

CITY OF MORROW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

Prepared by:
Dan Defnall
Director of Finance

Submitted By:
Jeff Eady
City Manager

CITY OF MORROW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF MORROW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION



LETTER OF TRANSMITTAL

December 10, 2013

The Citizens of the City of Morrow, Georgia
The Honorable Mayor and Members of the City Council of the City of Morrow, Georgia

Ladies and Gentlemen:

It is a pleasure to hereby submit the Comprehensive Annual Financial Report of the City of Morrow, Georgia, for the fiscal year ended June 30, 2013. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is written to be used and understood by a broad array of people. It is presented in three sections:

1) INTRODUCTORY SECTION

The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, a listing of the City's principal officials, and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2011-2012.

2) FINANCIAL SECTION

The financial section includes the general purpose financial statements and schedules, management discussion and analysis, as well as the independent auditors' report on these financial statements and additional information pertaining to individual funds and account groups.

3) STATISTICAL SECTION

The statistical section includes pertinent financial and economic data indicating trends generally presented on a multi-year basis.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The data in the report is believed to be accurate in all material respects and conforms substantially with the standards of the GFOA program for the Certificate of Achievement for Excellence in Financial Reporting. This report will again be submitted to the GFOA for evaluation of eligibility for the Certificate for the eighteenth consecutive year. All necessary disclosures have been included in order to enable the reader to gain the maximum understanding of the City's financial activity.

INDEPENDENT AUDIT

Georgia statutes and law require cities to have an audit performed annually by an independent certified public accountant. The City of Morrow's financial statements have been audited by Mauldin & Jenkins, Certified Public Accountants, LLC. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the first component of the financial section of this report.

Single Audit

The City of Morrow is not required to undergo an annual Single Audit in conformity with the provision of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." During FY 2013, the City of Morrow did not receive federal funding at a level which required single audit presentation; therefore, a single audit is not included in this report.

Management Discussion & Analysis

In accordance with GAAP, this Comprehensive Annual Report (CAFR) includes a narrative introduction from management that provides an overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors. The remainder of this letter provides an overview of local economic conditions and some of the City's current and future initiatives.

THE PROFILE OF GOVERNMENT

The City of Morrow, incorporated in 1943, is located in Clayton County, GA, approximately 10 miles south of Atlanta's Hartsfield International Airport. According to the 2010 Census, the City has a residential population of 6,445 (an increase of 32% over the 2000 Census) and Clayton County has a population of 259,424, which contributes to the 70,000 plus visitors who find themselves in the City of Morrow on a daily basis.

Morrow operates under the Council/City Manager form of government. The City of Morrow is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by the State to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing Council. Policy making and legislative authority are vested in the governing council, which consists of a Mayor and four Council members. The governing council is responsible, among other things, for passing ordinances, adopting budgets, appointing committees, and hiring both the City Manager and legal counsel. The City Manager is responsible for carrying out the day to day operations of government and for appointing the heads of the various departments. The Council members are elected on a no-partisan basis, and serve staggered four year terms. Elections are held every two years, with the Mayor and two Council members on one cycle and the other two Council members on the next cycle.

The City's organization includes five major departments: Administration, Fire, Police (including E911 Communications), Public Works, and Planning & Economic Development. The City Manager is appointed by the Mayor and Council to directly supervise these departments. The City provides many services to Morrow's residents and visitors, including police and fire protection, emergency medical service, emergency communications, code enforcement, public works, sanitation, and planning economic development services. Each of the service areas function as departments of the City and therefore are included as an integral part of the City's financial statements.

The annual budget serves as the foundation for the City of Morrow's financial planning and control. The annual budget process begins with Council Planning Sessions in February to discuss plans for the upcoming fiscal year. After the Council Planning Sessions, all departments of the City of Morrow are required to submit request for appropriations to the City Manager on or about March 9th. The City Manager uses the requests as a starting point for developing a proposed budget, which is then presented to the City Council by the end of April. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30 (the close of the City's fiscal year). The annual budget is prepared by fund, function, and department: for example: General Fund, Public Safety, and Police Department. Department Directors are not allowed to make transfers between appropriated accounts. Appropriations between Departments are not allowed, except by specific action of the City Council. Budget to actual comparisons are provided in this report for each individual fund for which an appropriated budget has been adopted. For general fund, this comparison extends to the department level. Budget to actual comparisons for all governmental and enterprise funds (business-type activities) are presented in the other Required Supplementary Information (RSI) section of the financial statements.

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which the City operates. The City of Morrow's local economy has primarily been driven by a predominantly retail business sector. With a major regional retail mall within the city limits, the City continues to cope with the current financial recession and all current economic predictions point to a very slow economic recovery. Locally, we are experiencing stagnant retail sales that will keep occupation tax revenues and sales tax revenues flat, at best. Additionally, we continue to see major retail store closings due to national retailer's weak balance sheets and changes in their business strategies.

Construction by the Georgia Department of Transportation was completed in 2012 on the \$46 million construction contract for the Highway 54 and Interstate 75 interchange and related bridges. The improvements include expanded lanes that have reduced traffic delays, a new bridge for Lee Street that has reduced congestion on Highway 54, and high mast lighting that has improved safety and visibility. Since the City of Morrow is geographically centered at this interstate interchange, completion of this construction is expected to make the City of Morrow more appealing and provide potential business growth to the area with greater accessibility and improved traffic flow. The opening of the new International Terminal/Concourse this past year at Hartsfield-Jackson International Airport with access to Interstate 75 within 10 minutes of the City of Morrow offers new commercial and economic growth opportunities.

The City of Morrow has traditionally produced a conservative budget and this has been extremely beneficial in the current economic market. We believe Georgia and the City of Morrow are seeing a positive growth in our economies, albeit very slowly.

MAJOR INITIATIVES

During 2013, the City of Morrow achieved significant accomplishments that will have positive impacts on our city's continued economic growth and development:

Strategic Stakeholder Relationship Building Efforts

- Comprehensive Strategic Planning Committee for Clayton County Economic Development
- Reynolds Nature Preserve
- Local Option Sales Tax and Service Delivery Strategy with County and other Municipalities Completed
- Clayton County Public Image Coalition
- Georgia Power Company
- Clayton County Film Office

Infrastructure Developments

- Gateway Program with Georgia Department of Transportation for landscape improvements at I-75 and Hwy 54
- Engineering Phase of Pedestrian Pathway System Phase 3
- CDBG Grant Awarded for Connectivity of Pedestrian Pathway System to Reynolds Nature Preserve
- Milton Daniel Park Renovation Grant Award Agreement
- Atlanta Regional Commission Grant for Way Find Signage along Pedestrian Pathway System

Service Enhancements

- Local Business Development Initiatives
- Launched Social Media Campaign on Facebook
- Annual Certificate of Achievement for Excellence in Financial Reporting

Planning Initiatives

- Submitted Applications with Atlanta Regional Commission for review and rewrite of all Zoning and Signage Coding improvement to better facilitate long term planning and economic development initiatives
- Short Term Work Program Updates for the Georgia Department of Community Affairs
- Completed Series of Public Meetings for citizens and business owners for input on future zoning code changes
- Discussions and Investigation for creating multi-jurisdictional Community Improvement Districts
- Commence the development of Opportunity Zone with the cities of Forest Park and Lake City

Funding Partnerships

- Department of Transportation: Transportation Enhancement Grant: Phase III of Jester's Creek Path System
- Local Government Risk Management Services, Inc; Safety Grant: turnout gear and security upgrades
- Georgia Department of Transportation; Local Maintenance & Improvement Grant: street paving
- HUD; Community Development Block Grant: Milton Daniel Park

All of these initiatives align the City of Morrow toward achieving a more vibrant community that will attract new businesses and residents for future growth and redevelopment. With these growth initiatives based on study data, the City looks forward to more balanced revenue streams coming from its governmental and business-type activities.

LONG TERM FINANCIAL PLANNING

Relevant Financial Policies and Practices

Throughout the year, the Finance Department administers and monitors the financial policies outlined by the City Council. These policies address fund balances, the use of one time revenues, budgeting, issuance of debt, purchasing and procurement, capital expenditures, cash and investment management, and accounting practices. In totality, these policies formulate the core criteria for which internal evaluations of performance occur. Each year during the annual budgeting planning and review, the Finance Officer is responsible for reporting and addressing the financial management of the policies and practices.

Budgetary Controls

In addition to internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to assure compliance with the legal provisions embodied in the annual appropriated budget approved by the Morrow City Council. Activities of the General Fund, Emergency Communications Fund, and General Capital Improvements Fund all appear in the City's annual appropriated budget. The level of budgetary control (being the level at which expenditures cannot legally exceed the appropriated amount) is established by department within an individual fund.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Planning and Economic Development

The Department of Planning and Economic Development began a long term planning project to review and rewrite codes and ordinances related to zoning and signage for the city in an effort to foster future development and redevelopment within the City. The current economy and changing demographics of the area continue to impact the City's long time historic trend as "the" major retail center in the Southern Crescent of Atlanta, we must begin planning efforts for what our future redevelopment might entail.

In conjunction with our neighboring municipalities of Forest Park and Lake City, as well as the Carl Vinson Institute of Government, we have begun exploring the possibilities of creating the first ever Tri-Cities Opportunity Zone in Georgia that would include parts of all three municipalities along the Highway 54 business corridor. This Tri-Cities Opportunity Zone would provide incentives for new businesses to open with the zone and serve as a stimulus to future redevelopment of our urban redevelopment areas.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Morrow, Georgia, for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last eighteen consecutive fiscal years (1994-2012). We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this report to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

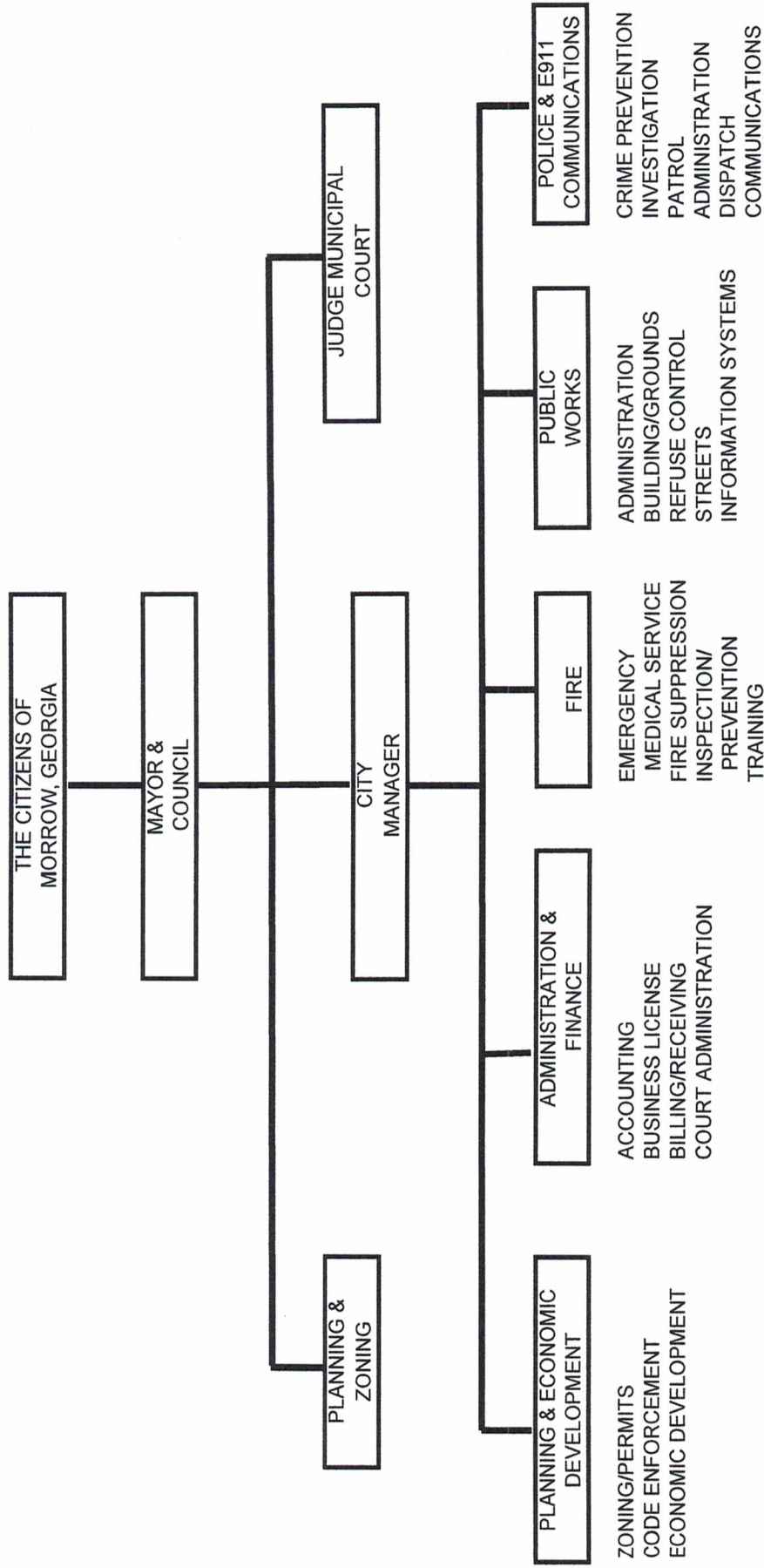
This report was produced through the dedication of the City's Finance department staff with cooperation from all city departments and our elected officials. I would like to thank the Finance Department staff, the City's department heads, other staff members, and our independent auditors, Mauldin & Jenkins, Certified Public Accountants, LLC, for their efforts and cooperation in preparation of these reports. Finally, I would like to thank the Mayor and City Council for their continued support, vision, guidance, and leadership pertaining to the financial affairs of this city.

Respectfully submitted,

Jeffrey A. Eady
City Manager

CITY OF MORROW, GEORGIA

ORGANIZATIONAL CHART



CITY OF MORROW, GEORGIA

PRINCIPAL OFFICIALS JUNE 30, 2013

ELECTED OFFICIALS

| | |
|----------------|-----------------|
| Mayor | J. B. Burke |
| Council Member | Charles R. Huie |
| Council Member | Jeanell Bridges |
| Council Member | Larry Ferguson |
| Council Member | Virlyn Slaton |

APPOINTED OFFICIALS

| | |
|-----------------------|------------------------|
| City Manager | Jeffrey A. Eady |
| Finance Officer | Dan Defnall |
| City Clerk | Evyonne Browning |
| City Attorney | Greg Hecht |
| Municipal Court Judge | Ronald J. Freeman |
| Police Chief | Christopher A. Leighty |
| Fire Chief | Mark W. Herendeen |
| Public Works Director | Anou Sothsavath |

PLANNING & ZONING BOARD

| | |
|---------------|-------------------------|
| Chairman | Shirley Watterson |
| Vice-Chairman | Dewey L. (Buck) Shirley |
| Board Member | Joyce Bean |
| Board Member | Jack Bell |
| Board Member | Tamara Patridge |

INDEPENDENT AUDITORS

Mauldin & Jenkins, LLC



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Morrow
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is fluid and cursive.

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Council
Morrow, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Morrow, Georgia (the "City")**, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Morrow, Georgia'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 from 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2012. Our opinion is not modified with respect to this matter.

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 4 through 12) and the Schedule of Funding Progress on page 52 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 Morrow, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds 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 statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of the City of Morrow, Georgia's internal control over financial reporting and on 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 the City of Morrow, Georgia's internal control over financial reporting and compliance.

Macon, Georgia
December 10, 2013

Mauldin & Jenkins, LLC

CITY OF MORROW, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Morrow, we offer readers of the City of Morrow's financial statements this narrative overview and analysis of the financial activities of the City of Morrow for the fiscal year ended June 30, 2013. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for FY 2013 are as follows:

- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by \$27,576,931 (net position).
- The City's total net position increased \$61,715, as cash and investments decreased by approximately \$324,000, capital assets decreased by approximately \$637,000, while long term debt decreased by approximately \$896,000.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of \$8,791,005, a decrease of \$232,582 in comparison to the prior year. Approximately 24% of this total amount, or \$2,146,121, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, fund balance for the General Fund was \$7,489,169 or 74% of total general fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the fund balance for the SPLOST fund was \$1,258,635, which was restricted for other capital projects.
- At the end of the current fiscal year, the fund balance for Other Governmental Funds was \$43,201.

OVERVIEW OF THE FINANCIAL STATEMENTS

This comprehensive annual financial report consists of the City of Morrow's basic financial statements comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to those financial statements. The statements are organized so the reader can understand the City of Morrow as a financial whole, or as an entire operating entity.

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

The *Statement of Net Position* presents information on all 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Activities* presents information showing how the City'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 the 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government 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).

In the Statement of Net Position and the Statement of Activities, the City has both governmental and business-type activities:

- Governmental Activities – Most of the City's programs and services are reported here including general government, judicial, public safety, public works, and economic development. Sales taxes, property taxes, occupation taxes, and fines and forfeitures finance most of these activities.
- Business-Type Activities – The City charges fees to cover the services it provides related to sanitation services. These activities are reported as business-type activities under proprietary funds.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds. 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 the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Morrow adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenue and Expenditures and Changes in Fund Balances. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City of Morrow has four Special Revenue Funds: (1) Confiscated Assets Fund, (2) Hotel/Motel Tax Fund, (3) Excise Tax Fund, and (4) Emergency Communication Fund.

Proprietary Funds

Proprietary funds are activities that a City operates similar to a business in that it attempts to recover costs through charges to the user. The City of Morrow has only one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Morrow uses two enterprise funds to account for its sanitation activity and conference center activity. Proprietary fund statements use the accrual basis of accounting similar to the City-wide statements.

The basic proprietary fund financial statements can be found on pages 20 - 22 of this report.

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. The notes to the financial statements can be found on pages 23 – 51 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Morrow exceeded liabilities by \$27,576,931 as of June 30, 2013. The City's net position increased by \$61,715 for the fiscal year ended June 30, 2013. The increase in net position was primarily due to decreases in cash and investment balances and capital assets of approximately \$961,000 and decreases in debt of \$896,000 and other liabilities of \$126,000. The largest portion of the City's net position (69%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Although the City of Morrow's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

**City of Morrow's Net Position
June 30, 2013**

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 9,367,933 | \$ 9,688,123 | \$ 238,102 | \$ 241,467 | \$ 9,606,035 | \$ 9,929,590 |
| Capital assets, net | 18,371,630 | 18,877,270 | 4,574,608 | 4,705,917 | 22,946,238 | 23,583,187 |
| Total assets | <u>27,739,563</u> | <u>28,565,393</u> | <u>4,812,710</u> | <u>4,947,384</u> | <u>32,552,273</u> | <u>33,512,777</u> |
| Other liabilities | 527,859 | 650,617 | 179,305 | 182,670 | 707,164 | 833,287 |
| Long-term liabilities outstanding | 4,268,178 | 5,164,274 | - | - | 4,268,178 | 5,164,274 |
| Total liabilities | <u>4,796,037</u> | <u>5,814,891</u> | <u>179,305</u> | <u>182,670</u> | <u>4,975,342</u> | <u>5,997,561</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 14,388,529 | 12,922,300 | 4,574,608 | 4,705,917 | 18,963,137 | 17,628,217 |
| Restricted | 1,301,836 | 1,014,757 | - | - | 1,301,836 | 1,014,757 |
| Unrestricted | 7,253,161 | 8,813,445 | 58,797 | 58,797 | 7,311,958 | 8,872,242 |
| Total net position | <u>\$ 22,943,526</u> | <u>\$ 22,750,502</u> | <u>\$ 4,633,405</u> | <u>\$ 4,764,714</u> | <u>\$ 27,576,931</u> | <u>\$ 27,515,216</u> |

An additional portion of the City's net position (4.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,311,958) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities during the fiscal year ended June 30, 2013, increased the City of Morrow's net position by \$193,024. Business-type activities during the same period decreased net position by \$131,309 for a total increase in net position of \$61,715. Public safety expenses of \$5,837,934 represent 52% of the total governmental expenses. Interest expense of \$171,835 represents 1.5% of total governmental expenses. Interest expense is attributable to debt financed for the Morrow Tourist Center building and the Morrow Conference Center.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Morrow's Changes in Net Position June 30, 2013

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 4,048,967 | \$ 6,130,138 | \$ 1,117,124 | \$ 1,173,556 | \$ 5,166,091 | \$ 7,303,694 |
| Operating grants and contributions | 215,044 | 884,916 | - | - | 215,044 | 884,916 |
| Capital grants and contributions | 1,615,952 | 1,583,609 | - | - | 1,615,952 | 1,583,609 |
| General revenues: | | | | | | |
| Property taxes | 1,926,089 | 1,896,885 | - | - | 1,926,089 | 1,896,885 |
| Sales taxes | 1,707,532 | 1,654,007 | - | - | 1,707,532 | 1,654,007 |
| Franchise taxes | 659,513 | 715,923 | - | - | 659,513 | 715,923 |
| Other taxes | 1,045,371 | 978,025 | - | - | 1,045,371 | 978,025 |
| Miscellaneous | 140,608 | 73,732 | - | - | 140,608 | 73,732 |
| Unrestricted investment earnings | 3,589 | 3,086 | - | - | 3,589 | 3,086 |
| Gain on sale of capital assets | 17,273 | 19,718 | - | - | 17,273 | 19,718 |
| Total revenues | 11,379,938 | 13,940,039 | 1,117,124 | 1,173,556 | 12,497,062 | 15,113,595 |
| Expenses: | | | | | | |
| General government | 2,330,884 | 2,219,595 | - | - | 2,330,884 | 2,219,595 |
| Judicial | 299,269 | 414,825 | - | - | 299,269 | 414,825 |
| Public safety | 5,837,934 | 6,129,433 | - | - | 5,837,934 | 6,129,433 |
| Public works | 2,250,389 | 2,094,630 | - | - | 2,250,389 | 2,094,630 |
| Economic development | 295,928 | 307,398 | - | - | 295,928 | 307,398 |
| Interest on long-term debt | 171,835 | 243,719 | - | - | 171,835 | 243,719 |
| Sanitation | - | - | 837,610 | 833,225 | 837,610 | 833,225 |
| Morrow Center | - | - | 411,498 | 419,601 | 411,498 | 419,601 |
| Total expenses | 11,186,239 | 11,409,600 | 1,249,108 | 1,252,826 | 12,435,347 | 12,662,426 |
| Increase (decrease) in net position before transfers | 193,699 | 2,530,439 | (131,984) | (79,270) | 61,715 | 2,451,169 |
| Transfers | (675) | 52,040 | 675 | (52,040) | - | - |
| Change in net position | 193,024 | 2,582,479 | (131,309) | (131,310) | 61,715 | 2,451,169 |
| Net position, beginning of year | 22,750,502 | 20,213,439 | 4,764,714 | 4,896,024 | 27,515,216 | 25,109,463 |
| Prior period adjustment | - | (45,416) | - | - | - | (45,416) |
| Net position, beginning of year as restated | 22,750,502 | 20,168,023 | 4,764,714 | 4,896,024 | 27,515,216 | 25,064,047 |
| Net position, end of year | \$ 22,943,526 | \$ 22,750,502 | \$ 4,633,405 | \$ 4,764,714 | \$ 27,576,931 | \$ 27,515,216 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The business-type activities of the City consist of the Sanitation Department and the Morrow Conference Center. The Sanitation Department provides trash collection services to the city residents and businesses. The revenue of the Sanitation Department is derived from user fees charged for services related to solid waste disposal. The Morrow Conference Center was opened and began offering conference space and services during the current fiscal year. The revenue of the Morrow Conference Center is derived from user fees charged for conference space rental and other conference center services.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City of Morrow's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Morrow's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2013, the total Governmental Funds of the City of Morrow reported a combined fund balance of \$8,791,005, a 2.6% percent decrease from the previous year, primarily due to General Fund expenditures exceeding revenues by \$1.2 million. The SPLOST fund balance increased \$317,439 in 2013.

The General Fund is the primary operating fund of the City of Morrow. At the end of fiscal year 2013, the fund balance of the General Fund was \$7,489,169. Of this amount, \$2,146,121 represents unassigned fund balance, which is available as working capital for current spending in accordance with the purposes of the specific funds. The majority of the General Fund balance, \$5,343,048, is termed non-spendable to indicate that it is not available for new spending because it is already committed for prepaid expenditures (\$287,189), assets held for resale (\$1,634,276), and advances to the Downtown Development Authority (\$3,421,583). 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 governmental fund balance represents 21.2% of total governmental funds expenditures, while total fund balance represents 73.9% of that same amount. Other Governmental Funds had a positive fund balance of \$43,201. These funds include special revenue funds.

City of Morrow's Governmental Fund Balance June 30, 2013

| | <u>2013</u> | <u>2012</u> |
|---------------------------------|---------------------|---------------------|
| General Fund | \$ 7,489,169 | \$ 8,008,830 |
| SPLOST Fund | 1,258,635 | 941,196 |
| Other Governmental Funds | 43,201 | 73,561 |
| Total Governmental Fund Balance | <u>\$ 8,791,005</u> | <u>\$ 9,023,587</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Funds

The City of Morrow's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Morrow's business-type activities.

General Fund Budgetary Highlights

- The City's budget is prepared according to Georgia law. The most significant budget fund is the General Fund.
- For the General Fund, the actual revenues of \$8,889,860 were lower than the final budget amount of \$9,675,750 by \$785,890. The decrease was primarily due to decreases in fines & forfeitures revenues.
- The General Fund actual expenditures of \$10,128,638 were less than the budgeted amount of \$11,201,064 by \$1,072,426. The decrease was primarily due to decreases in capital outlays and public safety.

Capital Asset and Debt Administration

Capital Assets

The City of Morrow's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$22,946,238 (net of accumulated depreciation), a \$636,949 decrease from the previous year. This net decrease includes net additions of capital assets of \$858,176, and a decrease of \$1,315,327 for FY 2013 depreciation expense. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The investment in capital assets for business-type activities includes the Morrow Conference Center.

Capital asset additions during the year include the following additions (there were no significant demolitions or disposals):

- Building Improvements to City Hall Roof and Security (\$27,170)
- Equipment – Public Works (\$25,001)
- Computers – Public Works- Fiber Optic Cable (\$7,585)
- Vehicles – Fire Department – New Sutphen Pumper Truck (\$461,794)
- Vehicles – Police Department (\$105,277)
- Vehicles – Public Works (\$31,718)
- Parks & Recreation Improvements – (\$161,022)
- Pedestrian Pathway System (\$38,513)

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Morrow's Capital Assets, net of Accumulated Depreciation June 30, 2013

| | Governmental Activities | | Business -type Activities | | Total | |
|-------------------------------------|-------------------------|----------------------|---------------------------|---------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$ 4,773,585 | \$ 4,773,585 | \$ - | \$ - | \$ 4,773,585 | \$ 4,773,585 |
| Buildings, grounds and improvements | 2,257,189 | 2,350,535 | 4,560,693 | 4,685,644 | 6,817,882 | 7,036,179 |
| Machinery and equipment | 331,559 | 382,529 | 5,689 | 6,564 | 337,248 | 389,093 |
| Furniture & fixtures | - | 4,578 | 8,226 | 13,709 | 8,226 | 18,287 |
| Infrastructure in process | 171,461 | 132,948 | - | - | 171,461 | 132,948 |
| Infrastructure | 9,409,488 | 10,254,236 | - | - | 9,409,488 | 10,254,236 |
| Vehicles | 770,703 | 412,193 | - | - | 770,703 | 412,193 |
| Computer Software | 17,822 | 18,460 | - | - | 17,822 | 18,460 |
| Park Facilities | 639,823 | 548,206 | - | - | 639,823 | 548,206 |
| Total | <u>\$ 18,371,630</u> | <u>\$ 18,877,270</u> | <u>\$ 4,574,608</u> | <u>\$ 4,705,917</u> | <u>\$ 22,946,238</u> | <u>\$ 23,583,187</u> |

Additional information on the City's capital assets can be found in Note 5 of the Notes to the Financial Statements.

Long-term Debt

As of June 30, 2013, the City of Morrow had total outstanding debt of \$4,268,178 comprised of \$2,655,000 in bonds payable, \$1,328,101 related to capital leases on the Morrow Tourist Center building and new equipment and \$285,077 in compensated absences balances. The increase in capital leases for FY2013 is due to the acquisition of a Sutphen Pumper Fire Truck via lease purchase in the amount of \$461,794.

City of Morrow's Outstanding Long-Term Liabilities June 30, 2013

| | Governmental Activities | | Business -type Activities | | Total | |
|----------------------|-------------------------|---------------------|---------------------------|-------------|---------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Capital leases | \$ 1,328,101 | \$ 968,776 | \$ - | \$ - | \$ 1,328,101 | \$ 968,776 |
| Bonds payable | 2,655,000 | 3,915,000 | - | - | 2,655,000 | 3,915,000 |
| Compensated absences | 285,077 | 280,498 | - | - | 285,077 | 280,498 |
| Total | <u>\$ 4,268,178</u> | <u>\$ 5,164,274</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,268,178</u> | <u>\$ 5,164,274</u> |

Additional information on the City's long-term debt can be found in Note 6 of the Notes to the Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Currently Known Conditions Affecting the Future Operations

The downturn in the economy continues to erode tax revenues from most sources. The significant decrease realized on real estate values, especially in Clayton County, over the past couple of years continues to challenge our future economic growth. Over the past three years, major interstate interchange construction has been ongoing at I-75 and Highway 54, which has greatly impacted traffic through the city. The Georgia Department of Transportation finalized construction of the new interchange at end of June 2012. City leaders are hopeful that this new interchange and the improved traffic flow, along with the completion of the new International Concourse with direct access off of Interstate 75 to Hartsfield Jackson Atlanta International Airport will be major factors influencing future development and redevelopment opportunities within the City of Morrow. Over the past year, the City has seen increased activity in revenues for permits for new residential construction and increased activity in new business, which is helping to offset some of the negative impacts of additional closures of existing big box retailers.

Factors Affecting the FY 2013 - 14 Budget

The City Council of City of Morrow considered many factors when approving the City's 2014 budget and are very aware of present economic conditions, forecasts for a very slow recovery, and the effects on its citizens and the levels of service provided by the City. The City Council increased calendar year 2013 property taxes from a rate of 7.5 mills to 9.5 mills.

Annually, the City Manager submits to the City Council a proposed operating budget for the coming fiscal year which is required to be approved by June 30. Public hearings are held prior to adoption to allow citizens the opportunity to comment on the proposed budget.

Budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, the Confiscated Assets Fund, the Rental Car Excise Fund, the E911 Communications Fund, the SPLOST Fund, the Sanitation Fund, and The Morrow Center Fund. Budgets for the Enterprise funds are prepared for planning and control purposes only. The legal level of budgetary control is the department level, with the City Council being the only body authorized to make amendments to the budget. During the year, no changes were made to ease in budget appropriations between the original budget and the final amended budget for the City's General Fund.

Contacting the City's Financial Management

This report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Morrow, 1500 Morrow Rd, Morrow, Georgia 30260, 770-961-4002 or via email at ddefnall@cityofmorrow.com.

CITY OF MORROW, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2013

| ASSETS | Primary Government | | | Component Units | | |
|--|-------------------------|--------------------------|--------------------------|--------------------------------|---|--------------------------|
| | Governmental Activities | Business-type Activities | Total Primary Government | Downtown Development Authority | Morrow Business and Tourism Association | Morrow Housing Authority |
| Cash and cash equivalents | \$ 2,077,159 | \$ 77,817 | \$ 2,154,976 | \$ 11,134 | \$ 21,905 | \$ 105 |
| Investments | 1,321,062 | - | 1,321,062 | - | - | - |
| Taxes receivable | 218,512 | - | 218,512 | - | - | - |
| Accounts receivable | 17,479 | 74,236 | 91,715 | 909,231 | 8,040 | 1,000 |
| Due from primary government | - | - | - | - | 12,727 | - |
| Due from component unit | 3,421,583 | - | 3,421,583 | - | - | - |
| Due from other governments | 476,722 | - | 476,722 | - | - | - |
| Prepaid expenses | 287,189 | - | 287,189 | - | 3,947 | - |
| Internal balances | (86,049) | 86,049 | - | - | - | - |
| Assets held for resale | 1,634,276 | - | 1,634,276 | - | - | 75,000 |
| Capital assets: | | | | | | |
| Nondepreciable | 4,945,046 | - | 4,945,046 | 7,594,671 | - | - |
| Depreciable, net of accumulated depreciation | 13,426,584 | 4,574,608 | 18,001,192 | 13,055,189 | - | - |
| Total assets | <u>27,739,563</u> | <u>4,812,710</u> | <u>32,552,273</u> | <u>21,570,225</u> | <u>46,619</u> | <u>76,105</u> |
| LIABILITIES | | | | | | |
| Accounts payable | 316,817 | 79,652 | 396,469 | 24,453 | 1,762 | 329 |
| Accrued liabilities | 198,315 | 1,766 | 200,081 | 22,305 | 8,016 | - |
| Unearned revenues | - | 86,937 | 86,937 | 2,217 | - | - |
| Customer deposits payable | - | 10,950 | 10,950 | - | - | - |
| Due to primary government | - | - | - | 3,421,583 | - | - |
| Due to component unit | 12,727 | - | 12,727 | - | - | - |
| Capital leases due within one year | 116,464 | - | 116,464 | - | - | - |
| Capital leases due in more than one year | 1,211,637 | - | 1,211,637 | - | - | - |
| Notes payable due within one year | - | - | - | 79,700 | - | - |
| Notes payable due in more than one year | - | - | - | 999,601 | - | - |
| Bonds payable due within one year | 1,305,000 | - | 1,305,000 | 494,430 | - | - |
| Bonds payable due in more than one year | 1,350,000 | - | 1,350,000 | 8,236,885 | - | - |
| Compensated absences due within one year | 256,600 | - | 256,600 | - | - | - |
| Compensated absences due in more than one year | 28,477 | - | 28,477 | - | - | - |
| Total liabilities | <u>4,796,037</u> | <u>179,305</u> | <u>4,975,342</u> | <u>13,281,174</u> | <u>9,778</u> | <u>329</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 14,388,529 | 4,574,608 | 18,963,137 | 10,839,244 | - | - |
| Restricted for law enforcement | 43,201 | - | 43,201 | - | - | - |
| Restricted for other capital projects | 1,258,635 | - | 1,258,635 | - | - | - |
| Unrestricted | 7,253,161 | 58,797 | 7,311,958 | (2,550,193) | 36,841 | 75,776 |
| Total net position | <u>\$ 22,943,526</u> | <u>\$ 4,633,405</u> | <u>\$ 27,576,931</u> | <u>\$ 8,289,051</u> | <u>\$ 36,841</u> | <u>\$ 75,776</u> |

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

CITY OF MORROW, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | | Component Units | | |
|--|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|--------------------------------|----------------------------------|--------------------------|
| | Primary Government | | | Morrow | | | Morrow | | |
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | Downtown Development Authority | Business and Tourism Association | Morrow Housing Authority |
| Primary government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 2,330,884 | \$ 1,058,252 | \$ - | \$ (1,272,632) | \$ - | \$ (1,272,632) | \$ - | \$ - | \$ - |
| Judicial | 299,269 | - | - | (299,269) | - | (299,269) | - | - | - |
| Public safety | 5,837,934 | 2,990,715 | - | (2,632,175) | - | (2,632,175) | - | - | - |
| Public works | 2,250,389 | - | 1,615,952 | (634,437) | - | (634,437) | - | - | - |
| Economic development | 295,928 | - | - | (295,928) | - | (295,928) | - | - | - |
| Interest on long-term debt | 171,835 | - | - | (171,835) | - | (171,835) | - | - | - |
| Total governmental activities | 11,186,239 | 4,048,967 | 1,615,952 | (5,306,276) | - | (5,306,276) | - | - | - |
| Business-type activities: | | | | | | | | | |
| Sanitation | 837,610 | 956,336 | - | - | 118,726 | 118,726 | - | - | - |
| Morrow Center | 411,498 | 160,788 | - | - | (250,710) | (250,710) | - | - | - |
| Total business-type activities | 1,249,108 | 1,117,124 | - | - | (131,984) | (131,984) | - | - | - |
| Total primary government | \$ 12,435,347 | \$ 5,166,091 | \$ 1,615,952 | \$ (5,306,276) | \$ (131,984) | \$ (5,438,260) | - | - | - |
| Component units: | | | | | | | | | |
| Downtown Development Authority | \$ 1,231,720 | \$ 280,586 | \$ - | - | - | - | (272,073) | (265,215) | - |
| Morrow Business and Tourism Association | 282,724 | 9,207 | - | - | - | - | - | - | 616 |
| Morrow Housing Authority | 384 | 1,000 | - | - | - | - | - | - | 616 |
| Total component units | \$ 1,514,828 | \$ 289,793 | \$ - | - | - | - | (272,073) | (265,215) | 616 |
| General revenues: | | | | | | | | | |
| Property taxes | | | | 1,926,089 | - | 1,926,089 | - | - | - |
| Sales taxes | | | | 1,707,532 | - | 1,707,532 | - | - | - |
| Insurance premium tax | | | | 321,091 | - | 321,091 | - | - | - |
| Alcoholic beverage taxes | | | | 94,882 | - | 94,882 | - | 304,814 | - |
| Other taxes | | | | 629,398 | - | 629,398 | - | - | - |
| Miscellaneous | | | | 140,608 | - | 140,608 | - | - | - |
| Franchise taxes | | | | 659,513 | - | 659,513 | - | - | - |
| Unrestricted investment earnings | | | | 3,589 | - | 3,589 | 34,382 | 12 | - |
| Gain on sale of capital assets | | | | 17,273 | - | 17,273 | - | - | - |
| Transfers | | | | (675) | 675 | - | - | - | - |
| Total general revenues and transfers | | | | 5,499,300 | 675 | 5,499,975 | 34,382 | 304,826 | - |
| Change in net position | | | | 193,024 | (131,309) | 61,715 | (237,691) | 39,611 | 616 |
| Net position, beginning of year | | | | 22,795,918 | 4,764,714 | 27,560,632 | 8,638,722 | (2,770) | 75,160 |
| Prior period adjustment | | | | (45,416) | - | (45,416) | (111,980) | - | - |
| Net position, beginning of year, as restated | | | | 22,750,502 | 4,764,714 | 27,515,216 | 8,526,742 | (2,770) | 75,160 |
| Net position, end of year | | | | \$ 22,943,526 | \$ 4,633,405 | \$ 27,576,931 | \$ 8,289,051 | \$ 36,841 | \$ 75,776 |

The accompanying notes are an integral part of these financial statements

CITY OF MORROW, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2013

| ASSETS | General | SPLOST Fund | Other Governmental Funds | Totals Governmental Funds |
|--|---------------------|---------------------|--------------------------------|---------------------------------|
| Cash and cash equivalents | \$ 947,952 | \$ 1,024,076 | \$ 105,131 | \$ 2,077,159 |
| Investments | 1,321,062 | - | - | 1,321,062 |
| Taxes receivable | 157,701 | - | 60,811 | 218,512 |
| Accounts receivable | 569 | - | 16,910 | 17,479 |
| Advance to component unit | 3,421,583 | - | - | 3,421,583 |
| Due from other governments | 237,296 | 239,426 | - | 476,722 |
| Due from other funds | 28,574 | - | - | 28,574 |
| Prepaid expenditures | 287,189 | - | - | 287,189 |
| Assets held for resale | 1,634,276 | - | - | 1,634,276 |
| Total assets | <u>\$ 8,036,202</u> | <u>\$ 1,263,502</u> | <u>\$ 182,852</u> | <u>\$ 9,482,556</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 281,412 | \$ 4,867 | \$ 30,538 | \$ 316,817 |
| Accrued liabilities | 166,499 | - | 7,365 | 173,864 |
| Due to component unit | 12,727 | - | - | 12,727 |
| Due to other funds | 12,875 | - | 101,748 | 114,623 |
| Total liabilities | <u>473,513</u> | <u>4,867</u> | <u>139,651</u> | <u>618,031</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 73,520 | - | - | 73,520 |
| Total deferred inflows of resources | <u>73,520</u> | <u>-</u> | <u>-</u> | <u>73,520</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid expenditures | 287,189 | - | - | 287,189 |
| Advances | 3,421,583 | - | - | 3,421,583 |
| Assets held for resale | 1,634,276 | - | - | 1,634,276 |
| Restricted for: | | | | |
| Law enforcement | - | - | 43,201 | 43,201 |
| Other capital projects | - | 1,258,635 | - | 1,258,635 |
| Unassigned: | 2,146,121 | - | - | 2,146,121 |
| Total fund balances | <u>7,489,169</u> | <u>1,258,635</u> | <u>43,201</u> | <u>8,791,005</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 8,036,202</u> | <u>\$ 1,263,502</u> | <u>\$ 182,852</u> | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | 18,371,630 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | | | 73,520 |
| Certain liabilities are not due and payable in the current period and are therefore not reported in the funds. | | | | (4,292,629) |
| Net position of governmental activities | | | | <u>\$ 22,943,526</u> |

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

CITY OF MORROW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | General | SPLOST Fund | Other Governmental Funds | Totals Governmental Funds |
|--|---------------------|---------------------|--------------------------------|---------------------------------|
| Revenues | | | | |
| Property taxes | \$ 1,898,449 | \$ - | \$ - | \$ 1,898,449 |
| Other taxes | 2,123,504 | - | 629,399 | 2,752,903 |
| Charges for services | 267,102 | - | 132,349 | 399,451 |
| Licenses and permits | 1,040,023 | - | - | 1,040,023 |
| Intergovernmental | 663,477 | 1,613,588 | - | 2,277,065 |
| Franchise fees | 659,513 | - | - | 659,513 |
| Fines and forfeitures | 2,093,656 | - | 67,404 | 2,161,060 |
| Interest revenue | 3,528 | 2,364 | 61 | 5,953 |
| Rental income | 26,593 | - | - | 26,593 |
| Other revenues | 114,015 | - | - | 114,015 |
| Total revenues | <u>8,889,860</u> | <u>1,615,952</u> | <u>829,213</u> | <u>11,335,025</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,281,432 | - | - | 2,281,432 |
| Judicial | 300,913 | - | - | 300,913 |
| Public safety | 5,748,843 | - | 362,523 | 6,111,366 |
| Public works | 1,515,636 | - | - | 1,515,636 |
| Economic development | - | - | 304,814 | 304,814 |
| Capital outlay | - | 38,513 | - | 38,513 |
| Debt service: | | | | |
| Principal | 102,469 | 1,260,000 | - | 1,362,469 |
| Interest | 179,345 | - | - | 179,345 |
| Total expenditures | <u>10,128,638</u> | <u>1,298,513</u> | <u>667,337</u> | <u>12,094,488</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,238,778)</u> | <u>317,439</u> | <u>161,876</u> | <u>(759,463)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 443,311 | - | 132,349 | 575,660 |
| Transfers out | (251,750) | - | (324,585) | (576,335) |
| Proceeds from capital lease | 461,794 | - | - | 461,794 |
| Proceeds from the sale of capital assets | 65,762 | - | - | 65,762 |
| Total other financing sources (uses) | <u>719,117</u> | <u>-</u> | <u>(192,236)</u> | <u>526,881</u> |
| Net change in fund balances | <u>(519,661)</u> | <u>317,439</u> | <u>(30,360)</u> | <u>(232,582)</u> |
| Fund balances, beginning of year | <u>8,008,830</u> | <u>941,196</u> | <u>73,561</u> | <u>9,023,587</u> |
| Fund balances, end of year | <u>\$ 7,489,169</u> | <u>\$ 1,258,635</u> | <u>\$ 43,201</u> | <u>\$ 8,791,005</u> |

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

CITY OF MORROW, GEORGIA

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

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

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ (232,582) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | (457,151) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to decrease net position. | (48,489) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 27,640 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 900,675 |
| 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. | <u>2,931</u> |
| | <u>\$ 193,024</u> |

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

CITY OF MORROW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|----------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 1,895,000 | \$ 1,895,000 | \$ 1,898,449 | \$ 3,449 |
| Other taxes | 2,035,000 | 2,035,000 | 2,123,504 | 88,504 |
| Charges for services | 368,265 | 368,265 | 267,102 | (101,163) |
| Licenses and permits | 999,135 | 999,135 | 1,040,023 | 40,888 |
| Intergovernmental | 450,000 | 450,000 | 663,477 | 213,477 |
| Franchise fees | 704,500 | 704,500 | 659,513 | (44,987) |
| Fines and forfeitures | 3,193,000 | 3,193,000 | 2,093,656 | (1,099,344) |
| Interest revenue | 1,600 | 1,600 | 3,528 | 1,928 |
| Rental income | 27,000 | 27,000 | 26,593 | (407) |
| Other revenues | 2,250 | 2,250 | 114,015 | 111,765 |
| Total revenues | <u>9,675,750</u> | <u>9,675,750</u> | <u>8,889,860</u> | <u>(785,890)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Mayor / Commission | 211,454 | 211,454 | 207,851 | 3,603 |
| Elections | 2,500 | 2,500 | 95 | 2,405 |
| General administration | 1,082,478 | 1,082,478 | 1,203,770 | (121,292) |
| Finance | 551,611 | 551,611 | 542,464 | 9,147 |
| Economic development | 315,091 | 315,091 | 327,252 | (12,161) |
| Capital outlay | 104,814 | 104,814 | - | 104,814 |
| Total general government | <u>2,267,948</u> | <u>2,267,948</u> | <u>2,281,432</u> | <u>(13,484)</u> |
| Judicial: | | | | |
| Municipal court | <u>450,125</u> | <u>450,125</u> | <u>300,913</u> | <u>149,212</u> |
| Public safety: | | | | |
| Police | 3,009,070 | 3,009,070 | 2,855,082 | 153,988 |
| Fire | 2,476,122 | 2,476,122 | 2,364,393 | 111,729 |
| Capital outlay | 1,161,000 | 1,161,000 | 529,368 | 631,632 |
| Total public safety | <u>6,646,192</u> | <u>6,646,192</u> | <u>5,748,843</u> | <u>897,349</u> |
| Public works: | | | | |
| Administration | 1,206,782 | 1,206,782 | 1,263,140 | (56,358) |
| Capital outlay | 387,358 | 387,358 | 252,496 | 134,862 |
| Total public works | <u>1,594,140</u> | <u>1,594,140</u> | <u>1,515,636</u> | <u>78,504</u> |
| Debt service | <u>242,659</u> | <u>242,659</u> | <u>281,814</u> | <u>(39,155)</u> |
| Total expenditures | <u>11,201,064</u> | <u>11,201,064</u> | <u>10,128,638</u> | <u>1,072,426</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,525,314)</u> | <u>(1,525,314)</u> | <u>(1,238,778)</u> | <u>286,536</u> |

(Continued)

CITY OF MORROW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| | Original | Final | | |
| Other financing sources (uses) | | | | |
| Transfers in | \$ 364,875 | \$ 364,875 | \$ 443,311 | \$ 78,436 |
| Transfers out | (189,719) | (189,719) | (251,750) | (62,031) |
| Proceeds from capital lease | 1,350,158 | 1,350,158 | 461,794 | (888,364) |
| Proceeds from the sale of capital assets | - | - | 65,762 | 65,762 |
| Total other financing sources (uses) | <u>1,525,314</u> | <u>1,525,314</u> | <u>719,117</u> | <u>(806,197)</u> |
| Net change in fund balances | - | - | (519,661) | (519,661) |
| Fund balances, beginning of year | <u>8,008,830</u> | <u>8,008,830</u> | <u>8,008,830</u> | - |
| Fund balances, end of year | <u>\$ 8,008,830</u> | <u>\$ 8,008,830</u> | <u>\$ 7,489,169</u> | <u>\$ (519,661)</u> |

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

CITY OF MORROW, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2013

| | Sanitation Fund | Morrow Center Fund | Totals |
|-----------------------------------|--------------------|-----------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 3,321 | \$ 74,496 | \$ 77,817 |
| Accounts receivable | 69,705 | 4,531 | 74,236 |
| Due from other funds | 73,174 | 12,875 | 86,049 |
| Total current assets | <u>146,200</u> | <u>91,902</u> | <u>238,102</u> |
| NONCURRENT ASSETS | | | |
| Capital assets - depreciable, net | - | 4,574,608 | 4,574,608 |
| Total noncurrent assets | <u>-</u> | <u>4,574,608</u> | <u>4,574,608</u> |
| Total assets | <u>146,200</u> | <u>4,666,510</u> | <u>4,812,710</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 73,357 | 6,295 | 79,652 |
| Accrued liabilities | - | 1,766 | 1,766 |
| Customer deposits payable | - | 10,950 | 10,950 |
| Unearned revenues | 72,843 | 14,094 | 86,937 |
| Total current liabilities | <u>146,200</u> | <u>33,105</u> | <u>179,305</u> |
| NET POSITION | | | |
| Investment in capital assets | - | 4,574,608 | 4,574,608 |
| Unrestricted | - | 58,797 | 58,797 |
| Total net position | <u>\$ -</u> | <u>\$ 4,633,405</u> | <u>\$ 4,633,405</u> |

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

CITY OF MORROW, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Sanitation Fund | Morrow Center Fund | Totals |
|--|--------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 956,336 | \$ 160,788 | \$ 1,117,124 |
| Total operating revenues | <u>956,336</u> | <u>160,788</u> | <u>1,117,124</u> |
| OPERATING EXPENSES | | | |
| Personal services | - | 104,379 | 104,379 |
| Purchased or contracted services | 837,610 | 175,810 | 1,013,420 |
| Depreciation | - | 131,309 | 131,309 |
| Total operating expenses | <u>837,610</u> | <u>411,498</u> | <u>1,249,108</u> |
| Operating income (loss) | 118,726 | (250,710) | (131,984) |
| TRANSFERS | | | |
| Transfers in | - | 119,401 | 119,401 |
| Transfers out | (118,726) | - | (118,726) |
| Total transfers | <u>(118,726)</u> | <u>119,401</u> | <u>675</u> |
| Change in net position | - | (131,309) | (131,309) |
| NET POSITION, beginning of year | <u>-</u> | <u>4,764,714</u> | <u>4,764,714</u> |
| NET POSITION, end of year | <u>\$ -</u> | <u>\$ 4,633,405</u> | <u>\$ 4,633,405</u> |

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

CITY OF MORROW, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Sanitation Fund | Morrow Center Fund | Totals |
|--|--------------------|-----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 876,396 | \$ 144,537 | \$ 1,020,933 |
| Payments to suppliers | (824,439) | (263,526) | (1,087,965) |
| Payments to employees | - | (104,379) | (104,379) |
| Net cash provided by (used in) operating activities | <u>51,957</u> | <u>(223,368)</u> | <u>(171,411)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers | (118,726) | 119,401 | 675 |
| Net cash provided by (used in) noncapital financing activities | <u>(118,726)</u> | <u>119,401</u> | <u>675</u> |
| Decrease in cash and cash equivalents | (66,769) | (103,967) | (170,736) |
| Cash and cash equivalents: | | | |
| Beginning of year | <u>70,090</u> | <u>178,463</u> | <u>248,553</u> |
| End of year | <u>\$ 3,321</u> | <u>\$ 74,496</u> | <u>\$ 77,817</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ 118,726 | \$ (250,710) | \$ (131,984) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | - | 131,309 | 131,309 |
| Changes in assets and liabilities: | | | |
| Increase in accounts receivable | (6,766) | (3,376) | (10,142) |
| Increase in due from other funds | (73,174) | (12,875) | (86,049) |
| Decrease in inventory | - | 7,168 | 7,168 |
| Increase in accounts payable | 5,291 | 3,843 | 9,134 |
| Increase in accrued liabilities | 7,880 | - | 7,880 |
| Decrease in unearned revenue | - | (8,391) | (8,391) |
| Decrease in customer deposits | - | (11,988) | (11,988) |
| Decrease in due to other funds | - | (78,348) | (78,348) |
| Net cash provided by (used in) operating activities | <u>\$ 51,957</u> | <u>\$ (223,368)</u> | <u>\$ (171,411)</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF MORROW, GEORGIA

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Morrow, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City was incorporated in 1943 and operates under an elected Council-Manager form of government. The City Manager is the head of the administrative branch of government. As such, he is responsible for the day-to-day operations of city government. The legislative branch of the City is vested in the Mayor and four (4) Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire); highways and streets; sanitation; parks and recreation; community development; planning and zoning; and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, legally-separate entities for which the City is financially accountable.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 and as amended by GASB Statement 39 and GASB Statement 61, the City was determined to have the following component units as of June 30, 2013.

Morrow Business and Tourism Association. The Morrow Business and Tourism Association, Inc. (MBTA) is a vital economic partner for the City of Morrow. Tourism contracts between the MBTA and the City provide economies of scale, resource efficiencies, and employee benefit packages that neither party would be able to achieve on their own. The City provides for a substantial portion of the MBTA's budget and appoints a voting majority of the MBTA's Board. The MBTA is presented as a discretely presented component unit.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity(Continued)

City of Morrow Downtown Development Authority. The City of Morrow Downtown Development Authority (DDA) was formed during the year ended June 30, 2004, to become the City's redevelopment tool for commercial revitalization. Property acquisition, renovation, and demolition are only a few priorities of the DDA. The City provides a substantial portion of the DDA's budget and appoints a voting majority of the DDA's Board. The DDA is presented as a discretely presented component unit.

City of Morrow Housing Authority. The City of Morrow Housing Authority (Authority) was formed during the year ended June 30, 2009, to provide affordable housing to the citizens of Morrow. The City provides a substantial portion of the Authority's budget and appoints a voting majority of the Authority's Board. The Housing Authority is presented as a discretely presented component unit.

These three component units are reported in separate columns in the City's government-wide financial statements to emphasize that they are legally separate from the City. They are presented as component units because the City appoints the voting majority of the Boards and is financially accountable for them. Separate financial statements for these component units are not available.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Special Purpose Local Option Sales Tax Fund (SPLOST)** is a capital projects fund used to account for the revenues and expenditures relating to the 2008 1% Special Purpose Local Option Sales Tax.

The City reports the following major proprietary funds:

The **Sanitation Fund** accounts for the operations of commercial and residential waste removal within the City. All activities necessary to provide such services are accounted for in this fund.

The **Morrow Center Fund** accounts for the operations of the Morrow Conference Center. All activities necessary to provide such services are accounted for in this fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Additionally, the City reports the following fund types:

The ***special revenue funds*** account for revenue sources that are legally restricted to expenditure for specific purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's sanitation function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budget requests are completed in April.
2. Proposed budgets are reviewed and prepared by the City Manager for submission to the Mayor and the City Commission in May.
3. Public hearings on the proposed budget are held in May and June.
4. The budget is legally adopted by the Mayor and City Commission prior to June 30.
5. All budget revisions or changes must be approved as required by Georgia law and administrative policy. Transfer of budgeted amounts in excess of \$5,000 between departments requires the approval of the City Council. This is consistent with the legal level of budgetary control as the budget is adopted at the department level. Revisions that alter the total expenditures of any department or fund must be approved by the City Council. The City Council made several immaterial supplemental budget appropriations during the year.
6. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.
7. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
8. Revenues and expenditures of the Capital Projects Fund are budgeted on a project basis and are, therefore, excluded from presentation in the financial statements.

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended June 30, 2013, there was no capitalized interest.

Depreciation is provided on the straight-line method over the following estimated useful lives:

| | |
|--------------------------------------|-------------|
| Buildings, grounds, and improvements | 15-40 years |
| Machinery and equipment | 10 years |
| Furniture and fixtures | 5 years |
| Infrastructure | 15 years |
| Vehicles | 5-10 years |
| Computer software | 5 years |
| Park facilities and improvements | 15 years |

K. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts and deferred charges, are deferred and amortized over the life of the bonds using the straight line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows 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 / expenditure) until then. The City did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of net 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 fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City 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 property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

M. Compensated Absences

City employees accrue vacation in different amounts, according to the number of years of service. Employees under 10 years of service accrue two weeks of vacation each year. Upon reaching 10 years of service, employees can accrue three weeks per year. These days can be taken either through time off or by payment upon termination. The third week accrued for employees over 10 years of service can also be paid out as additional compensation while still employed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences (Continued)

Employees earn sick leave in proportion to actual hours worked. Sick leave, however, is not paid upon termination if termination is by manner other than death or retirement. One-half of the excess accrued hours over 60 days at the end of the year are paid out to employees. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Fund which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2013, there were no encumbrances outstanding.

O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's Finance Director or the City Manager to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned. The City has not adopted a minimum fund balance policy.

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “certain liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$4,292,629 difference are as follows:

| | |
|---|----------------------------|
| Capital leases | \$ 1,328,101 |
| Bonds payable | 2,655,000 |
| Compensated absences | 285,077 |
| Accrued interest | <u>24,451</u> |
| Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i> | <u><u>\$ 4,292,629</u></u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$457,151 difference are as follows:

| | |
|--|---------------------|
| Capital outlay | \$ 858,176 |
| Depreciation expense | <u>(1,315,327)</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ (457,151)</u> |

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$900,675 difference are as follows:

| | |
|--|-------------------|
| Principal retirement of long-term debt | \$ 1,362,469 |
| Proceeds from capital lease | <u>(461,794)</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ 900,675</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of that reconciliation explains that "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." The details of this \$2,931 difference are as follows:

| | |
|--|-----------------|
| Change in accrued interest | \$ 7,510 |
| Change in compensated absences | <u>(4,579)</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ 2,931</u> |

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2013, are summarized as follows:

Amounts as presented on the entity-wide Statement of Net Position:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 2,154,976 |
| Investments | 1,321,062 |
| Component Units - cash and cash equivalents | <u>33,144</u> |
| Total | <u>\$ 3,509,182</u> |
| | |
| Cash deposited with financial institutions | \$ 2,188,120 |
| Cash deposited with Georgia Fund 1 | 1,321,062 |
| Total | <u>\$ 3,509,182</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. It is the City's policy to limit its investments to those allowed and authorized by state law. As of June 30, 2013, the City's investment in Georgia Fund 1 was rated AA+ by Standard & Poor's.

At June 30, 2013, the City had the following investments:

| <u>Investment</u> | <u>Maturities</u> | <u>Fair Value</u> |
|-------------------|-------------------------|---------------------|
| Georgia Fund 1 | 43 day weighted average | <u>\$ 1,321,062</u> |

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AA+ 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 based on \$1.00 per share.

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2013, all of the City's bank balances were covered by either federal depository insurance or by collateral held by the City's agent in the City's name.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 4. RECEIVABLES

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

| | <u>General</u> | <u>SPLOST</u> | <u>Nonmajor Governmental</u> | <u>Sanitation</u> | <u>Morrow Center</u> | <u>Total</u> |
|-------------------|-------------------|-------------------|----------------------------------|-------------------|--------------------------|-------------------|
| Receivables: | | | | | | |
| Taxes | \$ 168,272 | \$ - | \$ 166,437 | \$ - | \$ - | \$ 334,709 |
| Accounts | 569 | - | 16,910 | 69,705 | 4,531 | 91,715 |
| Due from | | | | | | |
| other governments | 237,296 | 239,426 | - | - | - | 476,722 |
| Gross receivables | 406,137 | 239,426 | 183,347 | 69,705 | 4,531 | 903,146 |
| Less: allowance | (10,571) | - | (105,626) | - | - | (116,197) |
| Total receivables | <u>\$ 395,566</u> | <u>\$ 239,426</u> | <u>\$ 77,721</u> | <u>\$ 69,705</u> | <u>\$ 4,531</u> | <u>\$ 786,949</u> |

Property Taxes

Property taxes were levied on August 14, 2012, (Levy Date) based upon property values assessed as of January 1. The billings were mailed on September 28, 2012, and payable on or before December 12, 2012, for the fiscal year 2013 tax. Taxes not paid within 30 days of the December 12th due date are subject to property tax liens on December 13, 2012. Property tax revenues are recognized when levied to the extent they result in current receivables.

The tax rate levied during fiscal year 2013 for the City's operations was 7.5 mills (mill equals \$1 per thousand dollars of assessed value).

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

A. Primary Government

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|-------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 4,773,585 | \$ - | \$ - | \$ 4,773,585 |
| Infrastructure in process | 132,948 | 38,513 | - | 171,461 |
| Total capital assets, not being depreciated | 4,906,533 | 38,513 | - | 4,945,046 |
| Capital assets, being depreciated: | | | | |
| Buildings, grounds, and improvements | 4,447,700 | 27,171 | - | 4,474,871 |
| Machinery and equipment | 925,029 | 25,000 | (75,452) | 874,577 |
| Furniture and fixtures | 230,876 | - | - | 230,876 |
| Infrastructure | 12,671,214 | - | - | 12,671,214 |
| Vehicles | 2,763,931 | 598,885 | (273,870) | 3,088,946 |
| Computer software | 449,702 | 7,585 | - | 457,287 |
| Park facilities and improvements | 890,058 | 161,022 | - | 1,051,080 |
| Total capital assets, being depreciated | 22,378,510 | 819,663 | (349,322) | 22,848,851 |
| Less accumulated depreciation for: | | | | |
| Buildings, grounds, and improvements | (2,097,165) | (120,517) | - | (2,217,682) |
| Machinery and equipment | (542,500) | (75,970) | 75,452 | (543,018) |
| Furniture and fixtures | (226,298) | (4,578) | - | (230,876) |
| Infrastructure | (2,416,978) | (844,748) | - | (3,261,726) |
| Vehicles | (2,351,738) | (191,886) | 225,381 | (2,318,243) |
| Computer software | (431,242) | (8,223) | - | (439,465) |
| Park facilities and improvements | (341,852) | (69,405) | - | (411,257) |
| Total accumulated depreciation | (8,407,773) | (1,315,327) | 300,833 | (9,422,267) |
| Total capital assets, being depreciated, net | 13,970,737 | (495,664) | (48,489) | 13,426,584 |
| Governmental activities capital assets, net | \$ 18,877,270 | \$ (457,151) | \$ (48,489) | \$ 18,371,630 |

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------|---------------------|
| Business-type activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings, grounds, and improvements | \$ 4,998,021 | \$ - | \$ - | \$ 4,998,021 |
| Machinery and equipment | 8,752 | - | - | 8,752 |
| Furniture and fixtures | 27,417 | - | - | 27,417 |
| Total capital assets, being depreciated | <u>5,034,190</u> | <u>-</u> | <u>-</u> | <u>5,034,190</u> |
| Less accumulated depreciation for: | | | | |
| Buildings, grounds, and improvements | (312,377) | (124,951) | - | (437,328) |
| Machinery and equipment | (2,188) | (875) | - | (3,063) |
| Furniture and fixtures | (13,708) | (5,483) | - | (19,191) |
| Total accumulated depreciation | <u>(328,273)</u> | <u>(131,309)</u> | <u>-</u> | <u>(459,582)</u> |
| Business-type activities capital assets, net | <u>\$ 4,705,917</u> | <u>\$ (131,309)</u> | <u>\$ -</u> | <u>\$ 4,574,608</u> |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 83,589 |
| Public safety | 272,635 |
| Public works | 959,103 |
| Total depreciation expense - governmental activities | <u>\$ 1,315,327</u> |
| Business-type activities: | |
| Morrow Center | \$ 131,309 |
| Total depreciation expense - business-type activities | <u>\$ 131,309</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Unit – Downtown Development Authority

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 7,594,671 | \$ - | \$ - | \$ 7,594,671 |
| Total capital assets, not being depreciated | <u>7,594,671</u> | <u>-</u> | <u>-</u> | <u>7,594,671</u> |
| Capital assets, being depreciated: | | | | |
| Buildings, grounds, and improvements | 11,772,202 | - | - | 11,772,202 |
| Infrastructure | 4,845,232 | - | - | 4,845,232 |
| Furniture and fixtures | 110,998 | - | - | 110,998 |
| Signs | 53,131 | - | - | 53,131 |
| Total capital assets, being depreciated | <u>16,781,563</u> | <u>-</u> | <u>-</u> | <u>16,781,563</u> |
| Less accumulated depreciation for: | | | | |
| Buildings, grounds, and improvements | (2,457,117) | (443,466) | - | (2,900,583) |
| Infrastructure | (557,173) | (152,785) | - | (709,958) |
| Furniture and fixtures | (72,857) | (19,382) | - | (92,239) |
| Signs | (20,052) | (3,542) | - | (23,594) |
| Total accumulated depreciation | <u>(3,107,199)</u> | <u>(619,175)</u> | <u>-</u> | <u>(3,726,374)</u> |
| Total capital assets, being depreciated, net | <u>13,674,364</u> | <u>(619,175)</u> | <u>-</u> | <u>13,055,189</u> |
| Total capital assets, net | <u>\$ 21,269,035</u> | <u>\$ (619,175)</u> | <u>\$ -</u> | <u>\$ 20,649,860</u> |

Included in the above amount is a development known as "Old Towne Morrow", whose assets had a net book value of approximately \$8.5 million as of June 30, 2013. Due to the continued downturn in the economy, the development has been temporarily closed.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

A. Primary Government

Long-term liability activity for the year ended June 30, 2013, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Capital leases | \$ 968,776 | \$ 461,794 | \$ (102,469) | \$ 1,328,101 | \$ 116,464 |
| Bonds payable | 3,915,000 | - | (1,260,000) | 2,655,000 | 1,305,000 |
| Compensated absences | 280,498 | 246,213 | (241,634) | 285,077 | 256,600 |
| Governmental activities Long-term liabilities | <u>\$ 5,164,274</u> | <u>\$ 708,007</u> | <u>\$ (1,604,103)</u> | <u>\$ 4,268,178</u> | <u>\$ 1,678,064</u> |

Compensated absences are substantially liquidated by the General Fund.

Capital leases. At June 30, 2003, the City was obligated under a capital lease with the Clayton County Tourism Authority (the County), covering the Morrow Welcome Center building (the building). In August 2003, the lease was terminated in conjunction with a bond issue described in the following paragraph.

During August 2003, the Downtown Development Authority of the City of Morrow, a component unit of the City, issued bonds in the amount of \$1,500,000. The proceeds of this bond were used to purchase the building from the County. Additionally, the Authority and the City executed a new capital lease agreement covering the building. The gross amount of the building recorded on the City's books as a capital asset under this capital lease was \$1,500,000.

During the current year, the City entered into a lease agreement for a new fire truck. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). This lease has an annual interest rate of 2.45% and the gross amount of the fire truck under this capital lease is \$461,794.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2013:

| Fiscal year ending June 30, | | |
|---|--|---------------------|
| 2014 | | \$ 160,190 |
| 2015 | | 160,190 |
| 2016 | | 160,190 |
| 2017 | | 160,190 |
| 2018 | | 160,190 |
| 2019-2023 | | 761,794 |
| 2024 | | 6,842 |
| Total minimum lease payments | | <u>1,569,586</u> |
| Less amount representing interest | | <u>(241,485)</u> |
| Present value of minimum lease payments | | <u>\$ 1,328,101</u> |

Revenue Bonds. In June 2009, the City issued revenue bonds where the City pledged income derived from a 1% special purpose local option sales tax levied by Clayton County to pay debt service. The City's SPLOST revenue bonds outstanding at June 30, 2013, are as follows:

| Purpose | Interest Rate | Term | Due Date | Original Amount | Outstanding Amount |
|-------------------------|---------------|---------|----------|---------------------|---------------------|
| Various SPLOST Projects | 3.44% | 6 years | 2015 | <u>\$ 5,135,000</u> | <u>\$ 2,655,000</u> |

Revenue bond debt service requirements to maturity are as follows:

| | Principal | Interest | Total |
|-----------------------------|---------------------|-------------------|---------------------|
| Fiscal year ending June 30, | | | |
| 2014 | \$ 1,305,000 | \$ 91,332 | \$ 1,396,332 |
| 2015 | 1,350,000 | 46,440 | 1,396,440 |
| Total | <u>\$ 2,655,000</u> | <u>\$ 137,772</u> | <u>\$ 2,792,772</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

B. Discretely Presented Component Unit – Downtown Development Authority

The following is a summary of long-term debt activity for the Downtown Development Authority for the year ended June 30, 2013:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Development Authority | | | | | |
| Bonds payable | \$ 9,202,790 | \$ - | \$ (471,475) | \$ 8,731,315 | \$ 494,430 |
| Note payable | 1,142,044 | - | (62,743) | 1,079,301 | 79,700 |
| Development Authority Long-term liabilities | <u>\$ 10,344,834</u> | <u>\$ -</u> | <u>\$ (534,218)</u> | <u>\$ 9,810,616</u> | <u>\$ 574,130</u> |

Bonds Payable. The Downtown Development Authority of the City of Morrow, issued bonds in the amount of \$1,500,000 in August 2003. The proceeds of these bonds were used to purchase the Morrow Welcome Center building from the County. In June 2007, the Authority issued bonds (Series 2007) in the amount of \$10,000,000. The proceeds of these bonds were used to purchase the Macy's Building from the City. In May 2008, the Authority issued new bonds (Series 2008) to refinance the Series 2007 bonds at a lower interest rate. Bonds payable at June 30, 2013, are as follows:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Due Date</u> | <u>Original Amount</u> | <u>Outstanding Amount</u> |
|-------------------------|--------------------------|-------------|---------------------|----------------------------|-------------------------------|
| Welcome Center Building | 3.86% | 20 years | 2024 | \$ 1,500,000 | \$ 897,315 |
| Macy's Building | 3.39% | 10 years | 2017 | 10,000,000 | 7,834,000 |
| | | | | | <u>\$ 8,731,315</u> |

Bonds Payable. (Continued) Debt service requirements to maturity on the revenue bonds are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| Fiscal year ending June 30, | | | |
| 2014 | \$ 494,430 | \$ 299,125 | \$ 793,555 |
| 2015 | 517,345 | 281,972 | 799,317 |
| 2016 | 534,374 | 264,027 | 798,401 |
| 2017 | 6,603,521 | 245,489 | 6,849,010 |
| 2018 | 86,792 | 21,190 | 107,982 |
| 2019 - 2023 | 487,687 | 52,225 | 539,912 |
| 2024 | 7,166 | 66 | 7,232 |
| Total | <u>\$ 8,731,315</u> | <u>\$ 1,164,094</u> | <u>\$ 9,895,409</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

B. Discretely Presented Component Unit – Downtown Development Authority (Continued)

Notes payable. During September 2009, the Downtown Development Authority incurred debt in the amount of \$1,300,000 to finance the purchase of an office building complex. The terms of the note are as follows:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Due Date</u> | <u>Original Amount</u> | <u>Amount</u> |
|-------------------------|----------------------|-------------|-----------------|------------------------|---------------------|
| Office complex purchase | 5.91% | 3 years | 2013 | \$ 1,300,000 | <u>\$ 1,079,301</u> |

Debt service requirements to maturity on the notes payable are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|------------------|---------------------|
| Fiscal year ending June 30, | | | |
| 2014 | \$ 79,700 | \$ 36,383 | \$ 116,083 |
| 2015 | 82,527 | 33,556 | 116,083 |
| 2016 | 917,074 | 5,311 | 922,385 |
| Total | <u>\$ 1,079,301</u> | <u>\$ 75,250</u> | <u>\$ 1,154,551</u> |

NOTE 7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City of Morrow Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The City's Plan is a part of the Georgia Municipal Employees Benefit System (the "System"), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigns the City to establish and amend the plan to the City of Morrow. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street, S.W., Atlanta, Georgia 30303.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

The City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the current rate is 11.86% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees.

At January 1, 2013, the date of the most recent actuarial valuation, there were 185 participants consisting of the following:

| | |
|---|------------|
| Retirees and beneficiaries currently receiving benefits | 38 |
| Vested terminated employees not yet receiving benefits | 43 |
| Active employees | 104 |
| Total | <u>185</u> |

As of the most recent valuation date, January 1, 2013, the funded status of the Plan was as follows:

| 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) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 01/01/13 | \$ 10,431,699 | \$ 11,308,182 | \$ 876,483 | 92.2 % | \$ 4,779,943 | 18.3 % |

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2013.

B. Summary of Significant Accounting Policies

Basis of Accounting. The financial statements of the Plan are prepared using the accrual basis of accounting. The City's contributions are recognized as revenue in the period in which the contributions are due. Investment income is recognized by the Plan when earned.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Summary of Significant Accounting Policies (Continued)

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. The method for determining the actuarial value of assets is part of the GMEBS actuarial funding policy. This method produces an adjusted actuarial value of assets.

C. Funding Policy

The City is required to contribute all amounts necessary to fund the plan, using the actuarial basis specified by the pension board. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. Administrative costs of the Plan are financed through investment income.

The annual required contribution for the current year was determined as part of the January 1, 2012, actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% per year, compounded annually and net of investment expenses and (b) projected salary increases of 3% for inflation and 0.5% for merit or seniority. The amortization method is closed level dollar for the remaining unfunded liability. The remaining amortization period varies for the bases, with a net effective amortization period of 11 years. These amortization periods are closed for this plan year.

D. Annual Pension Cost

| <u>Fiscal Year Beginning</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation (Asset)</u> |
|--------------------------------------|--|--|---|
| 01/01/05 | \$ 252,420 | 100 % | \$ - |
| 01/01/06 | 255,766 | 100 | - |
| 01/01/07 | 299,462 | 100 | - |
| 01/01/08 | 303,559 | 100 | - |
| 01/01/09 | 522,256 | 100 | - |
| 07/01/10 | 411,635 | 100 | - |
| 07/01/11 | 483,130 | 100 | - |
| 07/01/12 | 533,119 | 100 | - |

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED CONTRIBUTION PENSION PLAN

The City participates in the Georgia Municipal Association 401(a) Defined Contribution Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, CitiStreet. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City. Employees are not required to contribute to the Plan. The City contributes an amount equal to 50% of the amount contributed by participants to the City's plan, except that the City shall not match in excess of 4% of the participant's annual compensation. The City's contribution for each employee is 100% vested after five (5) years of continuous service. For the fiscal year ending June 30, 2013, the City contributed \$43,229 to the Plan.

Pursuant to the Statement Number 32 of the Governmental Accounting Standards Board "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the City does not have a fiduciary relationship with the 457 plan. Accordingly, the balances and transactions of the City's 457 plan are not reported in the City's financial statements.

NOTE 9. BUDGET COMPLIANCE AND DEFICIT FUND BALANCE

A. Excess of Expenditures over Appropriations

For the year ended June 30, 2013, expenditures exceeded budget appropriations, as follows:

| <u>Fund</u> | <u>Excess</u> |
|---|---------------|
| General Fund | |
| General government - general administration | \$ 121,292 |
| General government - economic development | 12,161 |
| Public works - administration | 56,358 |
| Debt service | 39,155 |
| Emergency Communications Fund - public safety | 2,698 |
| Hotel / Motel Tax Fund - economic development | 43,818 |

These over expenditures were funded by available fund balance and larger than anticipated revenues.

NOTE 10. HOTEL/MOTEL LODGING TAX

The City has levied an 8% lodging tax. For the fiscal year ended June 30, 2013, \$609,627 of hotel/motel tax was collected. Of the total collected, over 50% was used for the promotion of tourism within the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2013, are as follows:

| Due To | Due From | | Total |
|-----------------|---------------------|------------------------------|-------------------|
| | General Fund | Nonmajor Governmental | |
| General Fund | \$ - | \$ 28,574 | \$ 28,574 |
| Morrow Center | 12,875 | - | 12,875 |
| Sanitation Fund | - | 73,174 | 73,174 |
| Total | <u>\$ 12,875</u> | <u>\$ 101,748</u> | <u>\$ 114,623</u> |

These balances resulted from the time lag between the dates of (1) collection of various taxes in Special Revenue Funds, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system, and (4) payments between funds are made.

Interfund transfers for the year ended June 30, 2013, consisted of the following:

| Transfer from | Transfer to | | | Total |
|-----------------------|--------------------|------------------------------|----------------------|-------------------|
| | General | Nonmajor Governmental | Morrow Center | |
| General Fund | \$ - | \$ 132,349 | \$ 119,401 | \$ 251,750 |
| Nonmajor Governmental | 324,585 | - | - | 324,585 |
| Sanitation Fund | 118,726 | - | - | 118,726 |
| Total | <u>\$ 443,311</u> | <u>\$ 132,349</u> | <u>\$ 119,401</u> | <u>\$ 695,061</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that the statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 12. JOINT VENTURES

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). During its year ended June 30, 2013, the City's membership dues were paid by Clayton County, Georgia on the City's behalf. Membership in a regional commission (RC) is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the ARC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: Atlanta Regional Commission, 3715 Northside Parkway, 200 North Creek Suite 300, Atlanta, Georgia 30327.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. COMMITMENTS AND CONTINGENCIES

The City is involved in various claims and matters of litigation resulting from normal operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment 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 which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

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 pools' agents and attorneys, to follow loss reduction procedures established by the funds and to report as promptly as possible and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' 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 workers' 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.

Settled claims in the past three years have not exceeded the coverages.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Governmental Activities and the Downtown Development Authority to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

| | |
|---|----------------------|
| Net position, Governmental Activities, previously reported | \$ 22,795,918 |
| Recognition of issuance costs incurred in prior periods | (45,416) |
| Beginning net position, Governmental Activities, restated | <u>\$ 22,750,502</u> |
| | |
| Net position, Downtown Development Authority, previously reported | \$ 8,638,722 |
| Recognition of issuance costs incurred in prior periods | (111,980) |
| Beginning net position, Downtown Development Authority, restated | <u>\$ 8,526,742</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MORROW, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

| 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) |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 1/1/2005 | \$ 6,508,916 | \$ 6,480,220 | \$ (28,696) | 100.4 % | \$ 3,199,444 | (0.9) % |
| 1/1/2006 | 6,986,941 | 6,534,385 | (452,556) | 106.9 | 3,511,297 | (12.9) |
| 1/1/2007 | 7,518,302 | 7,110,947 | (407,355) | 105.7 | 3,888,441 | (10.5) |
| 1/1/2008 | 8,166,199 | 7,890,874 | (275,325) | 103.5 | 4,112,214 | (6.7) |
| 1/1/2009 | 6,956,352 | 8,534,903 | 1,578,551 | 81.5 | 4,526,903 | 34.9 |
| 1/1/2010 | 8,858,997 | 9,099,687 | 240,690 | 97.4 | 4,400,873 | 5.5 |
| 1/1/2011 | 9,343,935 | 9,798,736 | 454,801 | 95.4 | 4,769,013 | 9.5 |
| 1/1/2012 | 9,825,050 | 10,573,887 | 748,837 | 92.9 | 4,804,485 | 15.6 |
| 1/1/2013 | 10,431,699 | 11,308,182 | 876,483 | 92.2 | 4,779,943 | 18.3 |

The assumptions used in the preparation of the above schedule are disclosed in Note 7 in the Notes to the Financial Statements.

**COMBINING STATEMENTS
AND SCHEDULES**

**CITY OF MORROW, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Emergency Communications Fund** accounts for the fee collection and operations of the Emergency 911 system within the City.

The **Hotel/Motel Tax Fund** accounts for the Hotel/Motel tax receipts and distributions of funds used to promote tourism within the City.

The **Confiscated Assets Fund** accounts for the collection and use of funds confiscated from convicted offenders.

The **Excise Tax Fund** accounts for the collection of rental car fees that are required to be remitted to the Economic Development Department.

CITY OF MORROW, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2013

| ASSETS | Emergency Communications Fund | Hotel/ Motel Tax Fund | Confiscated Assets Fund | Excise Tax Fund | Totals |
|--------------------------------------|-------------------------------------|-----------------------------|-------------------------------|-----------------------|-------------------|
| Cash and cash equivalents | \$ 6,153 | \$ - | \$ 98,978 | \$ - | \$ 105,131 |
| Taxes receivable | - | 56,344 | - | 4,467 | 60,811 |
| Accounts receivable | 16,910 | - | - | - | 16,910 |
| Total assets | <u>\$ 23,063</u> | <u>\$ 56,344</u> | <u>\$ 98,978</u> | <u>\$ 4,467</u> | <u>\$ 182,852</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,157 | \$ - | \$ 29,381 | \$ - | \$ 30,538 |
| Accrued expenses | 7,365 | - | - | - | 7,365 |
| Due to other funds | 14,541 | 56,344 | 26,396 | 4,467 | 101,748 |
| Total liabilities | <u>23,063</u> | <u>56,344</u> | <u>55,777</u> | <u>4,467</u> | <u>139,651</u> |
| FUND BALANCES | | | | | |
| Restricted for: | | | | | |
| Law enforcement | - | - | 43,201 | - | 43,201 |
| Total fund balances | <u>-</u> | <u>-</u> | <u>43,201</u> | <u>-</u> | <u>43,201</u> |
| Total liabilities and fund balances | <u>\$ 23,063</u> | <u>\$ 56,344</u> | <u>\$ 98,978</u> | <u>\$ 4,467</u> | <u>\$ 182,852</u> |

CITY OF MORROW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Emergency Communications Fund | Hotel/ Motel Tax Fund | Confiscated Assets Fund | Excise Tax Fund | Totals |
|--|-------------------------------------|-----------------------------|-------------------------------|-----------------------|------------------|
| Revenues | | | | | |
| Other taxes | \$ - | \$ 609,627 | \$ - | \$ 19,772 | \$ 629,399 |
| Charges for services | 132,349 | - | - | - | 132,349 |
| Fines and forfeitures | - | - | 67,404 | - | 67,404 |
| Interest revenue | - | - | 61 | - | 61 |
| Total revenues | <u>132,349</u> | <u>609,627</u> | <u>67,465</u> | <u>19,772</u> | <u>829,213</u> |
| Expenditures | | | | | |
| Public safety | 264,698 | - | 97,825 | - | 362,523 |
| Economic development | - | 304,814 | - | - | 304,814 |
| Total expenditures | <u>264,698</u> | <u>304,814</u> | <u>97,825</u> | <u>-</u> | <u>667,337</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(132,349)</u> | <u>304,813</u> | <u>(30,360)</u> | <u>19,772</u> | <u>161,876</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 132,349 | - | - | - | 132,349 |
| Transfers out | - | (304,813) | - | (19,772) | (324,585) |
| Total other financing sources (uses) | <u>132,349</u> | <u>(304,813)</u> | <u>-</u> | <u>(19,772)</u> | <u>(192,236)</u> |
| Net change in fund balances | - | - | (30,360) | - | (30,360) |
| Fund balances, beginning of year | - | - | 73,561 | - | 73,561 |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 43,201</u> | <u>\$ -</u> | <u>\$ 43,201</u> |

**CITY OF MORROW, GEORGIA
EMERGENCY COMMUNICATIONS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------------|---------------------|------------------|-----------------|
| Revenues | | | | |
| Charges for services | \$ 131,000 | \$ 131,000 | \$ 132,349 | \$ 1,349 |
| Total revenues | <u>131,000</u> | <u>131,000</u> | <u>132,349</u> | <u>1,349</u> |
| Expenditures | | | | |
| Public safety | 262,000 | 262,000 | 264,698 | (2,698) |
| Total expenditures | <u>262,000</u> | <u>262,000</u> | <u>264,698</u> | <u>(2,698)</u> |
| Deficiency of revenues under expenditures | <u>(131,000)</u> | <u>(131,000)</u> | <u>(132,349)</u> | <u>(1,349)</u> |
| Other financing sources | | | | |
| Transfers in | 131,000 | 131,000 | 132,349 | 1,349 |
| Total other financing sources | <u>131,000</u> | <u>131,000</u> | <u>132,349</u> | <u>1,349</u> |
| Net change in fund balance | - | - | - | - |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF MORROW, GEORGIA
HOTEL/MOTEL TAX FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|------------------------|---------------------|---------------|-----------------|
| Revenues | | | | |
| Other taxes | \$ 521,991 | \$ 521,991 | \$ 609,627 | \$ 87,636 |
| Expenditures | | | | |
| Economic development | 260,996 | 260,996 | 304,814 | (43,818) |
| Total expenditures | 260,996 | 260,996 | 304,814 | (43,818) |
| Excess of revenues over expenditures | 260,995 | 260,995 | 304,813 | 43,818 |
| Other financing uses | | | | |
| Transfers out | (260,995) | (260,995) | (304,813) | (43,818) |
| Total other financing uses | (260,995) | (260,995) | (304,813) | (43,818) |
| Net change in fund balance | - | - | - | - |
| Fund balances, beginning of year | - | - | - | - |
| Fund balances, end of year | \$ - | \$ - | \$ - | \$ - |

**CITY OF MORROW, GEORGIA
CONFISCATED ASSETS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------------|---------------------|------------------|------------------|
| Revenues | | | | |
| Fines and forfeitures | \$ 100,000 | \$ 100,000 | \$ 67,404 | \$ (32,596) |
| Interest | - | - | 61 | 61 |
| Total revenues | <u>100,000</u> | <u>100,000</u> | <u>67,465</u> | <u>(32,535)</u> |
| Expenditures | | | | |
| Public safety | 100,000 | 100,000 | 97,825 | 2,175 |
| Total expenditures | <u>100,000</u> | <u>100,000</u> | <u>97,825</u> | <u>2,175</u> |
| Net change in fund balance | - | - | (30,360) | (30,360) |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>73,561</u> | <u>73,561</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 43,201</u> | <u>\$ 43,201</u> |

**CITY OF MORROW, GEORGIA
EXCISE TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------------|---------------------|---------------|-----------------|
| Revenues | | | | |
| Other taxes | \$ 14,000 | \$ 14,000 | \$ 19,772 | \$ 5,772 |
| Other financing uses | | | | |
| Transfers out | (14,000) | (14,000) | (19,772) | (5,772) |
| Net change in fund balance | - | - | - | - |
| Fund balances, beginning of year | - | - | - | - |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF MORROW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2008 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| <u>Project</u> | <u>Original Estimated Cost</u> | <u>Current Estimated Cost</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total</u> |
|----------------------------------|--|---------------------------------------|------------------------|-------------------------|---------------------|
| Pedestrian Path System Phase I | \$ 139,448 | \$ 139,448 | \$ 139,950 | \$ - | \$ 139,950 |
| Pedestrian Path System Phase II | 690,000 | 690,000 | 302,672 | - | 302,672 |
| Pedestrian Path System Phase III | 861,025 | 861,025 | 451,329 | 38,513 | 489,842 |
| Barton Park Phase IV | 377,901 | 377,901 | - | - | - |
| Morrow Conference Center | 4,051,626 | 4,051,626 | 5,095,143 | - | 5,095,143 |
| Olde Morrow Creek Corridor | 2,160,000 | 2,160,000 | 1,826,781 | - | 1,826,781 |
| Pedestrian Path System Phase V | 290,000 | 290,000 | - | - | - |
| Pedestrian Path System Phase VI | 290,000 | 290,000 | - | - | - |
| Lee Street Pedestrian Facility | <u>1,000,000</u> | <u>1,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Totals | <u>\$ 9,860,000</u> | <u>\$ 9,860,000</u> | <u>\$ 7,815,875</u> | <u>\$ 38,513</u> | <u>\$ 7,854,388</u> |

CITY OF MORROW, GEORGIA COMPONENT UNITS

The **Downtown Development Authority** is the City's redevelopment tool for commercial revitalization. The Downtown Development Authority was created for property acquisition, renovation, and demolition.

The **Morrow Business and Tourism Association** is a vital economic partner of the City of Morrow. The Tourism Association exists to provide special events to the community and promote tourism within the City. Contracts between the Tourism Association and the City also provide economies of scale, resource efficiencies, and employee benefit packages that neither party would be able to achieve on their own.

The **City of Morrow Housing Authority** was formed during the year ended June 30, 2009, to provide affordable housing to the citizens of Morrow.

CITY OF MORROW, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNITS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Downtown Development Authority | Morrow Business and Tourism Association | Morrow Housing Authority | Totals |
|---|--------------------------------------|--|--------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 1,051,962 | \$ 314,382 | \$ - | \$ 1,366,344 |
| Payments to suppliers | (253,301) | (147,811) | (1,055) | (402,167) |
| Payments to employees | - | (144,678) | - | (144,678) |
| Net cash provided by (used in) operating activities | <u>798,661</u> | <u>21,893</u> | <u>(1,055)</u> | <u>819,499</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Advances from primary government | 1,432 | - | - | 1,432 |
| Contributions from primary government | - | - | 1,000 | 1,000 |
| Net cash provided by noncapital financing activities | <u>1,432</u> | <u>-</u> | <u>1,000</u> | <u>2,432</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal paid on bonds | (62,743) | - | - | (62,743) |
| Principal paid on notes payable and capital leases | (471,475) | - | - | (471,475) |
| Interest paid | (362,361) | - | - | (362,361) |
| Net cash used in capital and related financing activities | <u>(896,579)</u> | <u>-</u> | <u>-</u> | <u>(896,579)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and dividends received | 34,382 | 12 | - | 34,394 |
| Net cash provided by investing activities | <u>34,382</u> | <u>12</u> | <u>-</u> | <u>34,394</u> |
| Change in cash and cash equivalents | (62,104) | 21,905 | (55) | (40,254) |
| Cash and cash equivalents: | | | | |
| Beginning of year | 73,238 | - | 160 | 73,398 |
| End of year | <u>\$ 11,134</u> | <u>\$ 21,905</u> | <u>\$ 105</u> | <u>\$ 33,144</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | |
| Net operating income (loss) | \$ 83,916 | \$ 39,599 | \$ (384) | \$ 123,131 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 619,175 | - | - | 619,175 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | 90,835 | (5,549) | (1,000) | 84,286 |
| Increase in prepaid expenses | - | (3,152) | - | (3,152) |
| Decrease in due to primary government | - | (2,390) | - | (2,390) |
| Increase (decrease) in accounts payable | 3,255 | (7,137) | 329 | (3,553) |
| Increase in accrued liabilities | 1,480 | 522 | - | 2,002 |
| Net cash provided by (used in) operating activities | <u>\$ 798,661</u> | <u>\$ 21,893</u> | <u>\$ (1,055)</u> | <u>\$ 819,499</u> |

STATISTICAL SECTION

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

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|---|------------------|
| Financial Trends | 61 - 66 |
| <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | |
| Revenue Capacity | 67 - 71 |
| <i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i> | |
| Debt Capacity | 72 - 74 |
| <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information | 75 and 76 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | |
| Operating Information | 77 - 80 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i> | |

Sources: Unless otherwise noted, the information in these schedules is derived from the City's financial reports for the relevant year. The City implemented GASB 34 in 2004; schedules presenting government-wide information (unless otherwise indicated) include information beginning in that year.

CITY OF MORROW, GEORGIA

NET POSITION BY ACTIVITY LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 5,083,996 | \$ 5,205,049 | \$ 7,095,827 | \$ 9,908,611 | \$ 19,813,630 | \$ 23,866,983 | \$ 12,155,243 | \$ 12,553,494 | \$ 12,922,300 | \$ 14,388,529 |
| Restricted | - | - | - | - | - | - | - | 657,217 | 1,014,757 | 1,301,836 |
| Unrestricted | 6,869,262 | 8,540,017 | 9,096,281 | 16,204,109 | 12,132,191 | 9,234,985 | 6,382,543 | 7,002,728 | 8,858,861 | 7,253,161 |
| Total governmental activities net position | \$ 11,953,258 | \$ 13,745,066 | \$ 16,192,108 | \$ 26,112,720 | \$ 31,945,821 | \$ 33,101,968 | \$ 18,537,786 | \$ 20,213,439 | \$ 22,795,918 | \$ 22,943,526 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,968,535 | \$ 4,837,226 | \$ 4,705,917 | \$ 4,574,608 |
| Unrestricted | - | (5,877) | - | - | - | - | 17,062 | 58,798 | 58,797 | 58,797 |
| Total business-type activities net position | \$ - | \$ (5,877) | \$ - | \$ - | \$ - | \$ - | \$ 4,985,597 | \$ 4,896,024 | \$ 4,764,714 | \$ 4,633,405 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 5,083,996 | \$ 5,205,049 | \$ 7,095,827 | \$ 9,908,611 | \$ 19,813,630 | \$ 23,866,983 | \$ 17,123,778 | \$ 17,390,720 | \$ 17,628,217 | \$ 18,963,137 |
| Restricted | - | - | - | - | - | - | - | 657,217 | 1,014,757 | 1,301,836 |
| Unrestricted | 6,869,262 | 8,534,140 | 9,096,281 | 16,204,109 | 12,132,191 | 9,234,985 | 6,399,605 | 7,061,526 | 8,917,658 | 7,311,958 |
| Total primary government net position | \$ 11,953,258 | \$ 13,739,189 | \$ 16,192,108 | \$ 26,112,720 | \$ 31,945,821 | \$ 33,101,968 | \$ 23,523,383 | \$ 25,109,463 | \$ 27,560,632 | \$ 27,576,931 |

CITY OF MORROW, GEORGIA

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

| Expenses | Fiscal Year | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 1,321,684 | \$ 1,152,346 | \$ 1,685,149 | \$ 2,693,482 | \$ 1,916,132 | \$ 1,692,191 | \$ 12,908,230 | \$ 2,572,899 | \$ 2,219,595 | \$ 2,330,884 |
| Judicial | 56,042 | 167,032 | 174,165 | 190,486 | 312,561 | 388,218 | 353,217 | 384,023 | 414,825 | 299,269 |
| Public safety | 4,444,719 | 4,504,847 | 4,570,661 | 5,117,869 | 6,179,546 | 6,759,090 | 6,460,751 | 6,741,610 | 6,129,433 | 5,837,934 |
| Public works | 722,379 | 805,648 | 1,024,683 | 570,783 | 1,286,678 | 1,546,931 | 1,775,873 | 1,775,668 | 2,094,630 | 2,250,389 |
| Economic development | - | 161,067 | 163,076 | 241,854 | 187,103 | 163,313 | 161,156 | 275,328 | 307,398 | 295,928 |
| Interest and fiscal changes | - | 54,812 | 52,728 | 50,289 | 48,488 | 73,201 | 250,977 | 250,639 | 243,719 | 171,835 |
| Total governmental activities expenses | 6,544,824 | 6,845,752 | 7,670,462 | 8,864,763 | 9,930,508 | 10,622,944 | 21,910,204 | 12,000,167 | 11,409,600 | 11,186,239 |
| Business-type activities: | | | | | | | | | | |
| Sanitation | 972,091 | 964,547 | 975,755 | 1,175,632 | 1,081,972 | 1,001,787 | 923,938 | 836,005 | 833,225 | 837,610 |
| Morrow Center | - | - | - | - | - | - | 168,345 | 411,954 | 419,601 | 411,498 |
| Total business-type activities expenses | 972,091 | 964,547 | 975,755 | 1,175,632 | 1,081,972 | 1,001,787 | 1,092,283 | 1,247,959 | 1,252,826 | 1,249,108 |
| Total primary government expenses | 7,516,915 | 7,810,299 | 8,646,217 | 10,040,395 | 11,012,480 | 11,624,731 | 23,002,487 | 13,248,126 | 12,662,426 | 12,435,347 |
| Program revenues | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services (a) | | | | | | | | | | |
| General government | 1,143,315 | 1,517,619 | 1,351,249 | 1,285,924 | 1,312,562 | 1,036,261 | 1,081,785 | 1,108,890 | 1,084,186 | 1,058,252 |
| Public safety | 1,760,057 | 1,983,424 | 2,600,898 | 3,531,926 | 4,357,563 | 4,705,219 | 4,432,995 | 4,694,366 | 5,045,952 | 2,990,715 |
| Operating grants and contributions | 168,777 | 193,820 | 25,403 | 201,476 | - | - | 147,717 | 1,721,689 | 884,916 | 215,044 |
| Capital grants and contributions | - | - | - | - | 3,143,132 | 576,188 | 1,568,989 | 1,507,511 | 1,583,609 | 1,615,952 |
| Total governmental activities program revenues | 3,072,149 | 3,694,863 | 3,977,550 | 5,019,326 | 8,813,257 | 6,317,668 | 7,231,486 | 9,032,456 | 8,598,663 | 5,879,963 |
| Business-type activities: | | | | | | | | | | |
| Charges for services | 1,163,091 | 1,236,396 | 1,118,367 | 1,372,292 | 1,240,150 | 1,167,594 | 1,065,842 | 968,431 | 920,189 | 956,336 |
| Sanitation | - | - | - | - | - | - | 55,544 | 209,177 | 253,367 | 160,788 |
| Morrow Center | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues | 1,163,091 | 1,236,396 | 1,118,367 | 1,372,292 | 1,240,150 | 1,167,594 | 1,121,386 | 1,177,608 | 1,173,556 | 1,117,124 |
| Total primary government program revenues | 4,235,240 | 4,931,259 | 5,095,917 | 6,391,618 | 10,053,407 | 7,485,262 | 8,352,872 | 10,210,064 | 9,772,219 | 6,997,087 |

(Continued)

CITY OF MORROW, GEORGIA

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | (3,472,675) | (3,150,889) | (3,692,912) | (3,845,437) | (1,117,251) | (4,305,276) | (14,678,718) | (2,967,711) | (2,810,937) | (5,306,276) |
| Business-type activities | 191,000 | 271,849 | 142,612 | 196,660 | 158,178 | 165,807 | 29,103 | (70,351) | (79,270) | (131,984) |
| Total primary government net expense | (3,281,675) | (2,879,040) | (3,550,300) | (3,648,777) | (959,073) | (4,139,469) | (14,649,615) | (3,038,062) | (2,890,207) | (5,438,260) |
| General revenue and other changes in net position | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ - | \$ 1,085,487 | \$ 1,131,554 | \$ 1,501,023 | \$ 1,597,665 | \$ 1,618,013 | \$ 1,769,748 | \$ 1,634,577 | \$ 1,896,885 | \$ 1,926,089 |
| Sales taxes | 1,587,606 | 1,641,504 | 1,849,293 | 1,825,740 | 1,827,986 | 1,687,170 | 1,652,727 | 1,603,352 | 1,654,007 | 1,707,532 |
| Insurance Premium tax | 209,707 | 227,265 | 244,508 | 255,839 | 266,845 | 273,237 | 270,673 | 262,807 | 302,298 | 321,091 |
| Alcoholic beverage taxes | 195,031 | 176,792 | 188,499 | 147,614 | 139,404 | 132,601 | 125,279 | 125,564 | 124,532 | 94,882 |
| Other taxes | 448,394 | 517,577 | 552,144 | 607,527 | 600,742 | 573,511 | 492,323 | 515,502 | 551,195 | 629,398 |
| Miscellaneous | 190,521 | 183,972 | 130,220 | 141,607 | 348,283 | 222,254 | 70,887 | 32,911 | 73,732 | 140,608 |
| Franchise fees | 553,174 | 577,392 | 592,557 | 620,378 | 686,643 | 712,704 | 664,498 | 690,517 | 715,923 | 659,513 |
| Investment earnings | 198,932 | 254,982 | 1,289,491 | 254,551 | 417,152 | 76,126 | 13,558 | 1,830 | 3,086 | 3,589 |
| Gain on sale of assets ^(b) | - | - | 24,953 | 8,215,110 | 907,454 | - | 11,337 | 298 | 19,718 | 17,273 |
| Special item | - | - | - | - | - | - | - | (243,216) | - | - |
| Transfers | 2,838 | 277,726 | 136,735 | 196,660 | 158,178 | 165,807 | (4,956,494) | 19,222 | 52,040 | (675) |
| Total governmental activities general revenues and other changes in net position | 3,386,203 | 4,942,697 | 6,139,954 | 13,766,049 | 6,950,352 | 5,461,423 | 114,536 | 4,643,364 | 5,393,416 | 5,499,300 |
| Business-type activities: | | | | | | | | | | |
| Transfers | (156,386) | (277,726) | (136,735) | (196,660) | (158,178) | (165,807) | 4,956,494 | (19,222) | (52,040) | 675 |
| Total business type activities general revenues and other changes in net position | (156,386) | (277,726) | (136,735) | (196,660) | (158,178) | (165,807) | 4,956,494 | (19,222) | (52,040) | 675 |
| Total primary government general revenues and other changes in net position | (51,858) | 1,785,931 | 2,452,919 | 9,920,612 | 5,833,101 | 1,156,147 | (9,578,585) | 1,586,080 | 2,451,169 | 61,715 |
| Change in net position | | | | | | | | | | |
| Governmental activities | (86,472) | 1,791,808 | 2,447,042 | 9,920,612 | 5,833,101 | 1,156,147 | (14,564,182) | 1,675,653 | 2,582,479 | 193,024 |
| Business-type activities | 34,614 | (5,877) | 5,877 | - | - | - | 4,985,597 | (89,573) | (131,310) | (131,309) |
| Total primary government change in net position | (51,858) | 1,785,931 | 2,452,919 | 9,920,612 | 5,833,101 | 1,156,147 | (9,578,585) | 1,586,080 | 2,451,169 | 61,715 |

^(a) Charges for services have gradually increased due to increased fines and forfeiture charges and general growth within the City.

^(b) Large gain in 2007 due to the purchase and resale of the Macy's retail shopping center during the year.

CITY OF MORROW, GEORGIA

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 128,549 | \$ 248,463 | \$ 1,792,221 | \$ 2,854,931 | \$ 5,638,783 | \$ 6,121,142 | \$ 5,178,830 | \$ - | \$ - | \$ - |
| Unreserved | 6,770,133 | 8,335,453 | 7,325,715 | 13,113,113 | 6,672,617 | 3,188,578 | 2,224,129 | - | - | - |
| Nonspendable | - | - | - | - | - | - | - | 5,232,214 | 5,244,168 | 5,343,048 |
| Restricted | - | - | - | - | - | - | - | 19,613 | - | - |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | 1,903,908 | 2,764,662 | 2,146,121 |
| Total General fund | \$ 6,898,682 | \$ 8,583,916 | \$ 9,117,936 | \$ 15,968,044 | \$ 12,311,400 | \$ 9,309,720 | \$ 7,402,959 | \$ 7,155,735 | \$ 8,008,830 | \$ 7,489,169 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved, reported in: | | | | | | | | | | |
| Special revenue funds | \$ 152,282 | \$ 154,982 | \$ 193,109 | \$ 524,006 | \$ 71,702 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Capital projects funds | - | - | - | - | - | 4,069,064 | (897,403) | - | - | - |
| Special revenue funds | - | - | - | - | - | (38,360) | (69,546) | - | - | - |
| Restricted, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | - | 35,858 | 73,561 | 43,201 |
| Capital projects funds | - | - | - | - | - | - | - | 601,746 | 941,196 | 1,258,635 |
| Total all other governmental funds | \$ 152,282 | \$ 154,982 | \$ 193,109 | \$ 524,006 | \$ 71,702 | \$ 4,030,704 | \$ (966,949) | \$ 637,604 | \$ 1,014,757 | \$ 1,301,836 |
| Total all governmental funds | \$ 7,050,964 | \$ 8,738,898 | \$ 9,311,045 | \$ 16,492,050 | \$ 12,383,102 | \$ 13,340,424 | \$ 6,436,010 | \$ 7,793,339 | \$ 9,023,587 | \$ 8,791,005 |

Note: GASB 54 was implemented during fiscal year 2011.

CITY OF MORROW, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Revenues: | | | | | | | | | | |
| Property taxes ^(b) | \$ - | \$ 1,096,267 | \$ 1,143,803 | \$ 1,471,921 | \$ 1,614,117 | \$ 1,597,308 | \$ 1,743,042 | \$ 1,629,148 | \$ 1,970,306 | \$ 1,898,449 |
| Other taxes | 2,440,738 | 2,563,138 | 2,834,444 | 2,836,720 | 2,834,977 | 2,620,688 | 2,541,002 | 2,546,385 | 2,632,032 | 2,752,903 |
| Charges for services | 249,791 | 360,099 | 416,297 | 487,370 | 545,391 | 905,967 | 1,130,955 | 962,317 | 951,049 | 399,451 |
| Licenses and permits | 1,127,852 | 1,305,040 | 1,344,715 | 1,274,733 | 1,296,436 | 1,025,873 | 1,071,343 | 1,093,682 | 1,058,978 | 1,040,023 |
| Intergovernmental | 535,555 | 580,861 | 435,338 | 614,313 | 3,591,339 | 983,580 | 2,161,847 | 3,677,076 | 2,916,220 | 2,277,065 |
| Franchise fees | 1,260,654 | 1,448,863 | 592,557 | 620,378 | 686,643 | 712,704 | 664,498 | 690,517 | 715,923 | 659,513 |
| Fines, forfeitures, and fees | 553,174 | 577,392 | 1,781,200 | 2,642,910 | 3,380,091 | 3,358,552 | 2,864,622 | 3,300,393 | 3,670,521 | 2,161,060 |
| Interest revenues | 198,932 | 254,982 | 1,289,491 | 254,551 | 417,152 | 76,126 | 16,277 | 2,583 | 4,981 | 5,953 |
| Rental income | 25,575 | 37,020 | 35,235 | 34,181 | 165,203 | 187,210 | 22,500 | 16,879 | 53,554 | 26,593 |
| Other revenues | 63,243 | 146,952 | 94,985 | 107,426 | 183,080 | 35,044 | 48,387 | 16,032 | 20,178 | 114,015 |
| Total revenues | 6,455,514 | 8,370,614 | 9,968,065 | 10,344,503 | 14,714,429 | 11,502,952 | 12,264,473 | 13,935,012 | 13,993,742 | 11,335,025 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government ^(c) | 1,216,145 | 1,049,357 | 2,878,566 | 3,530,666 | 5,806,429 | 4,922,354 | 4,393,190 | 2,483,815 | 2,206,955 | 2,281,432 |
| Judicial | - | 167,954 | 171,912 | 191,225 | 312,959 | 387,621 | 354,340 | 383,501 | 414,464 | 300,913 |
| Public safety | 4,197,997 | 4,303,044 | 4,531,343 | 5,541,628 | 6,407,506 | 6,576,604 | 6,205,103 | 6,579,175 | 6,263,698 | 6,111,366 |
| Public works | 676,665 | 1,185,020 | 1,710,955 | 2,015,363 | 7,070,038 | 2,442,896 | 1,321,775 | 2,439,957 | 2,115,167 | 1,515,636 |
| Economic development | - | 161,067 | 170,495 | 188,404 | 186,358 | 163,952 | 155,168 | 271,736 | 300,129 | 304,814 |
| Capital Outlay ^(a) | 465,649 | - | - | - | - | 1,112,583 | 6,535,456 | 10,127 | 24,159 | 38,513 |
| Debt service: | | | | | | | | | | |
| Principal | 47,271 | 52,663 | 54,726 | 57,004 | 59,096 | 61,410 | 63,815 | 66,328 | 1,288,911 | 1,362,469 |
| Interest and fiscal charges | 148,658 | 41,301 | 53,256 | 50,978 | 48,887 | 46,572 | 220,321 | 221,674 | 221,769 | 179,345 |
| Bond issuance costs | - | - | - | - | - | 133,550 | - | - | - | - |
| Total expenditures | 6,752,385 | 6,960,406 | 9,571,253 | 11,575,268 | 19,891,273 | 15,847,542 | 19,249,168 | 12,456,313 | 12,835,252 | 12,094,488 |
| Excess (deficiency) of revenues over expenditures | (296,871) | 1,410,208 | 396,812 | (1,230,765) | (5,176,844) | (4,344,590) | (6,984,695) | 1,478,699 | 1,158,490 | (759,463) |
| Other financing sources (uses) | | | | | | | | | | |
| Issuance of debt | 127,388 | - | - | - | - | 5,135,000 | - | - | - | 461,794 |
| Proceeds from bond issuance | - | - | - | - | - | - | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | 38,600 | 8,215,110 | 909,718 | 1,105 | 11,337 | 102,624 | 19,718 | 65,762 |
| Transfers in | 991,375 | 1,042,923 | 934,247 | 1,256,117 | 1,213,746 | 1,178,487 | 1,119,721 | 570,240 | 464,850 | 575,660 |
| Transfers out | (988,537) | (765,197) | (797,512) | (1,059,457) | (1,055,568) | (1,012,680) | (1,050,777) | (551,018) | (412,810) | (576,335) |
| Total other financing sources (uses) | 130,226 | 277,726 | 175,335 | 8,411,770 | 1,067,896 | 5,301,912 | 80,281 | 121,846 | 71,758 | 526,881 |

(Continued)

CITY OF MORROW, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|--|--------------|--------------|------------|--------------|----------------|------------|----------------|--------------|--------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Special item | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (243,216) | \$ - | \$ - |
| Net change in fund balances | \$ (166,645) | \$ 1,687,934 | \$ 572,147 | \$ 7,181,005 | \$ (4,108,948) | \$ 957,322 | \$ (6,904,414) | \$ 1,357,329 | \$ 1,230,248 | \$ (232,582) |
| Debt service as a percentage of non-capital expenditures | 3.19% | 1.45% | 1.48% | 1.30% | 1.12% | 1.08% | 2.65% | 2.65% | 13.16% | 13.72% |

(a) Capital Outlay was expensed by specific function beginning in fiscal year 2005.

(b) Property taxes were not levied by the City until fiscal year 2005.

(c) Increase in general governmental expenditures during 2006 due substantially to the planned purchase of capital assets (mostly land) during the year.

CITY OF MORROW, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST NINE TAX DIGEST YEARS

| Tax Digest Year | Real Property | | | Other Personal Property | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|-----------------------|---------------|----------------|-----------------|-------------------------------|--------------------------------------|------------------------------------|--------------------------|--------------------------------------|--|
| | Residential | Commercial | Mobile Homes | | | | | | |
| 2004 | \$ 59,469,758 | \$ 229,527,529 | \$ - | \$ 42,617,874 | \$ (43,240,586) | \$ 300,464,325 | 4.00 | \$ 751,160,813 | 40% |
| 2005 | 67,187,097 | 227,682,973 | - | 42,299,241 | (49,223,686) | 299,862,215 | 4.00 | 749,655,538 | 40% |
| 2006 | 74,472,627 | 238,603,261 | - | 45,188,601 | (51,408,070) | 318,355,529 | 5.00 | 795,888,823 | 40% |
| 2007 | 86,063,353 | 240,437,907 | - | 46,887,405 | (53,401,350) | 332,348,675 | 5.00 | 830,871,688 | 40% |
| 2008 | 91,255,372 | 247,037,731 | - | 45,340,561 | (57,525,739) | 339,307,935 | 5.00 | 848,269,838 | 40% |
| 2009 | 84,532,382 | 231,618,951 | - | 46,431,470 | (55,095,856) | 321,088,397 | 6.00 | 802,745,993 | 40% |
| 2010 | 73,773,415 | 213,382,165 | - | 45,377,795 | (47,720,016) | 296,466,059 | 6.00 | 741,165,148 | 40% |
| 2011 | 68,703,167 | 198,097,906 | - | 45,249,749 | (44,879,588) | 277,527,294 | 7.50 | 693,818,235 | 40% |
| 2012 | 56,899,909 | 192,386,084 | - | 45,297,131 | (38,960,597) | 266,813,717 | 7.50 | 667,034,293 | 40% |

Source: Clayton County Tax Commissioner

NOTE: The City of Morrow did not start collecting property taxes until 2004. Therefore, only the last nine years of information are presented.

CITY OF MORROW, GEORGIA

PROPERTY TAX RATES LAST TEN TAX DIGEST YEARS

| Tax Digest Year | City of Morrow | | State of Georgia | Clayton County | School District | Total Millage Rate |
|--------------------|----------------------|----------------------|---------------------|-------------------|--------------------|-----------------------|
| | Operating Millage | Total Direct Rate | | | | |
| 2003 | 0.000 | 0.000 | 0.250 | 6.882 | 18.916 | 26.048 |
| 2004 | 4.000 | 4.000 | 0.250 | 6.882 | 18.916 | 30.048 |
| 2005 | 4.000 | 4.000 | 0.250 | 7.781 | 18.916 | 30.947 |
| 2006 | 5.000 | 5.000 | 0.250 | 8.764 | 20.000 | 34.014 |
| 2007 | 5.000 | 5.000 | 0.250 | 8.535 | 19.836 | 33.621 |
| 2008 | 5.000 | 5.000 | 0.250 | 11.436 | 19.836 | 36.522 |
| 2009 | 6.000 | 6.000 | 0.250 | 11.436 | 20.000 | 37.686 |
| 2010 | 6.000 | 6.000 | 0.250 | 11.436 | 20.000 | 37.686 |
| 2011 | 7.500 | 7.500 | 0.250 | 15.813 | 20.000 | 43.563 |
| 2012 | 7.500 | 7.500 | 0.200 | 14.912 | 20.000 | 42.612 |

Source: Clayton County Tax Commissioner

NOTE: The City of Morrow did not start collecting property taxes until 2004. Therefore, prior to 2004, there was a zero tax rate for the City of Morrow.

CITY OF MORROW, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND EIGHT YEARS AGO

| Taxpayer | 2012 (Tax Digest Year) | | | 2004 (Tax Digest Year) | | |
|----------------------------|------------------------|------|---|------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Southlake Mall, LLC | \$ 21,109,400 | 1 | 7.91% | \$ 27,909,600 | 1 | 9.29% |
| USPG Portfolio Three LLC | 9,100,000 | 2 | 3.41% | | | |
| Paccar Inc | 7,780,015 | 3 | 2.92% | 5,471,115 | 9 | 1.82% |
| Southlake Atlanta LLC | 7,595,400 | 4 | 2.85% | | | |
| Realty Income Partners | 7,363,400 | 5 | 2.76% | | | |
| Costco | 7,286,383 | 6 | 2.73% | 7,362,696 | 3 | 2.45% |
| Sherwin Williams | 6,960,008 | 7 | 2.61% | 6,147,494 | 5 | 2.05% |
| Comcast of Georgia, Inc | 6,244,171 | 8 | 2.34% | | | |
| Scott H Lee as Trustee | 6,075,000 | 9 | 2.28% | 6,073,621 | 7 | 2.02% |
| Georgia Power | 4,640,938 | 10 | 1.74% | | | |
| Inland Southeast | | | | 16,137,200 | 2 | 5.37% |
| Inland Southeast Southlake | | | | 6,085,000 | 6 | 2.03% |
| Rich's Real Estate Inc. | | | | 7,041,200 | 4 | 2.34% |
| OLP Southlake | | | | 5,640,000 | 8 | 1.88% |
| Secured Prop Investors | | | | 5,373,183 | 10 | 1.79% |
| ALL OTHERS | 182,659,002 | | 68.46% | 207,223,216 | | 68.97% |
| Total | <u>\$ 266,813,717</u> | | <u>100.00%</u> | <u>\$ 300,464,325</u> | | <u>100.00%</u> |

Source: Clayton County Tax Commissioner

Note: The City of Morrow did not levy property taxes prior to fiscal year 2005.

CITY OF MORROW, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS LAST NINE FISCAL YEARS

| Fiscal Year | Taxes Levied | Errors, Releases or Adjustments | Adjusted Tax Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|----------------|-----------------|---------------------------------------|----------------------|---|-----------|---------------------------------------|---------------------------|-----------|
| | | | | Amount | % of Levy | | Amount | % of Levy |
| 2005 | \$ 1,094,214 | \$ - | \$ 1,094,214 | \$ 1,073,981 | 98.15% | \$ 20,233 | \$ 1,094,214 | 100.00% |
| 2006 | 1,066,274 | 1,984 | 1,068,258 | 1,051,898 | 98.47% | 16,360 | 1,068,258 | 100.00% |
| 2007 | 1,366,192 | 14,787 | 1,380,979 | 1,344,975 | 97.39% | 36,004 | 1,380,979 | 100.00% |
| 2008 | 1,520,933 | (19,307) | 1,501,626 | 1,483,899 | 98.82% | 17,727 | 1,501,626 | 100.00% |
| 2009 | 1,550,823 | (11,614) | 1,539,209 | 1,497,633 | 97.30% | 41,576 | 1,539,209 | 100.00% |
| 2010 | 1,697,259 | 21,699 | 1,718,958 | 1,636,993 | 95.23% | 74,253 | 1,711,246 | 99.55% |
| 2011 | 1,567,965 | (11,688) | 1,556,277 | 1,501,774 | 96.50% | 45,987 | 1,547,761 | 99.45% |
| 2012 | 1,869,436 | (18,422) | 1,851,014 | 1,805,744 | 97.55% | 27,885 | 1,833,629 | 99.06% |
| 2013 | 1,765,760 | (5,992) | 1,759,768 | 1,698,692 | 96.53% | - | 1,698,692 | 96.53% |

Note: The City of Morrow did not levy property taxes prior to fiscal year 2005.

Source: City tax records.

CITY OF MORROW, GEORGIA

LOCAL OPTION SALES TAX HISTORY LAST TEN FISCAL YEARS

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| July | \$ 129,633 | \$ 141,590 | \$ 148,824 | \$ 147,778 | \$ 148,490 | \$ 179,390 | \$ 136,062 | \$ 127,269 | \$ 143,029 | \$ 139,725 |
| August | 127,552 | 120,262 | 154,530 | 149,708 | 137,592 | 147,924 | 164,788 | 129,785 | 136,777 | 135,122 |
| September | 124,577 | 162,901 | 146,804 | 181,762 | 137,362 | 184,280 | 145,208 | 124,262 | 106,970 | 128,209 |
| October | 129,745 | 150,591 | 176,290 | 170,091 | 127,180 | 175,408 | 138,145 | 121,287 | 113,109 | 128,652 |
| November | 140,343 | 139,505 | 156,849 | 194,440 | 143,040 | 120,291 | 135,900 | 117,782 | 119,476 | 123,224 |
| December | 107,492 | 135,643 | 150,803 | 113,268 | 171,375 | 162,189 | 143,843 | 181,375 | 146,152 | 156,521 |
| January | 139,221 | 136,788 | 125,776 | 143,592 | 142,258 | 127,109 | 125,081 | 138,284 | 167,229 | 149,536 |
| February | 131,328 | 149,329 | 173,497 | 168,296 | 153,206 | 100,307 | 128,428 | 145,420 | 130,783 | 155,432 |
| March | 140,000 | 112,397 | 153,052 | 128,364 | 135,482 | 80,860 | 142,603 | 146,243 | 142,107 | 130,398 |
| April | 124,063 | 148,986 | 84,146 | 127,969 | 142,195 | 94,804 | 134,106 | 136,481 | 165,511 | 205,995 |
| May | 137,410 | 154,249 | 210,912 | 150,267 | 139,954 | 135,404 | 127,869 | 140,156 | 143,600 | 124,907 |
| June | 144,191 | 159,443 | 166,573 | 163,590 | 184,664 | 142,468 | 121,396 | 134,166 | 138,410 | 129,216 |
| Adjustment | 6,989 | 6,585 | 7,103 | 7,327 | 3,008 | - | 10,792 | - | 854 | 596 |
| Total | \$ 1,582,544 | \$ 1,718,269 | \$ 1,855,159 | \$ 1,846,452 | \$ 1,765,806 | \$ 1,650,434 | \$ 1,654,221 | \$ 1,642,510 | \$ 1,654,007 | \$ 1,707,533 |

Source: City records.

CITY OF MORROW, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

| Fiscal Year | Governmental Activities | | Total Primary Government | Percentage of Estimated Actual Value of Taxable Property | Percentage of Personal Income | Per Capita | Personal Income (thousands of dollars) | Population |
|----------------|-------------------------|-------------------|--------------------------------|--|-------------------------------------|---------------|---|------------|
| | Revenue Bonds | Capital Leases | | | | | | |
| 2004 | - | 1,452,454 | 1,452,454 | 0.51% | 1.70% | 297.51 | 85,650 | 4,882 |
| 2005 | - | 1,400,066 | 1,400,066 | 0.47% | 1.63% | 286.78 | 85,650 | 4,882 |
| 2006 | - | 1,345,340 | 1,345,340 | 0.45% | 1.57% | 275.57 | 85,650 | 4,882 |
| 2007 | - | 1,288,336 | 1,288,336 | 0.40% | 1.50% | 263.90 | 85,650 | 4,882 |
| 2008 | - | 1,229,240 | 1,229,240 | 0.37% | 1.44% | 251.79 | 85,650 | 4,882 |
| 2009 | 5,135,000 | 1,167,830 | 6,302,830 | 1.86% | 7.36% | 1,291.03 | 85,650 | 4,882 |
| 2010 | 5,135,000 | 1,104,015 | 6,239,015 | 1.94% | 7.28% | 1,277.96 | 85,650 | 4,882 |
| 2011 | 5,135,000 | 1,037,687 | 6,172,687 | 2.08% | 4.98% | 957.75 | 123,905 | 6,445 |
| 2012 | 3,915,000 | 968,776 | 4,883,776 | 1.76% | 3.86% | 751.93 | 126,614 | 6,495 |
| 2013 | 2,655,000 | 1,328,101 | 3,983,101 | 1.49% | 3.01% | 580.71 | 132,475 | 6,859 |

Note: Details regarding the City's long term debt can be found in the notes to the financial statements.

CITY OF MORROW, GEORGIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30, | Assessed value of taxable property | Debt Limit (10% of assessed value) | Amount of outstanding debt applicable to debt limit | Legal debt margin | Total net debt applicable to the limit as a percentage of debt limit |
|---------------------------------------|---|---|--|------------------------------|---|
| 2004 | 287,331,471 | 28,733,147 | 1,452,454 | 27,280,693 | 5.05% |
| 2005 | 300,464,325 | 30,046,433 | 1,400,066 | 28,646,367 | 4.66% |
| 2006 | 299,862,215 | 29,986,222 | 1,345,340 | 28,640,882 | 4.49% |
| 2007 | 318,355,529 | 31,835,553 | 1,288,336 | 30,547,217 | 4.05% |
| 2008 | 332,348,675 | 33,234,868 | 1,229,240 | 32,005,628 | 3.70% |
| 2009 | 339,307,935 | 33,930,794 | 6,302,830 | 27,627,964 | 18.58% |
| 2010 | 321,098,397 | 32,109,840 | 6,239,015 | 25,870,825 | 19.43% |
| 2011 | 296,466,059 | 29,646,606 | 6,172,687 | 23,473,919 | 20.82% |
| 2012 | 277,527,294 | 27,752,729 | 4,883,776 | 22,868,953 | 17.60% |
| 2013 | 266,813,717 | 26,681,372 | 3,983,101 | 22,698,271 | 14.93% |

CITY OF MORROW, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF JUNE 30, 2013

| Jurisdiction | Debt Outstanding | Percentage Applicable to the City of Morrow ^(a) | Amount Applicable to the City of Morrow |
|--|---------------------|---|--|
| Clayton County, Georgia- Overlapping Debt | | | |
| Capital leases payable | \$ 9,719,893 | 5.41% | \$ 526,162 |
| Revenue bonds payable | 22,369,123 | 5.41% | 1,210,896 |
| Subtotal Overlapping Debt | | | <u>1,737,057</u> |
| City of Morrow, Georgia- Direct Debt | | | <u>3,983,101</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 5,720,158</u></u> |

Sources: Assessed value data used to estimate applicable percentages provided by the County. Debt outstanding provided by the County (as of June 30, 2013) and City Finance Departments.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that could place burden on the residents and businesses of the City of Morrow. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

^(a) The percentage of overlapping debt applicable is estimated using the assessed gross digest. Applicable percentages were estimated by determining the portion of the City's assessed taxable value that is within the County's boundaries and dividing it by the County's total gross digest.

CITY OF MORROW, GEORGIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

| Fiscal Year | Population | Personal Income | Per Capita Personal Income | Median Age | Unemployment Rate ⁽⁴⁾ | School Enrollment ⁽⁵⁾ |
|--------------------|----------------------|----------------------------|-----------------------------------|----------------------|---|---|
| 2004 | 4,882 ⁽¹⁾ | 85,649,808 ⁽¹⁾ | 17,544 ⁽¹⁾ | 30.50 ⁽¹⁾ | 4.10% | 1,290 |
| 2005 | 4,882 ⁽¹⁾ | 85,649,808 ⁽¹⁾ | 17,544 ⁽¹⁾ | 30.50 ⁽¹⁾ | 5.40% | 1,312 |
| 2006 | 4,882 ⁽¹⁾ | 85,649,808 ⁽¹⁾ | 17,544 ⁽¹⁾ | 30.50 ⁽¹⁾ | 5.40% | 1,312 |
| 2007 | 4,882 ⁽¹⁾ | 85,649,808 ⁽¹⁾ | 17,544 ⁽¹⁾ | 30.50 ⁽¹⁾ | 5.40% | 1,312 |
| 2008 | 4,882 ⁽¹⁾ | 85,649,808 ⁽¹⁾ | 17,544 ⁽¹⁾ | 30.50 ⁽¹⁾ | 5.80% | 1,312 |
| 2009 | 4,882 ⁽¹⁾ | 85,649,808 ⁽¹⁾ | 17,544 ⁽¹⁾ | 30.50 ⁽¹⁾ | 10.00% | 1,313 |
| 2010 | 4,882 ⁽¹⁾ | 85,649,808 ⁽¹⁾ | 17,544 ⁽¹⁾ | 30.50 ⁽¹⁾ | 10.00% | 1,313 |
| 2011 | 6,445 ⁽²⁾ | 123,905,125 ⁽²⁾ | 19,225 ⁽²⁾ | 31.10 ⁽²⁾ | 10.40% | 1,214 |
| 2012 | 6,495 ⁽³⁾ | 126,613,530 ⁽³⁾ | 19,494 ⁽³⁾ | 31.10 ⁽²⁾ | 8.80% | 1,214 |
| 2013 | 6,859 ⁽³⁾ | 132,474,726 ⁽³⁾ | 19,314 ⁽³⁾ | 31.10 ⁽²⁾ | 8.80% | 1,339 |

Sources:

⁽¹⁾ U.S. Census Bureau - 2000 Census

⁽²⁾ U.S. Census Bureau - 2010 Census

⁽³⁾ Morrow QuickFacts from US Census Bureau updated 6/27/2013

⁽⁴⁾ U.S. Department of Labor Statistics

⁽⁵⁾ Clayton County Board of Education

CITY OF MORROW, GEORGIA

TEN LARGEST EMPLOYERS IN MORROW CURRENT YEAR AND SEVEN YEARS AGO

| Business | 2013 | | | 2006 | | |
|--------------------------|---------------------|------|---------------------------------------|---------------------|------|---------------------------------------|
| | Number of Employees | Rank | Percentage of Total County Employment | Number of Employees | Rank | Percentage of Total County Employment |
| Clayton State University | 659 | 1 | 10.61% | | | |
| Wal-Mart Super Center | 319 | 2 | 5.14% | 477 | 1 | 6.12% |
| Macy's | 220 | 3 | 3.54% | 141 | 4 | 1.81% |
| Costco | 123 | 4 | 1.98% | 115 | 6 | 1.48% |
| Target | 104 | 5 | 1.67% | | | |
| Cracker Barrel | 102 | 6 | 1.64% | 110 | 7 | 1.41% |
| Sears | 90 | 7 | 1.45% | 134 | 5 | 1.72% |
| Berry Plastics | 90 | 7 | 1.45% | | | |
| Olive Garden | 80 | 9 | 1.29% | | | |
| TGI Friday's | 75 | 10 | 1.21% | | | |
| Sherwin Williams | | | | 325 | 2 | 4.17% |
| JC Penney | | | | 213 | 3 | 2.73% |
| Bestbuy | | | | 107 | 8 | 1.37% |
| Burlington Coat Factory | | | | 60 | 9 | 0.77% |
| Barnes and Noble | | | | 59 | 10 | 0.76% |

Source: City records.
Information prior to 2006 was not available.

CITY OF MORROW, GEORGIA

FULL TIME EQUIVALENT CITY EMPLOYEES BY DEPARTMENT LAST TEN FISCAL YEARS

| <u>Fiscal Year Ended June 30,</u> | <u>General Government</u> | <u>Police Department</u> | <u>Fire Department</u> | <u>Inspections</u> | <u>E-911</u> | <u>Total</u> |
|---------------------------------------|-------------------------------|------------------------------|----------------------------|--------------------|--------------|--------------|
| 2004 | 24 | 35 | 26 | 1 | 10 | 96 |
| 2005 | 26 | 36 | 27 | 1 | 10 | 100 |
| 2006 | 27 | 39 | 29 | 1 | 12 | 108 |
| 2007 | 33 | 37 | 34 | 1 | 12 | 117 |
| 2008 | 40 | 39 | 37 | 1 | 15 | 132 |
| 2009 | 31 | 36 | 38 | 1 | 14 | 120 |
| 2010 | 25 | 35 | 33 | 1 | 12 | 106 |
| 2011 | 26 | 34 | 40 | 1 | 12 | 113 |
| 2012 | 27 | 32 | 33 | 1 | 11 | 104 |
| 2013 | 26 | 32 | 33 | 1 | 11 | 103 |

Sources: Various City Departments

CITY OF MORROW, GEORGIA

PUBLIC SAFETY OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

| Function | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Police | | | | | | | | | | |
| Citations issued | 7,508 | 7,503 | 10,352 | 14,055 | 22,185 | 22,096 | 13,561 | 15,468 | 8,478 | 7,124 |
| DUI Citations issued | 61 | 48 | 76 | 124 | 260 | 109 | 122 | 94 | 43 | 50 |
| Warnings issued | 1,778 | 2,297 | 3,638 | 3,880 | 770 | 8,577 | 10,220 | 12,455 | 8,521 | 5,293 |
| Crime Statistics: | | | | | | | | | | |
| Aggravated Assault | 13 | 18 | 8 | 13 | 8 | 9 | 14 | 10 | 3 | 1 |
| Auto Theft | 186 | 138 | 98 | 64 | 68 | 65 | 57 | 49 | 56 | 45 |
| Murder | - | - | 1 | 1 | - | - | - | - | - | - |
| Rape | 2 | 3 | - | - | 4 | 2 | - | 2 | 2 | 1 |
| Robbery | 31 | 32 | 33 | 33 | 24 | 21 | 13 | 21 | 12 | 27 |
| Burglary | 41 | 54 | 51 | 45 | 65 | 74 | 57 | 66 | 64 | 56 |
| Theft | 1,121 | 1,021 | 762 | 766 | 970 | 814 | 683 | 710 | 867 | 889 |
| Fire | | | | | | | | | | |
| Incident responses | 1,833 | 1,966 | 1,978 | 2,100 | 2,000 | 1,963 | 2,120 | 2,213 | 2,008 | 1,937 |
| Public Safety Education | | | | | | | | | | |
| Events | 113 | 78 | 113 | 115 | 115 | 112 | 113 | 114 | 111 | 106 |
| Persons contacted | 3,936 | 3,936 | 16,621 | 17,115 | 17,425 | 16,498 | 17,915 | 15,975 | 15,032 | 14,998 |

Source: City police and fire department records.

CITY OF MORROW, GEORGIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

| Function/Program | Fiscal Year | | | | | | | | | |
|-----------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Zone offices | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 35 | 31 | 35 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| Fire stations | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public works | | | | | | | | | | |
| Streets (miles) | 29 | 29 | 31 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |
| Streetlights | 630 | 700 | 768 | 861 | 861 | 861 | 861 | 861 | 861 | 861 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 80 | 82 | 85 | 125 | 125 | 125 | 125 | 125 | 125 | 125 |
| Playgrounds | 3 | 6 | 8 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |

Sources: Various City departments.

Note: No capital asset indicators are available for the general government functions.

CITY OF MORROW, GEORGIA

CONSTRUCTION ACTIVITY LAST TEN FISCAL YEARS

| <u>Fiscal Year Ended June 30,</u> | <u>Residential Permits Issued</u> | <u>Residential Value</u> | <u>Commercial Permits Issued</u> | <u>Commercial Value</u> |
|---------------------------------------|---------------------------------------|------------------------------|--------------------------------------|-----------------------------|
| 2004 | 32 | \$ 3,730,650 | 54 | \$ 5,809,390 |
| 2005 | 35 | 4,203,585 | 30 | 4,148,642 |
| 2006 | 109 | 14,787,743 | 42 | 8,675,754 |
| 2007 | 49 | 7,554,925 | 44 | 5,657,668 |
| 2008 | 31 | 4,210,993 | 32 | 3,472,189 |
| 2009 | 13 | 148,762 | 17 | 2,015,804 |
| 2010 | 39 | 155,689 | 291 | 6,169,072 |
| 2011 | 51 | 114,354 | 195 | 3,137,092 |
| 2012 | 96 | 257,644 | 204 | 2,913,384 |
| 2013 | 218 | 5,091,743 | 236 | 8,528,004 |

Source: City's Planning and Zoning Department.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Honorable Mayor and
Members of the City Council
City of Morrow, Georgia
Morrow, Georgia**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2013. Our report includes a reference to the implementation of new accounting standards which modified terminology and presentation of certain accounts.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
December 10, 2013

CITY OF MORROW, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ yes X no

Reportable conditions identified not considered
to be material weaknesses?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

There was no audit of major federal award programs as of June 30, 2013 due to the total amount of federal expenditures being less than \$500,000 during the fiscal year 2013.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III STATUS OF PRIOR YEAR FINDINGS

None reported.

