,832,794</u>	<u>9,309,922</u>
Net Position			
Net investment in capital assets	29,358,937	11,020,144	40,379,081
Restricted for			
Perpetual care			
Expendable	22,118	-	22,118
Nonexpendable	167,600	-	167,600
Police activities	2,332	-	2,332
Capital projects	3,221,379	-	3,221,379
Promotional activities	136,127	-	136,127
Debt covenants	-	384,318	384,318
Unrestricted	305,635	10,762,098	11,067,733
Total Net Position	<u>\$ 33,214,128</u>	<u>\$ 22,166,560</u>	<u>\$ 55,380,688</u>

See accompanying notes to the basic financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 3,276,034	\$ 229,173	\$ -	\$ 4,294
Public Safety and Courts	6,893,523	1,877,436	-	594,712
Public Works	1,238,087	46,326	-	1,230,052
Cemetery	31,531	1,105	-	-
Parks and Recreation	219,403	6,110	-	593,036
Community Development	678,741	289,377	-	144,702
Economic Development	633,095	1,755	-	-
Code Enforcement	81,861	-	-	-
Interest	37,729	-	-	-
Total Governmental Activities	13,090,004	2,451,282	-	2,566,796
Business-Type Activities				
Water	2,204,120	2,372,230	-	76,491
Sewer	1,403,074	1,966,277	-	70,239
Cemetery Enterprise	-	-	-	-
Solid Waste Management	1,492,405	1,446,309	-	-
Storm Water Management	408,673	843,725	-	56,500
Total Business-Type Activities	5,508,272	6,628,541	-	203,230
Total Government	<u>\$ 18,598,276</u>	<u>\$ 9,079,823</u>	<u>\$ -</u>	<u>\$ 2,770,026</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
\$ (3,042,567)	\$ -	\$ (3,042,567)
(4,421,375)	-	(4,421,375)
38,291	-	38,291
(30,426)	-	(30,426)
379,743	-	379,743
(244,662)	-	(244,662)
(631,340)	-	(631,340)
(81,861)	-	(81,861)
(37,729)	-	(37,729)
<u>(8,071,926)</u>	<u>-</u>	<u>(8,071,926)</u>
-	244,601	244,601
-	633,442	633,442
-	-	-
-	(46,096)	(46,096)
-	491,552	491,552
<u>-</u>	<u>1,323,499</u>	<u>1,323,499</u>
<u>(8,071,926)</u>	<u>1,323,499</u>	<u>(6,748,427)</u>
2,869,475	-	2,869,475
1,109,325	-	1,109,325
2,856,349	-	2,856,349
477,664	-	477,664
1,139,180	-	1,139,180
433,657	-	433,657
799,441	-	799,441
11,741	-	11,741
583	6,026	6,609
27,207	-	27,207
9,724,622	6,026	9,730,648
(85,755)	85,755	-
<u>9,638,867</u>	<u>91,781</u>	<u>9,730,648</u>
1,566,941	1,415,280	2,982,221
31,647,187	20,751,280	52,398,467
<u>\$ 33,214,128</u>	<u>\$ 22,166,560</u>	<u>\$ 55,380,688</u>

CITY OF McDONOUGH, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL	SPLOST III	SPLOST IV
ASSETS			
Cash and cash equivalents	\$ 1,610,020	\$ -	\$ -
Investments	1,101,191	2,461,161	501,566
Receivables			
Taxes	441,345	-	-
Intergovernmental	250	-	258,129
Fines	327,116	-	-
Other	5,445	442	-
Due from other funds	1,714,245	-	-
Prepaid items	469,921	-	-
Long-term assets -			
Due from other funds	826,034	-	-
Total Assets	<u>\$ 6,495,567</u>	<u>\$ 2,461,603</u>	<u>\$ 759,695</u>
LIABILITIES			
Accounts payable			
Trade	\$ 443,262	\$ -	\$ -
Construction	-	-	-
Accrued expenditures			
Payroll	188,201	-	-
Court Bonds	60,809	-	-
Other	52,382	-	-
Unearned revenues	-	-	-
Due to other funds	4,301,501	123,048	22,536
Total Liabilities	<u>5,046,155</u>	<u>123,048</u>	<u>22,536</u>
DEFERRED INFLOWS			
Unavailable revenues	<u>328,357</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable -			
Prepaid items	469,921	-	-
Cemetery corpus	-	-	-
Long-term receivable	826,034	-	-
Restricted -			
Capital projects	-	2,338,555	737,159
Police activities	-	-	-
Cemetery	-	-	-
Promotion	-	-	-
Unassigned	(174,900)	-	-
Total Fund Balance	<u>1,121,055</u>	<u>2,338,555</u>	<u>737,159</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 6,495,567</u>	 <u>\$ 2,461,603</u>	 <u>\$ 759,695</u>

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 53,799	\$ 317,249	\$ 1,981,068
255,195	187,869	4,506,982
-	169,030	610,375
-	-	258,379
-	-	327,116
-	-	5,887
6,055	472,610	2,192,910
-	-	469,921
-	-	826,034
<u>\$ 315,049</u>	<u>\$ 1,146,758</u>	<u>\$ 11,178,672</u>
\$ -	\$ 115,989	\$ 559,251
-	170,737	170,737
-	-	188,201
-	-	60,809
-	-	52,382
-	302,061	302,061
176,503	222,765	4,846,353
<u>176,503</u>	<u>811,552</u>	<u>6,179,794</u>
-	-	328,357
-	-	469,921
-	167,600	167,600
-	-	826,034
138,546	7,119	3,221,379
-	2,332	2,332
-	22,118	22,118
-	136,127	136,127
-	(90)	(174,990)
<u>138,546</u>	<u>335,206</u>	<u>4,670,521</u>
<u>\$ 315,049</u>	<u>\$ 1,146,758</u>	<u>\$ 11,178,672</u>

CITY OF McDONOUGH, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

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

Total fund balances -- total governmental funds	\$ 4,670,521
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,358,937
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	328,357
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital lease	(845,198)
Long-term portion of compensated absences	(226,489)
Net OPEB obligation	<u>(72,000)</u>
Net position of governmental activities.	<u>\$ 33,214,128</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, 2014

	GENERAL	SPLOST III	SPLOST IV
REVENUES			
Taxes	\$ 8,902,636	\$ -	\$ -
Licenses and permits			
Business license	180,067	-	-
Building permits and fees	220,502	-	-
Intergovernmental	19,135	1,052,608	759,695
Charges for services	78,350	-	-
Fines and forfeitures	1,832,806	-	-
Interest	-	3,021	-
Miscellaneous	125,799	-	-
Total Revenues	11,359,295	1,055,629	759,695
EXPENDITURES			
Current			
Governing Body	256,373	-	-
General Administration	3,008,097	-	-
Municipal Court	935,791	-	-
Probation	159,818	-	-
Public Safety	5,200,694	-	-
Highways & Streets	955,955	-	-
Cemetery	26,925	-	-
Parks and Recreation	72,546	-	-
Community Development	577,846	-	-
Economic Development	331,824	-	-
Code Enforcement	81,779	-	-
Debt service			
Principal	20,338	410,724	-
Interest	5,447	32,283	-
Capital outlay	-	451,950	22,536
Total Expenditures	11,633,433	894,957	22,536

See accompanying notes to the financial statements.

DEVELOPMENT IMPACT FEE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 799,441	\$ 9,702,077
-	-	180,067
-	-	220,502
-	542,999	2,374,437
138,442	-	216,792
-	2,413	1,835,219
897	210	4,128
-	510	126,309
<u>139,339</u>	<u>1,345,573</u>	<u>14,659,531</u>
-	-	256,373
4,093	-	3,012,190
-	-	935,791
-	-	159,818
-	6,463	5,207,157
-	-	955,955
-	-	26,925
-	-	72,546
-	-	577,846
-	360,002	691,826
-	-	81,779
-	-	-
-	-	431,062
-	-	37,730
<u>906,908</u>	<u>555,167</u>	<u>1,936,561</u>
<u>911,001</u>	<u>921,632</u>	<u>14,383,559</u>

Continued

CITY OF McDONOUGH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	<u>GENERAL</u>	<u>SPLOST III</u>	<u>SPLOST IV</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ (274,138)	\$ 160,672	\$ 737,159
Other Financing Sources (Uses)			
Proceeds from debt issue	219,750	-	-
Proceeds from disposition of capital asset	826,034	-	-
Transfers	<u>212,467</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,258,251</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	984,113	160,672	737,159
Fund Balance - Beginning of Year	<u>136,942</u>	<u>2,177,883</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,121,055</u>	<u>\$ 2,338,555</u>	<u>\$ 737,159</u>

See accompanying notes to the financial statements.

<u>DEVELOPMENT IMPACT FEE</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ (771,662)	\$ 423,941	\$ 275,972
-	-	219,750
-	-	826,034
<u>-</u>	<u>(298,222)</u>	<u>(85,755)</u>
<u>-</u>	<u>(298,222)</u>	<u>960,029</u>
(771,662)	125,719	1,236,001
<u>910,208</u>	<u>209,487</u>	<u>3,434,520</u>
<u>\$ 138,546</u>	<u>\$ 335,206</u>	<u>\$ 4,670,521</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, 2014

Net change in fund balances -- total governmental funds \$ 1,236,001

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	2,042,232
Depreciation	(1,071,914)

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	50,000
Sale of asset to the Cemetery Enterprise Fund	(826,034)
Other dispositions of capital assets	(15,918)

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.

36,973

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	431,062
Proceeds from debt issues	(219,750)

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	(72,000)
Change in long-term portion of accrued compensated absences	<u>(23,711)</u>

Change in net position of governmental activities. \$ 1,566,941

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, 2014

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	\$ 9,135,000	\$ 9,135,000	\$ 8,902,636	\$ (232,364)
Licenses and permits				
Business license	186,000	186,000	180,067	(5,933)
Building permits and fees	273,641	273,641	220,502	(53,139)
Intergovernmental	11,538	11,538	19,135	7,597
Charges for services	78,815	78,815	78,350	(465)
Fines and forfeitures	1,300,000	1,300,000	1,832,806	532,806
Interest	500	500	-	(500)
Administration fees *	196,797	196,797	164,184	(32,613)
Miscellaneous	109,000	109,000	125,799	16,799
Total Revenues	<u>11,291,291</u>	<u>11,291,291</u>	<u>11,523,479</u>	<u>232,188</u>
EXPENDITURES				
Current				
Governing Body	267,665	267,665	256,373	11,292
General Government -				
City Administrator	425,812	425,812	400,282	25,530
City Clerk	343,677	353,678	276,227	77,451
Finance	993,742	1,061,517	1,061,082	435
Legal	-	42,464	28,292	14,172
IT	326,631	503,143	502,709	434
Building Maintenance	646,669	773,491	773,238	253
Human Resources	166,457	136,457	130,451	6,006
Municipal Court	768,027	936,161	935,791	370
Probation	142,114	162,114	159,818	2,296
Public Safety -				
Police	3,625,927	3,699,638	3,473,933	225,705
Fire	1,804,830	1,804,830	1,726,761	78,069
Highways & Streets	951,152	974,526	955,955	18,571
Cemetery	24,870	26,970	26,925	45
Parks and Recreation	76,100	76,100	72,546	3,554
Community Development				
Planning and Zoning	491,969	491,969	326,370	165,599
Building Inspection	297,703	297,703	251,476	46,227
Economic Development				
Main Street	181,854	188,160	156,562	31,598
Business Development	118,656	118,656	93,515	25,141
Sponsored Promotions	89,452	89,452	81,747	7,705
Code Enforcement	82,984	82,984	81,779	1,205
Debt Service	-	25,785	25,785	-
Capital outlay	-	-	-	-
Total Expenditures	<u>11,826,291</u>	<u>12,539,275</u>	<u>11,797,617</u>	<u>741,658</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, 2014

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>\$ (535,000)</u>	<u>\$ (1,247,984)</u>	<u>\$ (274,138)</u>	<u>\$ 973,846</u>
Other Financing Sources and (Uses)				
Proceeds from capital leases	-	220,000	219,750	(250)
Proceeds from disposition of assets	-	1,003,831	826,034	(177,797)
Transfers	<u>535,000</u>	<u>535,000</u>	<u>212,467</u>	<u>(322,533)</u>
Total Other Financing Sources (Uses)	<u>535,000</u>	<u>1,758,831</u>	<u>1,258,251</u>	<u>(500,580)</u>
Net Change in Fund Balance	-	510,847	984,113	473,266
Fund Balance - Beginning of Year	<u>136,942</u>	<u>136,942</u>	<u>136,942</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 136,942</u>	<u>\$ 647,789</u>	<u>\$ 1,121,055</u>	<u>\$ 473,266</u>

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

See accompanying notes to the financial statements.

Concluded

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

ASSETS	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
Current Assets			
Cash	\$ 793,901	\$ -	\$ 2,293,557
Investments	3,734,232	-	883,762
Receivables			
Accounts (net)	584,773	91,829	457,851
Other	6,385	-	-
Due from other funds	3,828,891	-	22,536
Due from other government	-	-	56,500
Prepaid expenses	20,930	3,486	1,963
Restricted Assets			
Cash	384,318	-	-
Total Current Assets	<u>9,353,430</u>	<u>95,315</u>	<u>3,716,169</u>
Noncurrent Assets			
Capital assets			
Land	1,144,569	-	222,161
Buildings	902,743	-	135,741
Improvements other than buildings	20,608,249	-	511,461
Machinery and equipment	1,055,126	96,567	308,955
Autos and trucks	609,263	77,919	-
Construction in progress	3,617,730	-	171,343
Accumulated depreciation	<u>(12,221,892)</u>	<u>(66,888)</u>	<u>(140,623)</u>
Capital assets (net of depreciation)	<u>15,715,788</u>	<u>107,598</u>	<u>1,209,038</u>
Total Assets	<u>25,069,218</u>	<u>202,913</u>	<u>4,925,207</u>

See accompanying notes to the basic financial statements.

Continued

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 3,087,458
-	4,617,994
-	1,134,453
-	6,385
-	3,851,427
-	56,500
-	26,379
-	384,318
-	13,164,914

826,034	2,192,764
-	1,038,484
-	21,119,710
-	1,460,648
-	687,182
-	3,789,073
-	(12,429,403)
<u>826,034</u>	<u>17,858,458</u>
<u>826,034</u>	<u>31,023,372</u>

CITY OF McDONOUGH, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
LIABILITIES			
Current Liabilities			
Accounts payable			
Trade	\$ 17,569	\$ -	\$ -
Construction	422,655	-	-
Accrued liabilities			
Deposits	249,340	-	-
Accrued compensated absences	54,052	3,289	6,093
Accrued salaries	33,288	2,084	4,793
Due to other funds	-	-	1,197,984
Current liabilities payable from restricted assets			
Revenue bonds	279,000	-	-
Notes payable	31,032	-	-
Accrued interest	27,351	-	-
Total Current Liabilities	<u>1,114,287</u>	<u>5,373</u>	<u>1,208,870</u>
Noncurrent Liabilities			
Revenue bonds	3,030,000	-	-
Notes payable	2,672,248	-	-
Due to other funds	-	-	-
Total Noncurrent Liabilities	<u>5,702,248</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>6,816,535</u>	<u>5,373</u>	<u>1,208,870</u>
NET POSITION			
Net investment in capital assets	9,703,508	107,598	1,209,038
Restricted under debt ordinance	384,318	-	-
Unrestricted	<u>8,164,857</u>	<u>89,942</u>	<u>2,507,299</u>
Total Net Position	<u>\$ 18,252,683</u>	<u>\$ 197,540</u>	<u>\$ 3,716,337</u>

See accompanying notes to the basic financial statements.

Concluded

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 17,569
-	422,655
-	249,340
-	63,434
-	40,165
-	1,197,984
-	279,000
-	31,032
-	27,351
<u>-</u>	<u>2,328,530</u>
-	3,030,000
-	2,672,248
<u>826,034</u>	<u>826,034</u>
<u>826,034</u>	<u>6,528,282</u>
<u>826,034</u>	<u>8,856,812</u>
-	11,020,144
-	384,318
<u>-</u>	<u>10,762,098</u>
<u>\$ -</u>	<u>\$ 22,166,560</u>

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Storm Water Management</u>
OPERATING REVENUES			
Charges for services			
Water sales	\$ 2,272,948	\$ -	\$ -
Sewer charges	1,875,976	-	-
Sanitation fees	-	1,446,309	-
Storm water fees	-	-	843,725
Connection fees	-	-	-
Water	8,980	-	-
Sewer	-	-	-
Penalties and reconnect fees	160,777	-	-
Miscellaneous	19,826	-	-
Total Operating Revenues	<u>4,338,507</u>	<u>1,446,309</u>	<u>843,725</u>
OPERATING EXPENSES			
Purchased products / services	-	1,266,295	-
Personal services and benefits	1,642,045	104,212	193,877
Purchased / contracted services	269,560	37,664	81,438
Supplies	794,141	15,491	19,736
Cost allocations	91,890	46,245	21,957
Depreciation and amortization	707,213	11,498	51,019
Other	47,000	11,000	20,000
Total Operating Expenses	<u>3,551,849</u>	<u>1,492,405</u>	<u>388,027</u>
Operating Income (Loss)	<u>786,658</u>	<u>(46,096)</u>	<u>455,698</u>
NON-OPERATING INCOME (EXPENSE)			
Interest earned	4,972	-	1,054
Interest expense	(55,345)	-	-
Loss on disposition of capital assets	-	-	(20,646)
Total Non-Operating Income (Expense)	<u>(50,373)</u>	<u>-</u>	<u>(19,592)</u>
Net Income before Transfers and Capital Contributions	736,285	(46,096)	436,106
Capital Contributions			
Water	76,491	-	-
Sewer	70,239	-	-
Stormwater	-	-	56,500
Transfers	<u>-</u>	<u>85,755</u>	<u>-</u>
Change in Net Position	883,015	39,659	492,606
Net Position - Beginning of Year	<u>17,369,668</u>	<u>157,881</u>	<u>3,223,731</u>
Net Position - End of Year	<u>\$ 18,252,683</u>	<u>\$ 197,540</u>	<u>\$ 3,716,337</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 2,272,948
-	1,875,976
-	1,446,309
-	843,725
-	
-	8,980
-	-
-	160,777
-	19,826
<u>-</u>	<u>6,628,541</u>
-	
-	1,266,295
-	1,940,134
-	388,662
-	829,368
-	160,092
-	769,730
-	78,000
<u>-</u>	<u>5,432,281</u>
-	
<u>-</u>	<u>1,196,260</u>
-	
-	6,026
-	(55,345)
-	(20,646)
<u>-</u>	<u>(69,965)</u>
-	
-	1,126,295
-	
-	76,491
-	70,239
-	56,500
<u>-</u>	<u>85,755</u>
-	
-	1,415,280
<u>-</u>	<u>20,751,280</u>
<u>\$ -</u>	<u>\$ 22,166,560</u>

CITY OF McDONOUGH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	<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	\$ 4,346,427	\$ 1,439,482	\$ 767,427
Cash paid to suppliers for goods	(1,840,222)	(1,413,665)	(185,040)
Cash paid to employees	(1,152,669)	(67,613)	(150,632)
Net Cash Flows from Operating Activities	<u>1,353,536</u>	<u>(41,796)</u>	<u>431,755</u>
Cash flows from investing activities:			
Interest received	4,972	-	1,054
(Purchase) / redemption of investments	(4,902)	-	(1,053)
Net Cash Flows from Investing Activities	<u>70</u>	<u>-</u>	<u>1</u>
Cash flows from non-capital financing activities:			
Transfers	-	85,755	-
Change in due to/from other funds	(1,328,318)	-	578,795
Net Cash Flows from Non-Capital Financing Activities	<u>(1,328,318)</u>	<u>85,755</u>	<u>578,795</u>
Cash flows from capital financing activities:			
Purchases / construction of capital assets	(2,381,673)	(43,959)	(316,785)
Capital contributions	146,730	-	-
Principal payments on long-term debt	(234,746)	-	-
Proceeds from debt issue	2,672,248	-	-
Proceeds from disposition of capital assets	-	-	24,000
Interest paid	(33,518)	-	-
Net Cash Flows from Capital Financing Activities	<u>169,041</u>	<u>(43,959)</u>	<u>(292,785)</u>
Net Change in Cash and Cash Equivalents	194,329	-	717,766
Cash and Cash Equivalents - Beginning	983,890	-	1,575,791
Cash and Cash Equivalents - Ending	<u>\$ 1,178,219</u>	<u>\$ -</u>	<u>\$ 2,293,557</u>

See accompanying notes to the basic financial statements.

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 6,553,336
-	(3,438,927)
-	(1,370,914)
-	<u>1,743,495</u>
-	6,026
-	<u>(5,955)</u>
-	<u>71</u>
-	85,755
-	<u>(749,523)</u>
-	<u>(663,768)</u>
-	(2,742,417)
-	146,730
-	(234,746)
-	2,672,248
-	24,000
-	<u>(33,518)</u>
-	<u>(167,703)</u>
-	912,095
-	<u>2,559,681</u>
<u>\$ -</u>	<u>\$ 3,471,776</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)	\$ 786,658	\$ (46,096)	\$ 455,698
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	707,213	11,498	51,019
(Increase) decrease in -			
Accounts receivable	(5,479)	(6,827)	(76,298)
Prepaid expense	(6,075)	(608)	(332)
Increase (decrease) in -			
Accounts payable	(149,329)	-	(229)
Deposits	13,399	-	-
Accrued liabilities	7,149	237	1,897
Total Adjustments	<u>566,878</u>	<u>4,300</u>	<u>(23,943)</u>
Net Cash Flows from Operating Activities	<u>\$ 1,353,536</u>	<u>\$ (41,796)</u>	<u>\$ 431,755</u>

NON-CASH TRANSACTIONS

Purchase of land from Governmental Activities
to expand the City's cemetery capacity. The Cemetery
Fund will pay the General Fund for the land when
sales of plots begin which is expected in two to three years.

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

<u>Cemetery Enterprise</u>	<u>Total</u>
\$ -	\$ 1,196,260
-	769,730
-	(88,604)
-	(7,015)
-	(149,558)
-	13,399
-	9,283
-	547,235
\$ -	\$ 1,743,495

<u>\$ 826,034</u>	<u>\$ 826,034</u>
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CITY OF McDONOUGH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

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

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

B. The Reporting Entity

The City of McDonough, Georgia (the City) was incorporated on December 18, 1823 and is located in Henry County about 30 miles south of Atlanta. The City provides a full range of services to approximately 22,000 residents. These services are provided in whole by the City. These services include police and fire protection, community development, highways and streets, water and sewer, storm water, sanitation, public improvements, planning and zoning, economic development, parks and recreation and general administrative services.

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

(See Independent Auditor's Report)

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

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

C. Basic Financial Statements—Government-Wide Statements

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

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

D. Basic Financial Statements-Fund Financial Statements

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

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

(See Independent Auditor's Report)

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

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

D. Basic Financial Statements-Fund Financial Statements - Continued

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

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

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

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

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

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

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

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

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.

(See Independent Auditor's Report)

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

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

E. Measurement Focus

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

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

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

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

F. Basis of Accounting

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

1. Accrual

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

2. Modified Accrual:

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

(See Independent Auditor's Report)

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

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

F. Basis of Accounting, continued

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

G. Cash and Investments

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

The City's investments reported in the governmental and proprietary funds consist of the State of Georgia Local Government Investment Pool 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, 2014:

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

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

H. Inventory

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

I. Prepaid Expenses

Payments made to vendors for service that will benefit periods beyond June 30, 2014 are recorded as prepaid items and are expensed during the period benefited

(See Independent Auditor's Report)

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

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

J. Restricted Assets

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

K. Capital Assets

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

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest in the amount of \$18,144 was capitalized in the Water and Sewer Fund during the year ended June 30, 2014. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

L. Bond Premiums, Discounts and Issuance Cost

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

(See Independent Auditor’s Report)

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Revenues

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

O. Expenditures

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

P. Compensated Absences

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

Q. Interfund Activity

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

R. Encumbrances

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

(See Independent Auditor's Report).

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

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

S. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has no items that qualifies for reporting in this category as of June 30, 2014.

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

T. Net Position

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

The City's government-wide statement of net position reports \$3,933,874 of restricted net position, of which \$3,359,838 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, 2014, 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, 2014, fund balances are composed of the following:

	General	SPLOST Funds	Development Impact Fee	Other Governmental Funds	Total
Nonspendable					
Prepays	\$ 469,921	\$ -	\$ -	\$ -	\$ 469,921
Long-term receivable	826,034	-	-	-	826,034
Cemetery Trust Corpus	-	-	-	167,600	167,600
Restricted -					
Capital projects	-	3,075,714	138,546	7,119	3,221,379
Police activities	-	-	-	2,332	2,332
Promotion	-	-	-	136,127	136,127
Cemetery	-	-	-	22,118	22,118
Unassigned	(174,900)	-	-	(90)	(174,990)
Total Fund Balances	<u>\$ 1,121,055</u>	<u>\$ 3,075,714</u>	<u>\$ 138,546</u>	<u>\$ 335,206</u>	<u>\$ 4,670,521</u>

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

V. Contributions of Capital

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

W. Estimates

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

(See Independent Auditor's Report)

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

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

X. Budgets and Budgetary Accounting

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

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a department. Budgets, as reported in the financial statements, are as originally approved or as amended in March 2015. All annual appropriations lapse at year end.

2. CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of June 30, 2014, \$5,086,465 of the government's bank balance of \$5,861,725 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 734,939
Collateralized with securities held by the pledging financial institution or its agent	<u>4,351,526</u>
Total	<u>\$ 5,086,465</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, 2014:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturities</u>	<u>Rating</u>	<u>Organization</u>
All Funds With Investments -				
Georgia Fund 1	\$ 9,124,976	51	AAAf	S&P

"Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standards and Poor's criteria for AAAM rated money market funds. However, Georgia Fund 1 operates in 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.

(See Independent Auditor's Report).

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

3. PROPERTY TAX

Property taxes were levied on July 18, 2013 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, 2014 amounted to \$100,475.

4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables reported in the fund financial statements for the year ended June 30, 2014 consist of the following:

	Receivable	Revenues
General Fund		
U. S. Department of Justice	\$ -	\$ 19,135
Other	250	-
SPLOST Funds		
Henry County - SPLOST	258,129	1,812,303
LMIG Grant Fund		
Department of Transportation	-	542,999
	<u>\$ 258,379</u>	<u>\$ 2,374,437</u>

5. RECEIVABLES

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

Governmental Funds

	General	SPLOST	Other Governmental Funds	Total
Taxes	\$ 441,345	\$ -	\$ 169,030	\$ 610,375
Fines	654,116	-	-	654,116
Other	5,445	442	-	5,887
Intergovernmental	250	258,129	-	258,379
Gross receivables	1,101,156	258,571	169,030	1,528,757
Less: allowance for uncollectibles	(327,000)	-	-	(327,000)
Net Total Receivables	<u>\$ 774,156</u>	<u>\$ 258,571</u>	<u>\$ 169,030</u>	<u>\$ 1,201,757</u>

Proprietary Funds

	Water and Sewer	Solid Waste Management	Stormwater Management	Total
Accounts	\$ 1,044,773	\$ 223,829	\$ 652,851	\$ 1,921,453
Other	6,385	-	-	6,385
Intergovernmental	-	-	56,500	56,500
Less: allowance for uncollectibles	(460,000)	(132,000)	(195,000)	(787,000)
Net Total Receivable	<u>\$ 591,158</u>	<u>\$ 91,829</u>	<u>\$ 514,351</u>	<u>\$ 1,197,338</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, 2014 were as follows:

Payable From	Payable To					Total
	General Fund	Devel. Impact	Non- Major	Water / Sewer	Storm- Water	
General	\$ -	\$ -	\$ 472,610	\$ 3,828,891	\$ -	\$ 4,301,501
SPLOST III	116,993	6,055	-	-	-	123,048
SPLOST IV	-	-	-	-	22,536	22,536
Devel. Impact	176,503	-	-	-	-	176,503
Non-Major Funds	222,765	-	-	-	-	222,765
Storm Water	1,197,984	-	-	-	-	1,197,984
Cemetery Enterprise	826,034	-	-	-	-	826,034
Totals	<u>\$ 2,540,279</u>	<u>\$ 6,055</u>	<u>\$ 472,610</u>	<u>\$ 3,828,891</u>	<u>\$ 22,536</u>	<u>\$ 6,870,371</u>

The City's General Fund's operating bank account receives all deposits from the general fund and water and sewer fund operations. All monies collected for the Water and Sewer Fund and all expenditures paid for the Water and Sewer Fund are made through the General Fund's operating bank account. The cumulative net amount over the years (receipts over expenditures) of \$3,828,891 is due to the Water and Sewer Fund. The amount due from Storm Water to the General Fund of \$1,197,984 is for expenses paid by the General Fund which the Storm Water Fund has not yet repaid. The SPLOST III Fund and the Development Impact Fee Fund owed the General Fund \$116,993 and \$176,503 respectively for expenditures paid by the General Fund and not reimbursed by the SPLOST III Fund or the Development Impact Fee Fund as of June 30, 2014. The Cemetery Enterprise Fund owes the General Fund \$826,034 for the purchase of land from the General Fund. This amount owed to the General Fund by the Cemetery Enterprise Fund is expected to be paid to the General Fund beginning in three to four years and is therefore regarded as a long – term asset by the General Fund. The LMIG Grant Fund (a nonmajor fund) is used to account for state grants received by the City. The General Fund's bank account receives all deposit and pays all expenditures for this fund. As of June 30, 2014 the General Fund owed the LMIG Grant Fund \$472,610

Individual fund interfund transfers for the year ended June 30, 2014 were as follows:

Transfer To	Transfer From		
	General	Non- Major	Totals
General	\$ -	\$ 298,222	\$ 298,222
Solid Waste	85,755	-	85,755
	<u>\$ 85,755</u>	<u>\$ 298,222</u>	<u>\$ 383,977</u>

During the fiscal year ended June 30, 2014, the General Fund transferred \$85,755 to the Solid Waste Management Fund which is the net cash transactions of the Solid Waste Management Fund. The Solid Waste Management Fund uses the General Fund's bank account in the same manner as mentioned above.

The City created the Hotel / Motel Tax Fund during 2006 in order to comply with state law. The City reports the income from hotel / motel taxes in this fund along with the required 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, 2014 the Hotel / Motel Tax Fund transferred \$298,222 to the General Fund and as of June 30, 2014 the Hotel / Motel Tax Fund owed the General Fund \$222,765 for unreimbursed expenditures and transfers.

(See Independent Auditor's Report)

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

7. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,589,913	\$ 6,054	\$ (826,034)	\$ 10,769,933
Construction in progress	419,501	500,170	(119,500)	800,171
Total	<u>12,009,414</u>	<u>506,224</u>	<u>(945,534)</u>	<u>11,570,104</u>
Capital assets being depreciated:				
Buildings	12,000,368	898,577	-	12,898,945
Improvements other than buildings	7,456,000	283,403	-	7,739,403
Vehicles, including related equipment	4,676,353	206,633	(881,718)	4,001,268
Machinery and equipment	3,166,485	232,625	(490,236)	2,908,874
Furniture and fixtures	339,162	84,269	(67,797)	355,634
Total capital assets being depreciated	<u>27,638,368</u>	<u>1,705,507</u>	<u>(1,439,751)</u>	<u>27,904,124</u>
Less accumulated depreciation for:				
Buildings	2,454,649	309,222	-	2,763,871
Improvements other than buildings	1,842,986	186,280	-	2,029,266
Vehicles, including related equipment	3,613,174	324,712	(881,587)	3,056,299
Machinery and equipment	2,277,462	238,391	(474,451)	2,041,402
Furniture and fixtures	278,941	13,309	(67,797)	224,453
Total accumulated depreciation	<u>10,467,212</u>	<u>1,071,914</u>	<u>(1,423,835)</u>	<u>10,115,291</u>
Total capital assets being depreciated, net	<u>17,171,156</u>	<u>633,593</u>	<u>(15,916)</u>	<u>17,788,833</u>
Governmental capital assets, net	<u>\$ 29,180,570</u>	<u>\$ 1,139,817</u>	<u>\$ (961,450)</u>	<u>\$ 29,358,937</u>

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

Administrative	\$ 152,670
Public Safety and Courts	576,397
Highways and Streets	154,411
Cemetery	4,543
Code Enforcement	-
Parks and Recreation	167,962
Community Development	5,117
Economic Development	<u>10,814</u>
Total depreciation expense	<u>\$ 1,071,914</u>

(See Independent Auditor's Report)

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

7. PROPERTY, PLANT AND EQUIPMENT – (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,366,730	\$ 826,034	\$ -	\$ 2,192,764
Construction in progress	1,454,057	2,335,016	-	3,789,073
Total	<u>2,820,787</u>	<u>3,161,050</u>	<u>-</u>	<u>5,981,837</u>
Capital assets being depreciated:				
Buildings	1,038,484	-	-	1,038,484
Improvements other than buildings	21,141,462	-	(21,751)	21,119,711
Machinery and equipment	1,358,391	234,827	(132,570)	1,460,648
Vehicles	679,224	18,907	(10,950)	687,181
Total capital assets being depreciated	<u>24,217,561</u>	<u>253,734</u>	<u>(165,271)</u>	<u>24,306,024</u>
Less accumulated depreciation for:				
Buildings	800,012	10,327	-	810,339
Improvements other than buildings	9,603,487	619,180	(21,751)	10,200,916
Machinery and equipment	934,260	91,077	(87,924)	937,413
Vehicles	442,539	49,146	(10,950)	480,735
Total capital assets being depreciated	<u>11,780,298</u>	<u>769,730</u>	<u>(120,625)</u>	<u>12,429,403</u>
Total capital assets being depreciated, net	<u>12,437,263</u>	<u>(515,996)</u>	<u>(44,646)</u>	<u>11,876,621</u>
Business-Type Activities capital assets, net	<u>\$ 15,258,050</u>	<u>\$ 2,645,054</u>	<u>\$ (44,646)</u>	<u>\$ 17,858,458</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 270,873
Sewer	436,340
Storm Water	51,019
Solid Waste Management	<u>11,498</u>
Total depreciation expense	<u>\$ 769,730</u>

(See Independent Auditor's Report)

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

8. UNAVAILABLE REVENUES

Deferred revenues as of June 30, 2014, 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	\$ 238,278
Property taxes	86,104
Alcohol beverage taxes	<u>3,975</u>
Total unavailable revenues - Governmental Funds	<u>\$ 328,357</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, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Activities					
Accrued Compensated Absences	\$ 202,778	\$ 416,032	\$ (392,321)	\$ 226,489	\$ 20,000
Capital Leases	1,056,509	219,750	(431,061)	845,198	466,919
Net OPEB Obligation	<u>-</u>	<u>72,000</u>	<u>-</u>	<u>72,000</u>	<u>-</u>
Total Governmental Activity					
Long-Term Debt	<u>\$ 1,259,287</u>	<u>\$ 707,782</u>	<u>\$ (823,382)</u>	<u>\$ 1,143,687</u>	<u>\$ 486,919</u>
Business-Type Activities					
Revenue Bonds	\$ 3,309,000	\$ -	\$ -	\$ 3,309,000	\$ 279,000
GEFA Notes Payable	<u>265,777</u>	<u>2,672,248</u>	<u>(234,745)</u>	<u>2,703,280</u>	<u>31,032</u>
Total Business-Type Activity					
Long-Term Debt	<u>\$ 3,574,777</u>	<u>\$ 2,672,248</u>	<u>\$ (234,745)</u>	<u>\$ 6,012,280</u>	<u>\$ 310,032</u>

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

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

(See Independent Auditor's Report)

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

9. LONG-TERM DEBT - (Continued)

Governmental Activities Long-Term Obligations - Continued

Governmental Activities Long-Term Obligations -

Governmental activities long-term obligations as of June 30, 2014 consist of the following:

Capital Lease Obligations – See Note 10

\$845,198

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

Year Ending 6/30	CAPITAL LEASES		
	Principal	Interest	Total
2015	\$ 466,919	\$ 25,645	\$ 492,564
2016	262,379	8,781	271,160
2017	44,987	4,770	49,757
2018	47,290	2,467	49,757
2019	23,623	352	23,975
Totals	<u>\$ 845,198</u>	<u>\$ 42,015</u>	<u>\$ 887,213</u>

Water and Sewer Long-Term Debt –

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

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

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

\$ 31,032

Construction loan payable to GEFA, in the total amount of \$3,000,000, interest at 1.4% and is estimated to mature in June 2034. This loan has not closed as of June 30, 2014.

\$ 2,672,248

(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

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.

\$3,309,000

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

Year Ending 6/30	NOTES PAYABLE		REVENUE BONDS		Total
	Principal	Interest	Principal	Interest	
2015	\$ 31,032	\$ 388	\$ 279,000	\$ 52,297	\$ 362,717
2016	-	-	288,000	47,619	335,619
2017	-	-	293,000	42,826	335,826
2018	-	-	297,000	37,958	334,958
2019	-	-	302,000	33,016	335,016
2020	-	-	307,000	27,992	334,992
2021	-	-	312,000	22,886	334,886
2022	-	-	219,000	18,505	237,505
2023	-	-	196,000	15,081	211,081
2024	-	-	199,000	11,822	210,822
2025	-	-	202,000	8,514	210,514
2026	-	-	206,000	5,148	211,148
2027	-	-	209,000	1,724	210,724
2028	-	-	-	-	-
Totals	<u>\$ 31,032</u>	<u>\$ 388</u>	<u>\$ 3,309,000</u>	<u>\$ 325,388</u>	<u>\$ 3,665,808</u>

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

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

(See Independent Auditor's Report)

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

10. CAPITAL LEASE OBLIGATION

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

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 \$14,813 and accumulated depreciation of \$14,813 as of and for the year ended June 30, 2014.

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, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 492,564
2016	271,160.0
2017	49,757.0
2018	49,757.0
2019	<u>23,975.0</u>
Less the amount representing interest	<u>(42,015)</u>
Present value of minimum lease payments	<u>\$ 845,198</u>

(See Independent Auditor's Report)

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

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)
Automobile physical damage

\$43,212,365
Per Application on file with GIRMA

Coverage Description – Casualty:
Comprehensive general liability
Automobile liability
Errors and omissions (Public Officials)
Employee benefits liability
Pollution liability

\$3,000,000
\$3,000,000
\$3,000,000
\$3,000,000
\$3,000,000

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

\$500,000
\$500,000
\$500,000
\$500,000

Deductible:

All coverages are subject to a per occurrence deductible of \$1,000

Coverage Exceptions:

Coverage Subject to a Retroactive Date:

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

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

During the year ended June 30, 2014, 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, 2014. No provisions have been made in the financial statements for the year ended June 30, 2014 for any estimate of potential unpaid claims.

(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, 2014:

	<u>Amount</u>	<u>Percent</u>
Total Collected	\$ 799,441	100.0%
Amount remitted to the McDonough Tourism and Hospitality Organization	\$ 348,002	43.5%
Product development	\$ 5,000	0.6%

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, 2014, the developer had actually used approximately \$2,855,677 of its impact fee credits which leaves a balance of impact fee credits to the developer, along with other such credits, of \$3,956,730. 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 2007 the citizens of Henry County voted to approve a special purpose local option sales tax to help finance the acquisition and construction of major capital equipment and facilities. In relation to this, the City entered into an intergovernmental agreement with Henry County and the other cities inside the County whereby Henry County would issue revenue bonds to finance some of the SPLOST projects in advance of the SPLOST tax collections. City of McDonough received \$7,325,000 from the County under this agreement.

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

Sewer System Rehabilitation Project – The City is in the process of making significant improvements to the City's sewer system. The project is expected to cost approximately \$3,600,000. The project is being funded with a loan from the Georgia Environmental Finance Authority in the amount of \$3,000,000 with the City being responsible for the remainder of the project's cost. Cost incurred through June 30, 2014 amounted to approximately \$3,582,000.

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, 2014 amounted to \$114,755.

(See Independent Auditor's Report)

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

16. EMPLOYEE BENEFIT PENSION PLANS – Continued

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, 2014, contributions to the plans amounted to \$38,640, 44.0% of eligible salaries. The amount of payroll covered under the plan for the year ended June 30, 2014 amounted to \$87,272. This plan was established by an adoption agreement executed by the City Council.

Defined Benefit Plan – GMA Administered

During the year ended June 30, 2008 the City terminated its Single Employer Defined Benefit Plan and transferred its assets to the City's new defined benefit plan that is affiliated with the Georgia Municipal Employees Benefit System (GMEBS). The new plan's effective date is October 1, 2008. The following information is a summary of the new plan.

Plan Description

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

Funding Policy

MRP members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate for f/y 2014 is 14.18% of annual covered payroll based on the actuarial valuation as of January 1, 2013. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2014 the City contributed \$797,164 to the plan which was the City's annual pension cost of and was equal to the City's required and anticipated actual contributions. The required contribution was determined as part of the January 1, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) inflation rate of 3.5% and (c) projected salary increases of 3.50% per year plus age and service merit increases. The actuarial value of MRP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The actuarial required contribution calculation as of January 1 is funded on a monthly basis beginning July of the same year.

MRP's unfunded actuarial accrued liability is being amortized over a 30 year period from 2008 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The remaining period at June 30, 2014 was 24 years. These amortization periods, if applicable, are closed for this plan year.

(See Independent Auditor's Report)

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

16. EMPLOYEE BENEFIT PENSION PLANS – Continued

Annual Pension Cost – Continued

Three-Year Trend Information for MRP			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2014	\$ 797,164	100.0%	\$ -
6/30/2013	\$ 783,020	100.0%	\$ -
6/30/2012	\$ 685,065	100.0%	\$ -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$4,809,004	\$ 8,952,953	\$ 4,143,949	53.7%	\$ 5,752,771	72.0%
1/1/2013	\$4,082,564	\$ 8,445,106	\$ 4,362,542	48.3%	\$ 5,525,119	79.0%
1/1/2012	\$3,492,301	\$ 7,867,784	\$ 4,375,483	44.4%	\$ 5,313,560	82.3%
7/1/2010	\$2,830,725	\$ 6,953,007	\$ 4,122,282	40.7%	\$ 4,724,570	87.3%
7/1/2009	\$2,488,088	\$ 6,452,530	\$ 3,964,442	38.6%	\$ 4,714,947	84.1%

Trend Information

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

(See Independent Auditor's Report)

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

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 November 2014 for the fiscal years ending June 30, 2014 and June 30, 2015. 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	\$ 47,000
Amortization of Unfunded	26,000
Interest	-
Annual Required Contribution	73,000
Interest on Net OPEB Obligation	-
Amortizing Adjustment to ARC	-
Annual OPEB Cost	73,000
Contribution Made *	(1,000)
Increase in Net OPEB Obligation	72,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 72,000</u>

* reflects a contribution credit for the implicit subsidy

(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, 2014:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 73,000	1.3%	\$ 72,000

Funding Status and Funding Progress: The funded status of the plan as of June 30, 2014 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>
6/30/2014	\$ -	\$ 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 Series 1996, the City was required to create various funds and accounts. Balances in these bond restricted funds and other various restricted funds and accounts as of June 30, 2014 are as follows:

Revenue Bond Restricted Assets -	
Debt service account	\$ 51,352
Gefa debt service fund	332,966
Capital projects-	
Special purpose local option sales funds	2,969,846
Development impact fee funds	308,994
Hotel / Motel tax fund	305,851
Confiscated asset funds	2,430
Cemetery perpetual care funds	189,718
	<u>\$ 4,161,157</u>

19. CONDUIT DEBT OBLIGATIONS

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

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

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

In December 2014 the Board of Directors of the Georgia Cities Foundation, Inc. voted to write-off the loan.

(See Independent Auditor's Report)

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

20. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A) Deficit fund balances or net asset balances of individual funds – As of June 30, 2014, the City's LMIG Grant Fund had a deficit fund balance of \$90. The deficit is expected to be funded with future revenues.
- 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).
- C) The City had uninsured and uncollateralized deposits of \$734,939 as of June 30, 2014. State law requires municipalities to have their uninsured deposits collateralized with qualifying securities at the rate of 110% by the financial institution holding the deposits. Management will contact the appropriate financial institution and will require them to provide the appropriate amount of collateral. Management will also monitor the collateral requirements on a monthly basis.

(See Independent Auditor's Report)

**CITY OF McDONOUGH, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<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 Funds</u>
ASSETS				
Cash	\$ 305,851	\$ 2,430	\$ 7,119	\$ -
Investments	-	-	-	-
Receivables				
Taxes	169,030	-	-	-
Accounts	-	-	-	-
Due from other funds	-	-	-	472,610
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 474,881</u>	<u>\$ 2,430</u>	<u>\$ 7,119</u>	<u>\$ 472,610</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 115,989	\$ -	\$ -	\$ 170,737
Due to other funds	222,765	-	-	-
Unearned revenues	-	98	-	301,963
	<u>-</u>	<u>98</u>	<u>-</u>	<u>301,963</u>
Total Liabilities	<u>338,754</u>	<u>98</u>	<u>-</u>	<u>472,700</u>
Fund Balance				
Nonspendable -				
Cemetery corpus	-	-	-	-
Restricted for specified				
purposes	136,127	2,332	7,119	-
Unassigned	-	-	-	(90)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90)</u>
Total Fund Balance	<u>136,127</u>	<u>2,332</u>	<u>7,119</u>	<u>(90)</u>
Total Liabilities and Fund Balance	<u>\$ 474,881</u>	<u>\$ 2,430</u>	<u>\$ 7,119</u>	<u>\$ 472,610</u>

<u>Permanent Fund Cemetery Perpetual Care Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 1,849	\$ 317,249
187,869	187,869
-	169,030
-	-
-	472,610
<u>\$ 189,718</u>	<u>\$ 1,146,758</u>

\$ -	\$ 286,726
-	222,765
-	302,061
-	811,552

167,600	167,600
22,118	167,696
-	(90)
<u>189,718</u>	<u>335,206</u>
<u>\$ 189,718</u>	<u>\$ 1,146,758</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, 2014

	Special Revenue Funds		Capital Projects Funds	
	Hotel/ Motel Tax Fund	Confiscated Assets Fund	SPLOST II Fund	LMIG Grant Fund
REVENUES				
Taxes	\$ 799,441	\$ -	\$ -	\$ -
Forfeitures	-	2,413	-	542,999
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Miscellaneous	510	-	-	-
	<u>799,951</u>	<u>2,413</u>	<u>-</u>	<u>542,999</u>
Total Revenues				
EXPENDITURES				
Current				
Purchased / contracted services	12,000	680	-	-
Supplies	-	5,783	-	-
Payments to others	348,002	-	-	-
Capital outlay	5,600	-	6,478	543,089
	<u>365,602</u>	<u>6,463</u>	<u>6,478</u>	<u>543,089</u>
Total Expenditures				
Excess Revenues Over (Under)				
Expenditures Before Other				
Financing Sources (Uses)	<u>434,349</u>	<u>(4,050)</u>	<u>(6,478)</u>	<u>(90)</u>
Other Financing Sources (Uses)				
Transfers	<u>(298,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing				
Sources (Uses)	<u>(298,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues Over (Under)				
Expenditures and Other Financing				
Sources (Uses)	136,127	(4,050)	(6,478)	(90)
Fund Balance - Beginning of Year	-	6,382	13,597	-
Fund Balance - End of Year	<u>\$ 136,127</u>	<u>\$ 2,332</u>	<u>\$ 7,119</u>	<u>\$ (90)</u>

Permanent Fund Cemetery Perpetual Care Fund	Total Non-Major Governmental Funds
\$ -	\$ 799,441
-	2,413
-	542,999
210	210
-	510
<u>210</u>	<u>1,345,573</u>
-	12,680
-	5,783
-	348,002
-	555,167
<u>-</u>	<u>921,632</u>
<u>210</u>	<u>423,941</u>
<u>-</u>	<u>(298,222)</u>
<u>-</u>	<u>(298,222)</u>
210	125,719
<u>189,508</u>	<u>209,487</u>
<u>\$ 189,718</u>	<u>\$ 335,206</u>

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
HOTEL / MOTEL TAX FUND
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes	\$ 663,222	\$ 799,441	\$ 136,219	\$ 483,196
Interest	100	-	(100)	-
Miscellaneous	-	510	510	-
Total Revenue	<u>663,322</u>	<u>799,951</u>	<u>136,629</u>	<u>483,196</u>
EXPENDITURES				
Current				
Contracted Services	12,000	12,000	-	-
Tourism and Hospitality	348,100	348,002	98	193,279
Capital				
Tourism Product	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>365,100</u>	<u>365,002</u>	<u>98</u>	<u>193,279</u>
Excess Revenues Over (Under)				
Expenditures	298,222	434,949	136,727	289,917
Other Financing Sources (Uses)				
Transfers	<u>(298,222)</u>	<u>(298,222)</u>	<u>-</u>	<u>(289,917)</u>
Total Other Financing Sources (Uses)	<u>(298,222)</u>	<u>(298,222)</u>	<u>-</u>	<u>(289,917)</u>
Net Change in Fund Balance	-	136,727	136,727	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 136,727</u>	<u>\$ 136,727</u>	<u>\$ -</u>

CITY OF McDONOUGH, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
CONFISCATED ASSETS SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	2014			2013
	Original & Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	\$ 15,010	\$ 2,413	\$ (12,597)	\$ 11,696
Sales of confiscated property	-	-	-	-
Interest	-	-	-	-
Contributions	-	-	-	-
Total Revenue	<u>15,010</u>	<u>2,413</u>	<u>(12,597)</u>	<u>11,696</u>
EXPENDITURES				
Current				
Purchased / contracted services	2,250	680	1,570	-
Supplies	12,760	5,783	6,977	5,365
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>15,010</u>	<u>6,463</u>	<u>8,547</u>	<u>5,365</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>(4,050)</u>	<u>(4,050)</u>	<u>6,331</u>
Other Financing Sources (Uses) Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(4,050)	(4,050)	6,331
Fund Balance - Beginning of Year	<u>6,382</u>	<u>6,382</u>	<u>-</u>	<u>51</u>
Fund Balance - End of Year	<u>\$ 6,382</u>	<u>\$ 2,332</u>	<u>\$ (4,050)</u>	<u>\$ 6,382</u>

CITY OF McDONOUGH, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX II FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PROJECT LENGTH
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<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	 <u>7,194,144</u>	 <u>-</u>	 <u>7,194,144</u>	 <u>6,637,436</u>
EXPENDITURES				
Capital Outlay				
General government - including debt service	2,615,020	-	2,615,020	2,600,000
Public safety - including debt service	1,099,710	-	1,099,710	1,500,000
Highways and streets	1,540,951	6,478	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	 <u>7,180,547</u>	 <u>6,478</u>	 <u>7,187,025</u>	 <u>6,637,436</u>
Excess Revenues Over (Under) Expenditures	13,597	(6,478)	7,119	-
Other Financing Uses (Sources) Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net Change in Fund Balance	 <u>\$ 13,597</u>	 <u>(6,478)</u>	 <u>\$ 7,119</u>	 <u>\$ -</u>
 Fund Balance - Beginning of Year		<u>13,597</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, 2014**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ 6,314,439	\$ 1,052,608	\$ 7,367,047	\$ 26,842,500
Interest	<u>74,390</u>	<u>3,021</u>	<u>77,411</u>	<u>-</u>
Total Revenues	<u>6,388,829</u>	<u>1,055,629</u>	<u>7,444,458</u>	<u>26,842,500</u>
EXPENDITURES				
Current				
Capital Outlay				
Community development facilities	357,394	-	357,394	250,000
Public safety facilities and equipment	3,895,352	189,362	4,084,714	8,342,500
Roads, bridges, sidewalks & facilities	542,137	42,383	584,520	2,500,000
Public works facilities and equipment	995,476	-	995,476	3,250,000
Parks and recreation	2,086,122	220,205	2,306,327	7,000,000
Water storage tank	2,183,443	-	2,183,443	-
Repayment of public debt associated with above projects or previously issued G.O. debt.	<u>1,476,022</u>	<u>443,007</u>	<u>1,919,029</u>	<u>5,500,000</u>
Total Expenditures	<u>11,535,946</u>	<u>894,957</u>	<u>12,430,903</u>	<u>26,842,500</u>
Excess Revenues Over (Under) Expenditures	<u>(5,147,117)</u>	<u>160,672</u>	<u>(4,986,445)</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>\$ 2,177,883</u>	<u>160,672</u>	<u>\$ 2,338,555</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		2,177,883		
Fund Balance - End of Year		<u>\$ 2,338,555</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, 2014**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental - SPLOST	\$ -	\$ 759,695	\$ 759,695	\$ 22,962,500
Interest	-	-	-	-
Total Revenues	-	759,695	759,695	22,962,500
EXPENDITURES				
Current				
Capital Outlay				
Community development facilities	-	-	-	4,000,000
Public safety facilities and equipment	-	-	-	2,424,000
Roads, bridges, sidewalks & facilities	-	22,536	22,536	10,673,500
Public works facilities and equipment	-	-	-	1,500,000
Parks and recreation	-	-	-	4,365,000
Total Expenditures	-	22,536	22,536	22,962,500
Excess Revenues Over (Under)				
Expenditures	-	737,159	737,159	-
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	-	-
Transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ -	737,159	\$ 737,159	\$ -
Fund Balance - Beginning of Year		-		
Fund Balance - End of Year		<u>\$ 737,159</u>		

**CITY OF McDONOUGH, GEORGIA
DEVELOPMENT IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Impact fees	\$ 138,500	\$ 138,442	\$ (58)	\$ 65,533
Interest	<u>1,000</u>	<u>897</u>	<u>(103)</u>	<u>1,405</u>
Total Revenues	<u>139,500</u>	<u>139,339</u>	<u>(161)</u>	<u>66,938</u>
EXPENDITURES				
Current				
Administration	4,093	4,093	-	-
Capital outlay				
Public Safety				
Police	886,000	885,874	126	91,216
Fire	-	-	-	-
Parks	21,000	21,034	(34)	-
Debt service - Parks				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>911,093</u>	<u>911,001</u>	<u>92</u>	<u>91,216</u>
Excess Revenues Over (Under) Expenditures	(771,593)	(771,662)	(69)	(24,278)
Other Financing Sources (Uses) Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(771,593)	(771,662)	(69)	(24,278)
Fund Balance - Beginning of Year	<u>910,208</u>	<u>910,208</u>	<u>-</u>	<u>934,486</u>
Fund Balance - End of Year	<u>\$ 138,615</u>	<u>\$ 138,546</u>	<u>\$ (69)</u>	<u>\$ 910,208</u>

CITY OF McDONOUGH, GEORGIA
LMIG GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014			2013
	Original / Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 543,100	\$ 542,999	\$ (101)	\$ -
Interest	-	-	-	-
Total Revenues	543,100	542,999	(101)	-
EXPENDITURES				
Current				
Administration	-	-	-	-
Capital outlay				
Streets and Roads	543,100	543,089	11	-
Total Expenditures	543,100	543,089	11	-
Excess Revenues Over (Under)				
Expenditures	-	(90)	(90)	-
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Net Change in Fund Balance	-	(90)	(90)	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ (90)	\$ (90)	\$ -

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