

CITY OF MORROW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Prepared by:
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Director of Finance

Submitted By:
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City Manager

CITY OF MORROW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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CITY OF MORROW, GEORGIA

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INTRODUCTORY SECTION



LETTER OF TRANSMITTAL

January 30, 2019

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:

I would like to present to you the Comprehensive Annual Financial Report (CAFR) of the City of Morrow, Georgia, for the fiscal year ended June 30, 2018. In doing so, the City complies with State of Georgia's O.C.G.A. Section 36-81-7 which requires the governing authority of each unit of local government having a population in excess of 1,500 persons according to the latest estimate of population by the U.S. Bureau of the Census or expenditures of \$300,000 or more shall provide for and cause to be made an annual audit of the financial affairs and transactions of all funds and activities of the local government for each fiscal year. The CAFR also satisfies the requirements of Section 6.30 of the City's charter which calls for an annual independent audit of all City accounts, funds and financial transactions by a certified public accountant selected by the City Council.

This report consists of management's representations concerning the operations and financial condition of the City of Morrow, Georgia. Consequently, management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control network that is designed both to protect its assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City of Morrow's financial statements in conformity with generally accepted accounting principles (GAAP).

Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. 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 City as measured by the financial activities of its various funds. All disclosures necessary to enable the reader to gain a reasonable understanding of the City's financial activities have been included.

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, which can be found on pages 4 through 16 of this financial report, 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 Government Finance Officers Association (GFOA) program for the Certificate of Achievement for Excellence in Financial Reporting. 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, 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, 2018, 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 and can be found on pages 1 through 3.

Single Audit

The City of Morrow is not required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget's circular, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. During FY 2018, the City of Morrow did not reach the threshold level of \$750,000 of federal awards expenditures which requires single audit presentation. Therefore, a single audit is not included in this report.

Management Discussion and Analysis

In accordance with GAAP, this CAFR includes a narrative introduction from management that provides an overview and analysis to accompany the basic financial statements in the form of an 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, Georgia, approximately 10 miles south of Atlanta's Hartsfield-Jackson 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 for, among other things, passing ordinances, adopting budgets, appointing committees, hiring both the City Manager and legal counsel, and confirming appointments of the various department heads. The Council members are elected on a non-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 Manager is responsible for carrying out the day-to-day operations of government and for nominating the heads of the various departments. The City's organization includes six major departments: Administration, Fire, Police, Public Works and Services, Finance, and Planning and Economic Development. The City Manager is appointed by the Mayor and Council to directly supervise these departments. Currently, the City Manager serves as the Department Head for Planning and Economic Development. The City provides many services to Morrow's residents and visitors, including police and fire protection, emergency medical services, parks and pedestrian path systems, 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 operating budget serves as the foundation for the City of Morrow's financial planning and control. The annual budget process begins with preliminary budget discussions as early as January and meetings are held regularly with the Mayor, Council, City Manager, and Department Heads to reach a proposed draft budget on or about March 9. The Mayor and Council, City Manager, and Department Heads are involved in the budget development from start to finish.

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. Budgets are adopted at the department level as required by the City Charter, so Directors are not required to make transfers between individual object code accounts. Appropriations transfers 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, except for the Proprietary Funds. For the General Fund, this comparison extends to the department level. Budget-to-actual comparisons for all governmental funds are presented in the Financial 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 located within the City limits, the City continues to cope with the changing financial environment.

Locally, success is happening incrementally through a hands-on approach to economic development through relationship building and the connection to local developers as well as the pursuit of national brands. We still see modest increases in commercial activity, occupational tax and sales tax revenues as we continue to recover from big store closings in recent years. Southlake Mall lost another anchor store this year when Sears closed its doors. Yet, the mall still maintains profitability and looks to repurpose big spaces as job centers and non-retail uses.

The City of Morrow has engaged a branding firm to build an identity that will better position us to market our assets and attract shoppers, guests, diners, and the like. The final branding product will roll out in Spring 2019. Once the brand is finalized, Morrow will look to create new signage all over the city to create a sense of place. Public art, digital billboards, and city markers will all play a role in how we market ourselves moving forward. Creating a brand will strengthen our ability to pull from the Interstate traffic, a number of cars which continues to increase.

Morrow also joined the Aerotropolis Alliance to expand our reach to developers and businesses. This move will help us gain an audience with more hoteliers, restaurants, residential developers, retail developments, and even logistic and warehouse centers that can all add to our economic vitality. The CEO of the Aerotropolis is Shannon James and he has taken a great deal of time to tour Morrow, discuss Morrow, get to know what we can offer, what properties we own, and what opportunities can be found. The Alliance is working on an extensive path system that is similar to the Atlanta Belt Line that will connect Clayton County to the Airport and will connect many cities within the county. The Aerotropolis Alliance exists to market the southside as a place to locate, build, and do business with the world's busiest airport at its center.

The City of Morrow has traditionally produced a conservative budget and this has been extremely beneficial in the current economic market. We take very seriously our responsibility to respond to our financial obligations in a way that demonstrates our good stewardship. Our work environment continues to strengthen as we promote an environment of collaboration and mutual benefit. We believe in the opportunities our City offers to a homeowner or new business and we understand that it will take a thoughtful and deliberate approach to help others see those opportunities too. We have seen an increase in interest for properties in Morrow along I-75. Georgia and the City of Morrow are seeing a positive growth in our economies, both in big business and local business.

MAJOR INITIATIVES

During 2018, 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

- Continued to support Arts Clayton in order to strengthen the Art presence in Morrow;
- Completion of the first mural at City Hall and the approval to begin the second mural;
- Expanding our outreach to the Vietnamese business community throughout Clayton County;
- Continue to partner with MARTA and lead discussions about the expansion of rail in Clayton County;
- Attend Board of Commissioner meetings regularly and build relationships with the new Commissioner;

- Successfully reorganized the DMO and began a new contract with Civentum as the lead for Morrow's marketing as a destination;
- Work closely with other city managers and county operating officer for a more collaborative success;
- Completed the CID feasibility study, considering next steps, if possible;
- Hosted Morrow's first annual Lunar New Year event and first annual Day of the Dead event; and
- Work with the Clayton County Convention and Visitors Bureau to use Morrow initiatives as outreach to communities beyond Clayton County.

Infrastructure Developments

- Renovation of the main bathrooms at City Hall;
- Installed bullet proof glass and improvements to City Hall's front desk area;
- Maintenance of the wooden boardwalks on the Pedestrian Path System;
- Working with Clayton County to build and improve pedestrian facilities along Mt. Zion;
- Razed house on Reynolds Road and razed old business across from City Hall for aesthetic improvements;
- Working to maximize the use of SPLOST funding through critical project selection; and
- Patio Park almost completed at City Hall, continue to develop plans for other City Hall campus amenities.

Service Enhancements

- Offer face to face meetings with any business owner to discuss the details of their permits, code requirements, variance, and conditional use applications;
- Encouraging new participation on our Boards;
- Upgraded retirement for recruitment as well as a service for long-time employees;
- Worked through the court to close Days Inn, continue to work to bring them into compliance with all life safety and development standard codes;
- Hired a new Judge;
- Contracted with a new sanitation company for enhanced services;
- Maintaining social media marketing and messaging;
- Neighborhood Watch, Neighbors Helping Neighbors, CERT, Pathway Partners, and other volunteer and service groups continue to add immeasurable value to our services and community engagement;
- Organizing, hosting, and promoting Health Fairs and Job Fairs for public benefit;
- Continuing to work with Retail Strategies to promote business development in our commercial areas;
- Perusing leads with our Commercial Real Estate Broker to determine potential interest in Morrow's commercial properties;
- Hired a new employee for litter mitigation – Environmental Specialist;
- Hired a new Finance Director; and
- Annual Certificate of Achievement for Excellence in Financial Reporting.

Planning Initiatives

- Updating the Morrow Comprehensive Plan;
- Implemented mini quarterly retreats with Mayor and Council;
- Continue regular Council Retreats for updating priorities;
- Transportation study for intersection of Lake Harbin and Jonesboro Road – need enhancements for pedestrian safety;
- Greater communication with State Representatives and Senators for better leverage at the Capitol;
- Creating open channels of communication with new school superintendent; and
- Working with Clayton County and neighboring cities to explore connections through pedestrian path systems.

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;
- Identify art grants through state channels; and
- Southlake Mall and BPSOS for job and health fairs.

Morrow understands that relationships are important. A changing environment sometimes calls for an amended approach. An approach where it is understood that every little thing has an impact on how the City is perceived; not only by residents, but by everyone who comes into the City. We will not succeed alone.

Our citizens are the priority, but we cannot provide services without the tax revenue generated by our commercial entities. So we must consider their importance and needs as we develop our services and strategies. We must take a stand to prevent growth that does not add value to our City while doing everything we can to help businesses, families, visitors, stakeholders, partners, and neighbors thrive.

We have to keep our streets clean and safe, we have to create a brand that attracts people and businesses, and we have to strengthen our visibility to lure more people off the interstate and into our restaurants, gas stations, shops, and even homes. We have to make strategic moves and work for what we want; it will not happen accidentally. We have to remember that everyone's idea of what is "best" does not match – generations, gender, finances, and cultural backgrounds all play a part in how we perceive what is best. In Morrow, we must work to find a balance and bring value to the community in such a way that attracts a wide variety of individuals.

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 and other Special Revenue Funds 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 departments 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

Budget cuts alone will not make Morrow successful in terms of revenue versus expenditures. We must find ways to increase revenue and that means building a destination. Our destination may be for the traveler who is looking for a nice hotel and a bite to eat. Our destination may be for the family shopping for a new home, or a young professional wanting a cool place to live that is close to downtown Atlanta. Our destination may be for a logistics company looking for affordable rent but finding a place where the airport is easy to access. Our destination may be for a filming crew that needs some great shots and keeps the talent closer to home with only a 10-minute drive to the busiest passenger airport in the world. Our destination may be for a new kiosk at the mall or a new restaurant ready to serve the 260,000 hungry citizens of Clayton County.

The Planning and Economic Development Department of the City of Morrow must work to brand Morrow as a destination for all these and more. The partnerships with retail partners, DMO's, real estate brokers, established businesses, and new businesses will all have an important role in making this happen. Morrow must shift some attention to Clayton State University. We must work to be a college town, not just a town with a college. The potential for MARTA to locate within Clayton County, coupled with the fact that we have a university, makes us a prime location for a city center that's built for the University.

In order to brand Morrow as a destination, we will have to address every issue from parking on the street, to kids out after dark, to signs in disrepair, to getting our story out - there is truly nothing that will not affect our ability to become a destination. Morrow continues to serve as the commercial heart of Clayton County. We have the only movie theater, the only regional mall, and we have more restaurants than other areas of the county. We are building on our strengths and working to deliberately attract businesses that will add value to our community and our commercial corridor.

We still attract new businesses, regional and national, such as El Rodeo, Direct Furniture, Unclaimed Freight, Save and Tell Furniture, Avis, XPL Logistics, Classic Collision, Pablanos, Golden Wings, Gongcha, and Swift Health Medicine. Wendy's and Taco Bell tore their entire buildings down and rebuilt, which is always a boost to the major 54 travel corridor.

The Morrow Fire Department still maintains an ISO rating of 1, a rating which belongs to fewer than 20 departments in the State of Georgia. This is a testament to our service levels. The Police Department uses cutting edge philosophy and technology to address crime and crime prevention and we have launched a #notinMorrow campaign to help send the word that Morrow takes crime seriously.

Morrow has a lot of exciting projects in the planning stages. We are changing our approach to business development, we are broadening our expectations and in regards to product, marketing, diversity, and public art, we are responding to what our citizens want and what our business community needs. Morrow is a great place to live, a great place to work, a great place to be and we will make every effort to keep it that way.

ACKNOWLEDGEMENTS

This report was produced through the dedication of the City's Finance department 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, 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.

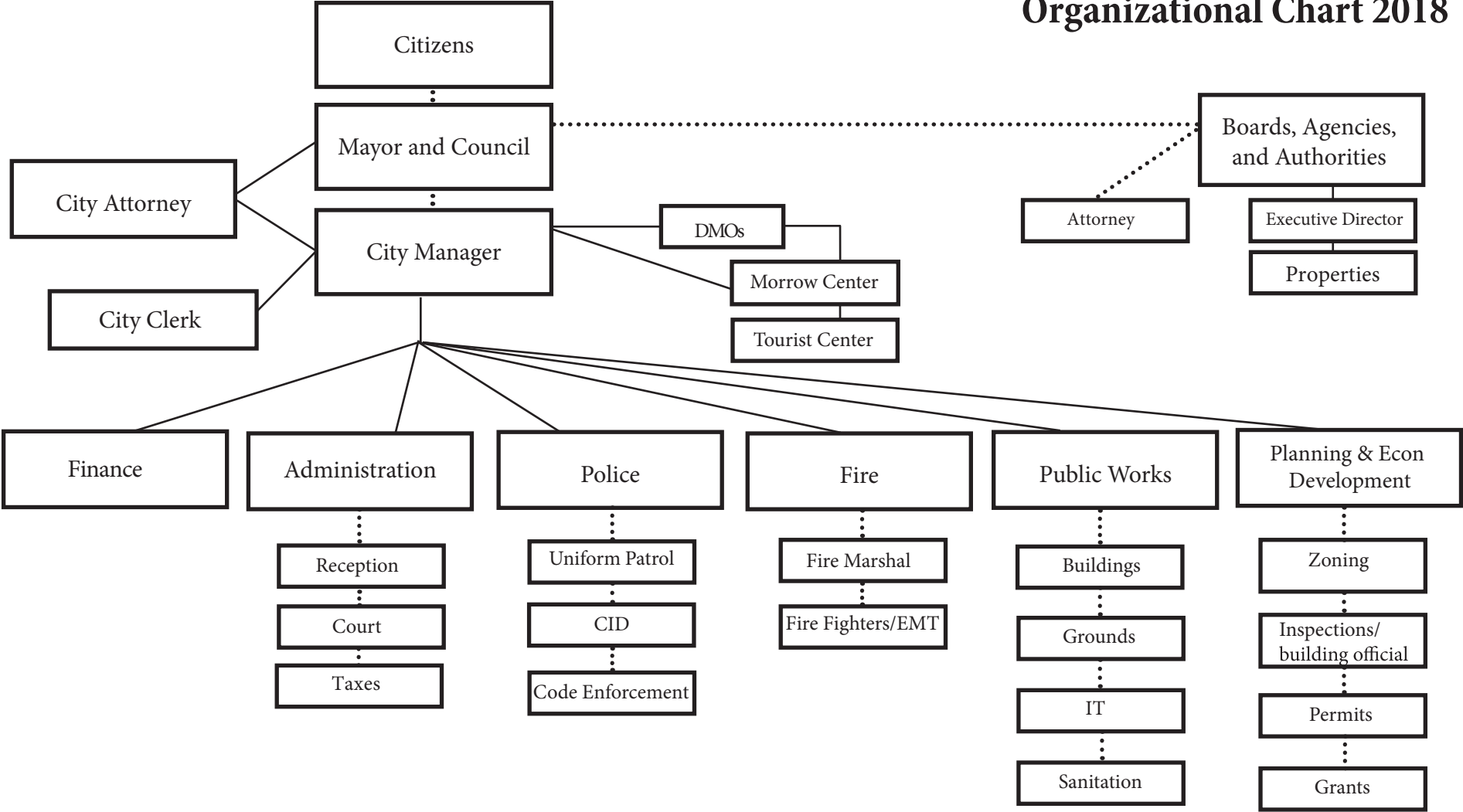
Respectfully submitted,



Sylvia Redic
City Manager

City of Morrow

Organizational Chart 2018



CITY OF MORROW, GEORGIA

PRINCIPAL OFFICIALS JUNE 30, 2018

ELECTED OFFICIALS

Mayor	Jeffrey A. DeTar
Mayor Pro Tem	Jeanell Bridges
Council Member	Larry Ferguson
Council Member	Dorothy Dean
Council Member	Renee S. Knight

APPOINTED OFFICIALS

City Manager	Sylvia Redic
City Attorney	Steve Fincher
Municipal Court Judge	C. Crandle Bray
Municipal Court Prosecutor	Jerry Patrick

PLANNING & ZONING BOARD

Chairman	Gilda Hutcheson
Vice-Chairman	Wayne Collins
Board Member	Joyce Bean
Board Member	Aaron I. Mauldin, P.E.
Board Member	Tamara Patridge

SUPERVISORY STAFF POSITIONS

City Clerk	Yasmin Julio
Police Chief	James Callaway
Fire Chief	Roger Swint
Public Works Director	Anou Sothsavath
Municipal Court Administrator	Essie West
Finance Officer	Rolando A. Hernandez

CONTRACTED PROFESSIONALS

Mauldin & Jenkins, LLC



Government Finance Officers Association

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

Presented to

**City of Morrow
Georgia**

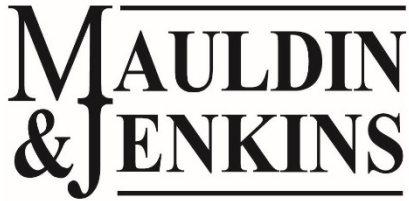
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

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, 2018, 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, 2018, 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.

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 16), the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 58), and the Schedule of City Contributions (on page 59) 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The accompanying schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 schedules 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 January 29, 2019, 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.

Mauldin & Jenkins, LLC

Macon, Georgia
January 29, 2019

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, 2018. 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 the Fiscal Year Ended June 30, 2018, are as follows:

- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by \$26,204,862 (*net position*). Of this amount, \$9,323,710 (*unrestricted net position*) may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased \$2,705,053 during the 2018 fiscal year. The majority of the increase can be directly attributed to the lack of expenditure activity in the General Fund and a one-time payment from the State of Georgia of \$1,016,009 to compensate for the loss of revenue of the local option sales tax on aviation fuel suspended by the Governor. The fund balance of the 2014 Special Purpose Local Option Sales Tax (SPLOST) Capital Projects Fund increased by \$65,761. The fund balance for the Hotel / Motel Tax decreased by (\$236,806) due to having two (2) full-time Destination Marketing Organizations while the Product Development Special Revenue Funds increased by \$79,395. The two Destination Marketing Organizations work to promote the City, the Welcome Tourist Center and the Morrow Conference Center.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of \$14,374,226, an increase of \$2,125,898 in comparison to the prior year. Approximately 49% of this total amount, or \$7,055,995, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the fund balance for the General Fund was \$10,807,697. The fund balance for the General Fund increased by \$2,281,583, or about 27%, during the current fiscal year.
- As of the close of the 2018 fiscal year, the combined fund balances for the two Special Purpose Local Option Sales Tax (SPLOST) Capital Project Funds was \$2,579,552, which was restricted for capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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 housing and 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 and the operation of the Morrow Conference Center. These activities are reported as business-type activities under proprietary funds.

The government-wide financial statements can be found on pages 17 and 18 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Most of the City's basic services are accounted for in one of the seven different 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 governmental 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.

The City of Morrow adopts an annual budget for its General Fund, as required by the City's charter and statutes of the State of Georgia. 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 Mayor and Council 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 Revenues, 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 three Special Revenue Funds: (1) Hotel/Motel Tax Fund, (2) Product Development Fund, and (3) Confiscated Assets Fund. The Rental Excise Tax Fund was closed at the end of this fiscal year. The basic governmental fund financial statements can be found on pages 19 and 20 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 government-wide statements. The basic proprietary fund financial statements can be found on pages 24 through 26 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 27 through 57 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 60 through 68 of this report.

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 \$26,204,862 as of June 30, 2018. The City's net position increased by \$2,705,053 for the fiscal year ended June 30, 2018. As indicated earlier, the majority of the increase was to compensate for the loss of revenue of the local option sales tax on aviation fuel suspended by the Governor.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A comparison of the City's Net Position for the two most recent fiscal years is provided in the following table:

City of Morrow's Net Position June 30, 2018						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 16,472,644	\$ 13,303,290	\$ 511,155	\$ 276,745	\$ 16,983,799	\$ 13,580,035
Capital assets, net	13,983,961	14,053,539	24,480	32,800	14,008,441	14,086,339
Total assets	30,456,605	27,356,829	535,635	309,545	30,992,240	27,666,374
Deferred Outflows of Resources	510,357	299,875	-	-	510,357	299,875
Other liabilities	2,267,855	2,046,335	419,288	230,677	2,687,143	2,277,012
Long-term liabilities outstanding	992,382	1,292,465	-	-	992,382	1,292,465
Total liabilities	3,260,237	3,338,800	419,288	230,677	3,679,525	3,569,477
Deferred Inflows of Resources	1,618,212	896,963	-	-	1,618,212	896,963
Net position:						
Net investment in capital assets	13,220,282	13,835,240	24,480	32,800	13,244,762	13,868,040
Restricted	3,636,388	3,829,338	-	-	3,636,388	3,829,338
Unrestricted	9,231,843	5,756,363	91,867	46,068	9,323,710	5,802,431
Total net position	\$ 26,088,513	\$ 23,420,941	\$ 116,347	\$ 78,868	\$ 26,204,860	\$ 23,499,809

The largest portion of the City's net position for both FY 2018 and FY 2017 (51% and 59%, respectively) 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.

An additional portion of the City's FY 2018 net position of \$3,636,388, or 14%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$9,231,843, or 36%, may be used to meet the City's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities during the fiscal year ended June 30, 2018 increased the City of Morrow's net position by \$2,667,574. Business-type activities during the same period increased net position by \$37,479. Key elements of this total increase of \$2,705,053 in net position are shown in the following tabular information:

City of Morrow's Changes in Net Position June 30, 2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	\$ 3,157,244	\$ 2,599,331	\$ 1,463,890	\$ 1,320,605	\$ 4,621,134	\$ 3,919,936
Operating grants and contributions	1,186,072	340,647	-	-	1,186,072	340,647
Capital grants and contributions	2,376,918	1,112,301	-	-	2,376,918	1,112,301
General revenues:						
Property taxes	2,152,162	2,574,919	-	-	2,152,162	2,574,919
Sales taxes	2,204,524	2,025,574	-	-	2,204,524	2,025,574
Franchise taxes	600,095	629,776	-	-	600,095	629,776
Other taxes	569,336	1,704,885	-	-	569,336	1,704,885
Miscellaneous	229,727	89,197	-	-	229,727	89,197
Unrestricted investment earnings	58,641	14,312	-	-	58,641	14,312
Gain on sale of capital assets	11,500	23,171	-	-	11,500	23,171
Total revenues	<u>12,546,219</u>	<u>11,114,113</u>	<u>1,463,890</u>	<u>1,320,605</u>	<u>14,010,109</u>	<u>12,434,718</u>
Expenses:						
General government	1,031,964	959,779	-	-	1,031,964	959,779
Judicial	401,773	289,793	-	-	401,773	289,793
Public safety	4,546,184	4,931,355	-	-	4,546,184	4,931,355
Public works	1,795,120	1,865,253	-	-	1,795,120	1,865,253
Economic development	2,118,492	1,161,855	-	-	2,118,492	1,161,855
Interest on long-term debt	31,409	35,741	-	-	31,409	35,741
Sanitation	-	-	1,149,361	997,255	1,149,361	997,255
Morrow Center	-	-	230,755	216,665	230,755	216,665
Total expenses	<u>9,924,942</u>	<u>9,243,776</u>	<u>1,380,116</u>	<u>1,213,920</u>	<u>11,305,058</u>	<u>10,457,696</u>
Increase (decrease) in net position before transfers	<u>2,621,277</u>	<u>1,870,337</u>	<u>83,774</u>	<u>106,685</u>	<u>2,705,051</u>	<u>1,977,022</u>
Transfers	<u>46,295</u>	<u>37,887</u>	<u>(46,295)</u>	<u>(37,887)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>2,667,572</u>	<u>1,908,224</u>	<u>37,479</u>	<u>68,798</u>	<u>2,705,051</u>	<u>1,977,022</u>
Net position, beginning of year	<u>23,420,941</u>	<u>21,512,717</u>	<u>78,868</u>	<u>10,070</u>	<u>23,499,809</u>	<u>21,522,787</u>
Net position, end of year	<u>\$ 26,088,513</u>	<u>\$ 23,420,941</u>	<u>\$ 116,347</u>	<u>\$ 78,868</u>	<u>\$ 26,204,860</u>	<u>\$ 23,499,809</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. As shown on the previous table, the governmental activities had an excess of revenues compared to expenses in the amount of \$2,621,279 for FY 2018 and \$1,870,337 for FY 2017.

For FY 2018, revenues for the governmental activities totaled \$12,546,219, an increase of \$1,432,106 from the previous fiscal year. Property Taxes decrease of (\$422,757) was due to a reduction in delinquent taxes collections compared to the previous year. Hotel/Motel Taxes decreased by (\$54,582). The increase in the Operating Grants and Contributions of \$845,425 was due to the State's Aviation Fuel Tax payment. The increase in the Charges for Services of \$557,913 was due to a significant increase in Municipal Court revenue.

The tabular information also shows that expenses related to governmental activities totaled \$9,924,940 for FY 2018, an increase of \$681,164, or 8%, from FY 2017. The increase was primarily due to the principal payment of the 2015 Urban Redevelopment Agency bond of \$660,000.

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 since the 2010 fiscal year. The revenue of the Morrow Conference Center is derived from user fees charged for conference space rental and other conference center services.

For FY 2018, the business-type activities had an increase in net position of \$37,4791 due to Sanitation Fund revenues exceeding its expenses.

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, 2018, the total governmental funds of the City of Morrow reported a combined fund balance of \$14,374,226, an increase of \$2,125,898, or 17%, from the previous year. The increase was primarily due the one-time payment from the State on aviation fuel tax of approximately \$1,016,000, an increase of Municipal Court revenue of approximately \$558,000 and a reduction of expenditures in Public Safety of approximately. \$385,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A comparison of governmental fund balances for FY 2018 and FY 2017 are provided in the following table:

**City of Morrow's Governmental Fund Balance
June 30, 2018**

	<u>2018</u>	<u>2017</u>
General Fund	\$ 10,807,697	\$ 8,526,114
2008 SPLOST Fund	692,973	715,332
2014 SPLOST Fund	1,886,579	1,820,818
Other Governmental Funds	986,977	1,186,064
Total Governmental Fund Balance	<u>\$ 14,374,226</u>	<u>\$ 12,248,328</u>

The General Fund is the primary operating fund of the City of Morrow. At the end of fiscal year 2018, the fund balance of the General Fund was \$10,807,697, an increase of \$2,281,583 from the previous fiscal year. Of the total fund balance at June 30, 2018, \$7,055,995 represents unassigned fund balance, which is available as working capital or to meet any future spending needs. The rest of the General Fund balance of \$3,751,702, is termed non-spendable to indicate that it is not available for new spending because it is already committed for prepaid expenditures (\$209,133), assets held for resale (\$103,619), advances to one of the City's component units, the Downtown Development Authority (\$3,369,091), and restricted for capital projects (\$69,859).

As a measure of the General Fund's liquidity and its ability to meet cyclical cash flows, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned General Fund balance represents 82% of the total General Fund expenditures that occurred during the 2018 fiscal year, while total General Fund balance represents 126% of that same amount.

The 2014 SPLOST Capital Projects Fund balance increased by \$65,761 for the 2018 fiscal year. The Mayor and Council have revised the spending approach to SPLOST funding after recommendations from the City Manager. Only when the money is received and in the bank are purchases made, instead of buying everything at once and waiting for the money to come in. Also, every SPLOST purchase is approved by Mayor and Council to ensure that the priorities for the City are being maintained even as priorities shift. The Mayor and Council adhere to the laws that govern SPLOST when making any decisions about SPLOST purchases.

The fund balance of the Hotel/Motel Tax decreased by (\$236,806) and Product Development Special Revenue Funds increased by \$79,395 during FY 2018. There are two DMO's in place for Morrow. One specialized DMO is specifically charged with the marketing of the Morrow Center, the City's state-of-the-art event facility. The second DMO is charged with the general marketing for the City to extol the virtues that create interest in Morrow as a tourist destination. This includes the management of the Morrow Tourist Center. Both DMO's work to build relationships with the local hotels and businesses as we work to create an understanding and inventory of all that Morrow has to offer.

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 these funds have already been addressed in the discussion of the City of Morrow's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Budgets

Operating budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, the Confiscated Assets Fund, the Rental Car Excise 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.

For the 2018 fiscal year, several changes were made to the appropriations contained in the original budget. These adjustments to the General Fund budget resulted in an increase in the total budget of \$1,055,684 to account for unbudgeted grants.

Budgetary Highlights:

- The City's budget is prepared according to Georgia law and the City's charter. The most significant budget fund is the General Fund. For the General Fund, the actual revenues of \$10,444,313 were lower than the final budget amount of \$10,878,730 by (\$434,417). The net unfavorable variance was due to a budget amendment of \$1,055,684 for unbudgeted grants.
- The General Fund actual expenditures of \$8,595,316 were less than the final budgeted amount of \$10,306,684 by \$1,711,368. The net favorable budget variance was primarily due to unspent capital outlay projects in the Public Safety functions, and unspent Contingency funds.
- The original General Fund budget was increased by \$141,358 during the fiscal year. The adjustment represented the revenues and expenditures for two grants that the Fire Department obtained after the preparation of the original budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets. The City of Morrow's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2018, totals \$13,244,764. Capital assets include buildings, infrastructure, land, machinery and equipment, park facilities, and vehicles. A comparison of the City's investment in capital assets as of June 30, 2018 and 2017 is provided in the following table:

**City of Morrow's Capital Assets, Net of Accumulated Depreciation
June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 5,088,272	\$ 5,013,235	\$ -	\$ -	\$ 5,088,272	\$ 5,013,235
Buildings, grounds and improvements	1,831,186	1,929,476	-	-	1,831,186	1,929,476
Machinery and equipment	589,185	622,299	24,480	32,800	613,665	655,099
Infrastructure in process	297,689	275,365	-	-	297,689	275,365
Infrastructure	5,059,543	5,163,771	-	-	5,059,543	5,163,771
Vehicles	783,419	642,642	-	-	783,419	642,642
Computer software	29,874	40,076	-	-	29,874	40,076
Park facilities	304,793	366,675	-	-	304,793	366,675
Total	<u>\$ 13,983,961</u>	<u>\$ 14,053,539</u>	<u>\$ 24,480</u>	<u>\$ 32,800</u>	<u>\$ 14,008,441</u>	<u>\$ 14,086,339</u>

The net investment in capital assets balance of \$13,394,779 represents a \$69,576 decrease from previous year. This 4% decrease is the net addition of capital assets of \$1,129,566 and depreciation expense in the amount of \$1,199,142.

Among the capital purchases for FY 2018, \$75,037 represented land purchases and demolition of properties, \$65,162 for various fire equipment, \$783,391 for streets resurfacing, \$161,270 for an ambulance and a police utility vehicle, \$22,325 for pedestrian pathway improvements and \$22,381 for City Hall improvements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

As of June 30, 2018, the City of Morrow had total outstanding long-term debt of \$1,400,601 which was all identified within the governmental activities. A comparison of the long-term liabilities at June 30, 2016 and 2017 are shown in the following table:

**City of Morrow's Outstanding Long-Term Liabilities
June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital leases	\$ 763,679	\$ 1,029,962	\$ -	\$ -	\$ 763,679	\$ 1,029,962
Compensated absences	228,703	262,503	-	-	228,703	262,503
Net pension liability	408,219	1,337,491	-	-	408,219	1,337,491
Total	<u>\$ 1,400,601</u>	<u>\$ 2,629,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400,601</u>	<u>\$ 2,629,956</u>

During FY 2018, the City's total outstanding long-term liabilities decreased by a net amount of \$1,229,355. The Net Pension Liability decreased by \$929,272 due to a surplus in the actuarial accrued liability. Capital Leases obligation principal payments on the four outstanding leases amounted to \$266,283. Compensated Absences decreased by \$33,800.

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

Currently Known Facts, Decisions or Conditions Affecting Future Operations

For a number of different reasons, Clayton County and the City of Morrow have been slower to bounce back from the effects of the "2008 Great Recession" than most Atlanta-area submarkets. However, more recently, local economic conditions have begun to improve and are even showing some signs of resurgence. Based on the comparative strata information from the 2017 and 2016 tax digests, commercial, industrial and residential real estate values have all finally begun to stabilize. This recent economic improvement arises from inherent strengths in attributes such as location, transportation infrastructure, and natural resources.

The City of Morrow benefits greatly from its close proximity to the Hartsfield-Jackson Atlanta International Airport. While the airport has been a significant economic driver in the past, leaders from the Atlanta region's public and private sectors officially launched the *Atlanta Aerotropolis Alliance* in March of 2014. Discussions have focused on the future of the airport area and how it might become a nexus for increased local and global economic activity to attract international corporations, logistics companies and others that benefit from proximity to the world's busiest airport. The new Alliance is working to enhance metro Atlanta's position as a global economic leader with a vision of transforming the airport vicinity into a world-class *Aerotropolis*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

An “*Aerotropolis*”, a term coined by Dr. John Kasarda at the University of North Carolina’s Kenan-Flagler Business School, describes an urban development that emerges around a central airport to connect workers, suppliers, executives and goods. The Alliance is coordinating plans for the creation of an “Airport City” that will attract new commercial office space, first-class hotels, entertainment venues, condominiums, apartments, and other residences. One company that has already chosen the Hartsfield-Jackson area for its new home is Porsche Cars North America. And, in terms of construction activity, Hartsfield-Jackson recently unveiled its 20-year master plan that included \$6 billion in total projects with approximately \$1 billion being programmed to occur in the short-term.

As a retail center, the City of Morrow is benefiting economically from other new development that is occurring in the surrounding area. For example, the Forest Park Urban Redevelopment Agency is developing 1,168 acres of the former Fort Gillem Army base for new industries and distribution centers. The retail grocery chain, Kroger, has invested about \$175 million in its new 1.3 million square foot distribution center which is already operational and has 120 employees. Castellini Group, a large distributor of fresh produce, has completed a \$52 million distribution facility that is creating 300 new jobs.

In November of 2014, the voters of Clayton County overwhelmingly approved a one-percent sales tax to fund an expansion of the Metropolitan Atlanta Rapid Transit Authority (MARTA) service that brought public transit back to Clayton County. By May of 2016, more than ten bus lines were already operational with several of them serving the Morrow area and its retail businesses. As an additional benefit, MARTA is renting office space within the City for its law enforcement function. The City’s future will also be heavily influenced by MARTA’s decision to bring rail service to the county within the next five years. Based on the most recent information, those expansion discussions are to begin in October of 2016 and will include the City of Morrow as one of the stops on the rail line. MARTA continues to discuss expansion of the bus lines, with four new stops proposed within the City of Morrow. Morrow is prepared to serve as a stop when the rail lines come into the county – this infrastructure was put into place years ago when discussions of the Atlanta/Macon rail line gained popularity with the governor’s office.

In June of 2015, the Urban Redevelopment Agency of the City of Morrow, Georgia issued a taxable revenue bond in the amount of \$9,165,000. As security for meeting the debt service requirements of the revenue bond, the City of Morrow pledged its full faith and credit, and taxing power for such payment and performance. The debt service schedule for the revenue bond reflects an increase of at least \$660,000 beginning in FY 2019. The need to meet this debt service obligation will have an impact on future operations and was materially addressed during the preparation of the FY 2017 budget. The City of Morrow has worked hard to create a financial environment where we are well-prepared to make the annual bond payments through 2024. If we stay on course, we will even be prepared for the balloon payment of \$4,438,539 that’s due in 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors Affecting the FY 2019 Budget

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 and additional open meetings are held prior to adoption to allow citizens the opportunity to comment on the proposed budget.

The City Council of Morrow considered many factors when approving the City's FY 2019 budget. In making those difficult budgetary decisions, the Mayor and Council were very aware of the present economic conditions, the URA debt service payment schedule, Lake City's decision to opt out of its contract for fire services from Morrow, forecasts for a very slow recovery, and the effects on its citizens and the levels of service provided by the City.

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 City Manager, City of Morrow, 1500 Morrow Road, Morrow, Georgia 30260, (770) 961-4002 or via email at sylviaaredic@cityofmorrow.com.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF MORROW, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total Primary Government	Downtown Development Authority	Urban Redevelopment Agency	Morrow Housing Authority
ASSETS						
Cash and cash equivalents	\$ 5,025,218	\$ 642,871	\$ 5,668,089	\$ 183,897	\$ 582,744	\$ 696
Investments	5,602,745	-	5,602,745	-	-	-
Taxes receivable	642,811	-	642,811	-	-	-
Accounts receivable	58,188	105,030	163,218	502,187	3,814	-
Due from primary government	-	-	-	-	-	109,080
Due from other governments	1,225,093	-	1,225,093	-	-	-
Prepaid expenses	209,133	-	209,133	585	-	-
Internal balances	236,746	(236,746)	-	-	-	-
Advance to component unit	3,369,091	-	3,369,091	-	-	9,246
Assets held for resale	103,619	-	103,619	-	-	-
Capital assets:						
Nondepreciable	5,385,961	-	5,385,961	70,552	2,657,339	-
Depreciable, net of accumulated depreciation	8,598,000	24,480	8,622,480	2,929,890	2,499,526	-
Total assets	30,456,605	535,635	30,992,240	3,687,111	5,743,423	119,022
DEFERRED OUTFLOWS OF RESOURCES						
Pension	510,357	-	510,357	-	-	-
LIABILITIES						
Accounts payable	1,401,761	285,201	1,686,962	8,083	32,286	-
Accrued liabilities	348,795	1,923	350,718	4,789	17,512	-
Unearned revenues	-	116,464	116,464	-	2,389	-
Customer deposits payable	-	15,700	15,700	-	-	-
Due to component unit	109,080	-	109,080	-	-	-
Advance from primary government	-	-	-	3,369,091	9,246	-
Capital leases due within one year	196,320	-	196,320	-	-	-
Capital leases due in more than one year	567,359	-	567,359	-	-	-
Bonds payable due within one year	-	-	-	90,191	660,000	-
Bonds payable due in more than one year	-	-	-	404,894	7,865,000	-
Compensated absences due within one year	205,800	-	205,800	-	-	-
Compensated absences due in more than one year	22,903	-	22,903	-	-	-
Net pension liability	408,219	-	408,219	-	-	-
Total liabilities	3,260,237	419,288	3,679,525	3,877,048	8,586,433	-
DEFERRED INFLOWS OF RESOURCES						
Pension	1,618,212	-	1,618,212	-	-	-
NET POSITION						
Net investment in capital assets	13,220,282	24,480	13,244,762	2,505,357	(3,368,135)	-
Restricted for public safety	58,722	-	58,722	-	-	-
Restricted for capital projects	2,649,411	-	2,649,411	-	-	-
Restricted for housing and economic development	928,255	-	928,255	-	-	-
Unrestricted	9,231,843	91,867	9,323,710	(2,695,294)	525,125	119,022
Total net position	\$ 26,088,513	\$ 116,347	\$ 26,204,860	\$ (189,937)	\$ (2,843,010)	\$ 119,022

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, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Urban Redevelopment Agency	Morrow Housing Authority
Primary government:										
Governmental activities:										
General government	\$ 1,031,964	\$ 1,168,511	\$ -	\$ -	\$ 136,547	\$ -	\$ 136,547	\$ -	\$ -	\$ -
Judicial	401,773	-	-	-	(401,773)	-	(401,773)	-	-	-
Public safety	4,546,184	1,988,733	1,186,072	-	(1,371,379)	-	(1,371,379)	-	-	-
Public works	1,795,120	-	-	2,376,918	581,798	-	581,798	-	-	-
Economic development	2,118,492	-	-	-	(2,118,492)	-	(2,118,492)	-	-	-
Interest on long-term debt	31,409	-	-	-	(31,409)	-	(31,409)	-	-	-
Total governmental activities	9,924,942	3,157,244	1,186,072	2,376,918	(3,204,708)	-	(3,204,708)	-	-	-
Business-type activities:										
Sanitation	1,149,361	1,195,656	-	-	-	46,295	46,295	-	-	-
Morrow Center	230,755	268,234	-	-	-	37,479	37,479	-	-	-
Total business-type activities	1,380,116	1,463,890	-	-	-	83,774	83,774	-	-	-
Total primary government	<u>\$ 11,305,058</u>	<u>\$ 4,621,134</u>	<u>\$ 1,186,072</u>	<u>\$ 2,376,918</u>	<u>(3,204,708)</u>	<u>83,774</u>	<u>(3,120,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component units:										
Downtown Development Authority	\$ 197,686	\$ 48,838	\$ -	\$ -	-	-	-	(148,848)	-	-
Urban Redevelopment Agency	718,918	272,019	1,109,346	-	-	-	-	-	662,447	-
Morrow Housing Authority	-	-	-	-	-	-	-	-	-	-
Total component units	<u>\$ 916,604</u>	<u>\$ 320,857</u>	<u>\$ 1,109,346</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(148,848)</u>	<u>662,447</u>	<u>-</u>
General revenues:										
Property taxes					2,152,162	-	2,152,162	-	-	-
Sales taxes					2,204,524	-	2,204,524	-	-	-
Insurance premium tax					425,616	-	425,616	-	-	-
Alcoholic beverage taxes					155,926	-	155,926	-	-	-
Other taxes					(12,206)	-	(12,206)	-	-	-
Miscellaneous					229,727	-	229,727	-	-	-
Franchise taxes					600,095	-	600,095	-	-	-
Unrestricted investment earnings					58,641	-	58,641	21,357	33	-
Gain on sale of capital assets					11,500	-	11,500	-	-	-
Transfers					46,295	(46,295)	-	-	-	-
Total general revenues and transfers					5,872,280	(46,295)	5,825,985	21,357	33	-
Change in net position					2,667,572	37,479	2,705,051	(127,491)	662,480	-
Net position, beginning of year					23,420,941	78,868	23,499,809	(62,446)	(3,505,490)	119,022
Net position, end of year					<u>\$ 26,088,513</u>	<u>\$ 116,347</u>	<u>\$ 26,204,860</u>	<u>\$ (189,937)</u>	<u>\$ (2,843,010)</u>	<u>\$ 119,022</u>

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

CITY OF MORROW, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

	General	2008 SPLOST Fund	2014 SPLOST Fund	Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 307,915	\$ 740,503	\$ 2,861,113	\$ 1,115,687	\$ 5,025,218
Investments	5,602,745	-	-	-	5,602,745
Taxes receivable	341,635	-	206,727	94,449	642,811
Accounts receivable	58,188	-	-	-	58,188
Advance to component unit	3,369,091	-	-	-	3,369,091
Due from other governments	1,225,093	-	-	-	1,225,093
Due from other funds	1,500,956	-	-	17,709	1,518,665
Prepaid expenditures	209,133	-	-	-	209,133
Assets held for resale	103,619	-	-	-	103,619
Total assets	<u>\$ 12,718,375</u>	<u>\$ 740,503</u>	<u>\$ 3,067,840</u>	<u>\$ 1,227,845</u>	<u>\$ 17,754,563</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,214,021	\$ -	\$ -	\$ 187,740	\$ 1,401,761
Accrued liabilities	341,840	-	-	-	341,840
Due to component unit	109,080	-	-	-	109,080
Due to other funds	-	47,530	1,181,261	53,128	1,281,919
Total liabilities	<u>1,664,941</u>	<u>47,530</u>	<u>1,181,261</u>	<u>240,868</u>	<u>3,134,600</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	245,737	-	-	-	245,737
Total deferred inflows of resources	<u>245,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,737</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	209,133	-	-	-	209,133
Advances	3,369,091	-	-	-	3,369,091
Assets held for resale	103,619	-	-	-	103,619
Restricted for:					
Public safety	-	-	-	58,722	58,722
Capital projects	69,859	692,973	1,886,579	-	2,649,411
Housing and economic development	-	-	-	928,255	928,255
Unassigned:	7,055,995	-	-	-	7,055,995
Total fund balances	<u>10,807,697</u>	<u>692,973</u>	<u>1,886,579</u>	<u>986,977</u>	<u>14,374,226</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,718,375</u>	<u>\$ 740,503</u>	<u>\$ 3,067,840</u>	<u>\$ 1,227,845</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.	13,983,961
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	245,737
Pension related deferred inflows and outflows are not reported in the funds.	(1,107,855)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(999,337)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(408,219)
Net position of governmental activities	<u>\$ 26,088,513</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, 2018

	General	2008 SPLOST Fund	2014 SPLOST Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues					
Property taxes	\$ 2,258,548	\$ -	\$ -	\$ -	\$ 2,258,548
Other taxes	2,962,878	-	-	999,441	3,962,319
Charges for services	464,015	-	-	-	464,015
Licenses and permits	1,164,307	-	-	-	1,164,307
Intergovernmental	1,186,072	-	1,188,459	-	2,374,531
Franchise fees	600,095	-	-	-	600,095
Fines and forfeitures	1,520,030	-	-	8,892	1,528,922
Interest revenue	58,641	-	-	-	58,641
Rental income	29,899	-	-	-	29,899
Other revenues	199,828	-	-	-	199,828
Total revenues	<u>10,444,313</u>	<u>-</u>	<u>1,188,459</u>	<u>1,008,333</u>	<u>12,641,105</u>
Expenditures					
Current:					
General government	1,048,460	-	-	-	1,048,460
Judicial	416,674	-	-	-	416,674
Public safety	4,483,537	-	-	50,568	4,534,105
Public works	1,059,249	-	-	-	1,059,249
Housing and economic development	1,290,654	-	-	782,061	2,072,715
Capital outlay	-	22,359	1,122,698	-	1,145,057
Debt service:					
Principal	266,283	-	-	-	266,283
Interest	30,459	-	-	-	30,459
Total expenditures	<u>8,595,316</u>	<u>22,359</u>	<u>1,122,698</u>	<u>832,629</u>	<u>10,573,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,848,997</u>	<u>(22,359)</u>	<u>65,761</u>	<u>175,704</u>	<u>2,068,103</u>
Other financing sources (uses)					
Transfers in	421,086	-	-	187,395	608,481
Transfers out	-	-	-	(562,186)	(562,186)
Proceeds from the sale of capital assets	11,500	-	-	-	11,500
Total other financing sources (uses)	<u>432,586</u>	<u>-</u>	<u>-</u>	<u>(374,791)</u>	<u>57,795</u>
Net change in fund balances	2,281,583	(22,359)	65,761	(199,087)	2,125,898
Fund balances, beginning of year	<u>8,526,114</u>	<u>715,332</u>	<u>1,820,818</u>	<u>1,186,064</u>	<u>12,248,328</u>
Fund balances, end of year	<u>\$ 10,807,697</u>	<u>\$ 692,973</u>	<u>\$ 1,886,579</u>	<u>\$ 986,977</u>	<u>\$ 14,374,226</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, 2018

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

Net change in fund balances - total governmental funds	\$ 2,125,898
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 outlay in the current period.	(69,578)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(106,386)
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.	266,283
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>451,355</u>
Change in net position - governmental activities	<u><u>\$ 2,667,572</u></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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 2,411,837	\$ 2,411,837	\$ 2,258,548	\$ (153,289)
Other taxes	2,489,505	2,530,784	2,962,878	432,094
Charges for services	309,738	309,738	464,015	154,277
Licenses and permits	1,243,900	1,243,900	1,164,307	(79,593)
Intergovernmental	973,354	1,994,038	1,186,072	(807,966)
Franchise fees	642,876	642,876	600,095	(42,781)
Fines and forfeitures	1,553,298	1,553,298	1,520,030	(33,268)
Interest revenue	12,120	12,120	58,641	46,521
Rental income	28,600	28,600	29,899	1,299
Other revenues	116,539	151,539	199,828	48,289
Total revenues	9,781,767	10,878,730	10,444,313	(434,417)
Expenditures:				
Current:				
General government:				
Mayor/commission	572,325	516,427	284,574	231,853
City clerk	76,092	76,092	76,037	55
Elections	15,000	15,000	10,953	4,047
General administration	373,478	409,987	363,754	46,233
Finance	258,809	258,809	209,882	48,927
Information technology	111,835	111,835	103,260	8,575
Total general government	1,407,539	1,388,150	1,048,460	339,690
Judicial:				
Municipal court	430,720	430,720	416,674	14,046
Public safety:				
Police	2,367,915	2,367,915	2,121,004	246,911
Fire	2,367,619	2,367,619	2,223,641	143,978
E911	100,000	100,000	100,000	-
Capital outlay	826,462	826,462	38,892	787,570
Total public safety	5,661,996	5,661,996	4,483,537	1,178,459
Public works:				
Administration	1,110,148	1,110,148	1,015,784	94,364
Capital outlay	65,948	65,948	43,465	22,483
Total public works	1,176,096	1,176,096	1,059,249	116,847
Housing and economic development:				
Planning and zoning	134,175	134,175	115,926	18,249
Economic development	1,203,654	1,203,654	1,166,568	37,086
Tourism	15,000	15,000	8,160	6,840
Total housing and economic development	1,352,829	1,352,829	1,290,654	62,175
Debt service	277,504	296,893	296,742	151
Total expenditures	10,306,684	10,306,684	8,595,316	1,711,368
Excess (deficiency) of revenues over (under) expenditures	(524,917)	572,046	1,848,997	1,276,951

(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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Other financing sources (uses)				
Transfers in	\$ 525,607	\$ 484,328	\$ 421,086	\$ (63,242)
Transfers out	(33,736)	(33,736)	-	33,736
Proceeds from the sale of capital assets	40,000	40,000	11,500	(28,500)
Total other financing sources, net	<u>531,871</u>	<u>490,592</u>	<u>432,586</u>	<u>(58,006)</u>
Net change in fund balances	6,954	1,062,638	2,281,583	1,218,945
Fund balances, beginning of year	<u>8,526,114</u>	<u>8,526,114</u>	<u>8,526,114</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 8,533,068</u></u>	<u><u>\$ 9,588,752</u></u>	<u><u>\$ 10,807,697</u></u>	<u><u>\$ 1,218,945</u></u>

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

CITY OF MORROW, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2018

	Sanitation Fund	Morrow Center Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 449,874	\$ 192,997	\$ 642,871
Accounts receivable	77,536	27,494	105,030
Total current assets	<u>527,410</u>	<u>220,491</u>	<u>747,901</u>
NONCURRENT ASSETS			
Capital assets - depreciable, net	-	24,480	24,480
Total noncurrent assets	-	24,480	24,480
Total assets	<u>527,410</u>	<u>244,971</u>	<u>772,381</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	269,891	15,310	285,201
Accrued liabilities	-	1,923	1,923
Customer deposits payable	-	15,700	15,700
Due to other funds	78,781	157,965	236,746
Unearned revenues	100,045	16,419	116,464
Total current liabilities	<u>448,717</u>	<u>207,317</u>	<u>656,034</u>
NET POSITION			
Investment in capital assets	-	24,480	24,480
Unrestricted	78,693	13,174	91,867
Total net position	<u>\$ 78,693</u>	<u>\$ 37,654</u>	<u>\$ 116,347</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 FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Sanitation Fund	Morrow Center Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 1,195,656	\$ 268,234	\$ 1,463,890
Total operating revenues	<u>1,195,656</u>	<u>268,234</u>	<u>1,463,890</u>
OPERATING EXPENSES			
Personal services	-	63,279	63,279
Purchased or contracted services	1,149,361	159,156	1,308,517
Depreciation	-	8,320	8,320
Total operating expenses	<u>1,149,361</u>	<u>230,755</u>	<u>1,380,116</u>
Operating income	46,295	37,479	83,774
TRANSFERS			
Transfers out	(46,295)	-	(46,295)
Total transfers	<u>(46,295)</u>	<u>-</u>	<u>(46,295)</u>
Change in net position	-	37,479	37,479
NET POSITION, beginning of year	<u>78,693</u>	<u>175</u>	<u>78,868</u>
NET POSITION, end of year	<u><u>\$ 78,693</u></u>	<u><u>\$ 37,654</u></u>	<u><u>\$ 116,347</u></u>

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

CITY OF MORROW, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Sanitation Fund	Morrow Center Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,219,752	\$ 253,498	\$ 1,473,250
Receipts from interfund services provided	78,781	-	78,781
Payments to suppliers	(966,224)	(89,884)	(1,056,108)
Payments to employees	-	(63,279)	(63,279)
Net cash provided by operating activities	<u>332,309</u>	<u>100,335</u>	<u>432,644</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	(46,295)	-	(46,295)
Net cash provided by (used in) noncapital financing activities	<u>(46,295)</u>	<u>-</u>	<u>(46,295)</u>
Change in cash and cash equivalents	286,014	100,335	386,349
Cash and cash equivalents:			
Beginning of year	<u>163,860</u>	<u>92,662</u>	<u>256,522</u>
End of year	<u><u>\$ 449,874</u></u>	<u><u>\$ 192,997</u></u>	<u><u>\$ 642,871</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 46,295	\$ 37,479	\$ 83,774
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	8,320	8,320
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	24,096	(14,736)	9,360
Increase in accounts payable	171,382	2,485	173,867
Increase in accrued liabilities	11,755	-	11,755
Increase in unearned revenue	-	3,689	3,689
Decrease in customer deposits	-	(700)	(700)
Increase in due to other funds	78,781	63,798	142,579
Net cash provided by operating activities	<u><u>\$ 332,309</u></u>	<u><u>\$ 100,335</u></u>	<u><u>\$ 432,644</u></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
JUNE 30, 2018

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, she is responsible for the day-to-day operations of city government. The legislative branch of the City is vested in the Mayor and four 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 include the accounts of all City operations and all activities of the City.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationship with the City.

In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, the component units' financial statements have been included as either blended or discretely presented. All of the City's component units have a June 30 year-end. As of June 30, 2018, the City does not have any blended component units.

Discretely Presented Component Units

The City of Morrow Downtown Development Authority (the "DDA") was formed during the year ended June 30, 2001, 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, maintains its accounting records and appoints a voting majority of the DDA's Board. Separate financial statements for the DDA are not prepared.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

The Urban Redevelopment Agency of the City of Morrow, Georgia (the “URA”) was activated by a resolution adopted by the Mayor and Council of the City of Morrow on March 24, 2009. Its purpose is to exercise the City’s “urban redevelopment project powers” under the Urban Redevelopment Law. The City provides resources that represent a substantial portion of the URA’s budget, has pledged the taxing power of the City to pay debt service on outstanding URA bonds, maintains its accounting records and appoints a majority of the URA’s Board. Separate financial statements for the URA are not prepared.

The City of Morrow Housing Authority (the “Authority”) was formed during the year ended June 30, 2009, to provide affordable housing to the citizens of Morrow. After a period of dormancy, the Authority was re-established on January 12, 2016. After they were re-established, they put out to bid and sold their only asset – a residential home on Navaho Trail. Separate financial statements for the Authority are not prepared.

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 **2008 Special Purpose Local Option Sales Tax (SPLOST) Fund** 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 **2014 Special Purpose Local Option Sales Tax (SPLOST) Fund** is a capital projects fund used to account for the revenues and expenditures relating to the 2014 1% Special Purpose Local Option Sales Tax.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Additionally, the City reports the following fund type:

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 funds 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)

F. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loans which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund 1 was created under OCGA 36-83-8 and is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. 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 per share value). The 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 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in the Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as investments for financial statement presentation.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values. Increases or decreases in the fair value during the year are recognized as a component of interest income.

G. Inventory and Prepaid Items

Inventory is valued at cost, which approximates market, using the first in, first out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used. Prepaid items are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure/expense is made for goods or services that were purchased for consumption, but not consumed as of June 30.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. For the most part, the effect of interfund activity has been removed from the government-wide Statement of Net Position. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statement of net position as “internal balances.” In the major fund balance sheets, these receivables and payables are classified as “due from other funds” and “due to other funds”.

I. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, or land easement or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has a right to receive the related grant amounts.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. In accordance with GASB 34, the City has elected not to include infrastructure acquired or constructed prior to July 1, 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

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, 2018, 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	5-10 years
Furniture and fixtures	5-10 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

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 has two items that qualify for reporting in this category and are combined under the heading "Pension" in the Statement of Net Position. Changes in actuarial assumptions, which adjust the net pension liability, are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. In addition, any contributions made by the City to the pension plan before year-end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet 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 four items that qualify for reporting in this category, one of which arises only under the modified accrual basis of accounting. 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. The other three items relate to the City's Retirement Plan and are combined under the heading "Pension" in the Statement of Net Position. Experience differences result from periodic studies by the City's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience differences are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions, which adjust the net pension liability, are also recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Additionally, the net difference between projected and actual earnings on pension plan investments is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred inflow of resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

City employees accrue vacation in different amounts, according to the number of years of service. Employees under ten years of service accrue two weeks of vacation each year. Upon reaching ten 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 ten years of service can also be paid out as additional compensation while still employed.

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, the 2008 SPLOST Fund, and the 2014 SPLOST Fund. Encumbrances outstanding at year-end are reported as committed or assigned 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 2008 SPLOST Fund and the 2014 SPLOST Fund, which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2018, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Fund balances are classified as follows:

- ***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.

Q. Tax Abatement Agreements

During the year ended June 30, 2017, the City implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the City's tax revenues. As of June 30, 2018, the City did not have any such agreements, either entered into by the City or by other governments, which exceeded the quantitative threshold for disclosure.

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 \$999,337 difference are as follows:

Capital leases	\$ (763,679)
Compensated absences	(228,703)
Accrued interest	<u>(6,955)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (999,337)</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 \$69,576 difference are as follows:

Capital outlay	\$ 1,129,566
Depreciation expense	<u>(1,199,142)</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><u>\$ (69,576)</u></u>

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 \$451,355 difference are as follows:

Change in accrued interest	\$ (950)
Change in net pension liability	418,505
Change in compensated absences	<u>33,800</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><u>\$ 451,355</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2018, are summarized as follows:

Amounts as presented on the entity-wide Statement of Net Position:	
Cash and cash equivalents	\$ 5,668,089
Investments	5,602,745
Component Units - cash and cash equivalents	767,337
Total	<u>\$ 12,038,171</u>
Cash deposited with financial institutions	\$ 6,435,426
Cash deposited with Georgia Fund 1	5,602,745
Total	<u>\$ 12,038,171</u>

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, 2018, the City's investment in Georgia Fund 1 was rated AAAs by Standard & Poor's.

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.

At June 30, 2018, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	10-day weighted average	<u>\$ 5,602,745</u>

Fair value measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of June 30, 2018, the City's only investment is in Georgia Fund 1. The Georgia Fund 1 is an investment pool, which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the City does not disclose its investment in the Georgia Fund 1 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018, all of the City's and its discretely presented component units bank balances were covered by either federal depository insurance, by collateral held by the City's agent in the City's name, or by collateral held by a third party custodian bank as part of the Georgia Office of the State Treasurer's Pooled Funds program.

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:

	General	2014 SPLOST	Nonmajor Governmental	Sanitation	Morrow Center	Total
Receivables:						
Taxes	\$ 392,740	\$ 206,727	\$ 94,449	\$ -	\$ -	\$ 693,916
Accounts Due from	58,188	-	-	77,536	27,494	163,218
other governments	1,225,093	-	-	-	-	1,225,093
Gross receivables	1,676,021	206,727	94,449	77,536	27,494	2,082,227
Less: allowance	(51,105)	-	-	-	-	(51,105)
Total receivables	<u>\$ 1,624,916</u>	<u>\$ 206,727</u>	<u>\$ 94,449</u>	<u>\$ 77,536</u>	<u>\$ 27,494</u>	<u>\$ 2,031,122</u>

Property Taxes

Property taxes were levied on October 26, 2017, (levy date) based upon property values assessed as of January 1. The billings were mailed on December 16, 2017, and payable on or before February 15, 2018, for the fiscal year 2018 tax. Taxes not paid within 30 days of the February 15th due date are subject to property tax liens on March 15, 2018. Property tax revenues are recognized when levied to the extent they result in current receivables.

The tax rate levied during fiscal year 2018 for the City's operations was 9.672 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 fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,013,235	\$ 75,037	\$ -	\$ 5,088,272
Infrastructure in process	275,365	22,324	-	297,689
Total capital assets, not being depreciated	<u>5,288,600</u>	<u>97,361</u>	<u>-</u>	<u>5,385,961</u>
Capital assets, being depreciated:				
Buildings, grounds, and improvements	4,654,174	22,382	-	4,676,556
Machinery and equipment	1,326,995	65,162	-	1,392,157
Furniture and fixtures	187,833	-	-	187,833
Infrastructure	11,313,830	783,391	-	12,097,221
Vehicles	3,214,941	161,270	(72,493)	3,303,718
Computer equipment and software	190,452	-	(115,065)	75,387
Park facilities and improvements	1,051,080	-	-	1,051,080
Total capital assets, being depreciated	<u>21,939,305</u>	<u>1,032,205</u>	<u>(187,558)</u>	<u>22,783,952</u>
Less accumulated depreciation for:				
Buildings, grounds, and improvements	(2,724,698)	(120,672)	-	(2,845,370)
Machinery and equipment	(704,696)	(98,276)	-	(802,972)
Furniture and fixtures	(187,833)	-	-	(187,833)
Infrastructure	(6,346,724)	(690,952)	-	(7,037,676)
Vehicles	(2,375,632)	(217,160)	72,493	(2,520,299)
Computer equipment and software	(150,376)	(10,202)	115,065	(45,513)
Park facilities and improvements	(684,405)	(61,882)	-	(746,287)
Total accumulated depreciation	<u>(13,174,364)</u>	<u>(1,199,144)</u>	<u>187,558</u>	<u>(14,185,950)</u>
Total capital assets, being depreciated, net	<u>8,764,941</u>	<u>(166,939)</u>	<u>-</u>	<u>8,598,002</u>
Governmental activities capital assets, net	<u>\$ 14,053,541</u>	<u>\$ (69,578)</u>	<u>\$ -</u>	<u>\$ 13,983,963</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 40,800	\$ -	\$ -	\$ 40,800
Total capital assets, being depreciated	<u>40,800</u>	<u>-</u>	<u>-</u>	<u>40,800</u>
Less accumulated depreciation for:				
Machinery and equipment	(8,000)	(8,320)	-	(16,320)
Total accumulated depreciation	<u>(8,000)</u>	<u>(8,320)</u>	<u>-</u>	<u>(16,320)</u>
Business-type activities capital assets, net	<u>\$ 32,800</u>	<u>\$ (8,320)</u>	<u>\$ -</u>	<u>\$ 24,480</u>

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

Governmental activities:	
General government	\$ 26,595
Public safety	341,345
Public works	784,633
Housing and economic development	46,569
Total depreciation expense - governmental activities	<u>\$ 1,199,142</u>
Business-type activities:	
Morrow Center	\$ 8,320
Total depreciation expense - business-type activities	<u>\$ 8,320</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Unit – Downtown Development Authority

Capital asset activity for the Downtown Development Authority for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 70,552	\$ -	\$ -	\$ 70,552
Total capital assets, not being depreciated	70,552	-	-	70,552
Capital assets, being depreciated:				
Buildings and improvements	3,225,769	-	-	3,225,769
Land improvements	52,464	-	-	52,464
Infrastructure	1,887,176	-	-	1,887,176
Total capital assets, being depreciated	5,165,409	-	-	5,165,409
Less accumulated depreciation for:				
Buildings and improvements	(1,366,778)	(84,500)	-	(1,451,278)
Land improvements	(32,598)	(2,838)	-	(35,436)
Infrastructure	(712,083)	(36,722)	-	(748,805)
Total accumulated depreciation	(2,111,459)	(124,060)	-	(2,235,519)
Total capital assets, being depreciated, net	3,053,950	(124,060)	-	2,929,890
Total capital assets, net	\$ 3,124,502	\$ (124,060)	\$ -	\$ 3,000,442

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Urban Redevelopment Agency

Capital asset activity for the Urban Redevelopment Agency for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,657,339	\$ -	\$ -	\$ 2,657,339
Total capital assets, not being depreciated	<u>2,657,339</u>	<u>-</u>	<u>-</u>	<u>2,657,339</u>
Capital assets, being depreciated:				
Buildings and improvements	2,747,013	-	-	2,747,013
Land improvements	100,878	-	-	100,878
Machinery and equipment	<u>2,241</u>	<u>-</u>	<u>-</u>	<u>2,241</u>
Total capital assets, being depreciated	<u>2,850,132</u>	<u>-</u>	<u>-</u>	<u>2,850,132</u>
Less accumulated depreciation for:				
Buildings and improvements	(205,314)	(102,658)	-	(307,972)
Land improvements	(27,526)	(13,763)	-	(41,289)
Machinery and equipment	<u>(897)</u>	<u>(448)</u>	<u>-</u>	<u>(1,345)</u>
Total accumulated depreciation	<u>(233,737)</u>	<u>(116,869)</u>	<u>-</u>	<u>(350,606)</u>
Total capital assets, being depreciated, net	<u>2,616,395</u>	<u>(116,869)</u>	<u>-</u>	<u>2,499,526</u>
Total capital assets, net	<u><u>\$ 5,273,734</u></u>	<u><u>\$ (116,869)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,156,865</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

A. Primary Government

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 1,029,962	\$ -	\$ (266,283)	\$ 763,679	\$ 196,320
Compensated absences	262,503	207,053	(240,853)	228,703	205,800
Net pension liability	1,337,491	1,650,028	(2,579,300)	408,219	-
Governmental activities Long-term liabilities	<u>\$ 2,629,956</u>	<u>\$ 1,857,081</u>	<u>\$ (3,086,436)</u>	<u>\$ 1,400,601</u>	<u>\$ 402,120</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 these bonds 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 is \$1,500,000.

In September 2012, 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.

In January 2014, the City entered into a lease agreement for nine police vehicles. 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 2.08% and the gross amount of the police vehicles under this capital lease is \$292,196.

In January 2015, the City entered into a lease agreement for nine vehicles. 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 2.48% and the gross amount of the police, fire and public works vehicles under this capital lease is \$300,523.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

A. Primary Government (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, 2018:

Fiscal year ending June 30,	
2019	\$ 219,554
2020	160,190
2021	160,190
2022	160,190
2023	121,034
2024	6,842
Total minimum lease payments	828,000
Less amount representing interest	(64,321)
Present value of minimum lease payments	<u>\$ 763,679</u>

The City's capital leases had a total purchase price of \$2,829,425, current year depreciation expense of \$166,684, accumulated depreciation of \$1,354,491 and net book value of \$1,474,934 as of June 30, 2018.

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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority					
Bonds payable	\$ 581,710	\$ -	\$ (86,625)	\$ 495,085	\$ 90,191
Development Authority Long-term liabilities	<u>\$ 581,710</u>	<u>\$ -</u>	<u>\$ (86,625)</u>	<u>\$ 495,085</u>	<u>\$ 90,191</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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

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. Bonds payable at June 30, 2018, 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	\$ 495,085
					<u>\$ 495,085</u>

Bonds Payable. 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,			
2019	\$ 90,191	\$ 17,810	\$ 108,001
2020	93,704	14,278	107,982
2021	97,374	10,609	107,983
2022	101,187	6,795	107,982
2023	105,150	2,833	107,983
2024	7,479	71	7,550
Total	<u>\$ 495,085</u>	<u>\$ 52,396</u>	<u>\$ 547,481</u>

C. Discretely Presented Component Unit – Urban Redevelopment Agency

The following is a summary of long-term debt activity for the Urban Redevelopment Agency for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Urban Redevelopment Agency					
Bonds payable	\$ 9,165,000	\$ -	\$ (640,000)	\$ 8,525,000	\$ 660,000
Redevelopment Agency Long-term liabilities	<u>\$ 9,165,000</u>	<u>\$ -</u>	<u>\$ (640,000)</u>	<u>\$ 8,525,000</u>	<u>\$ 660,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

C. Discretely Presented Component Unit – Urban Redevelopment Agency (Continued)

Bonds Payable. The Urban Redevelopment Agency of the City of Morrow, issued bonds in the amount of \$9,165,000 in June 2015. The proceeds of these bonds were used to purchase the old Macy's building (including the Morrow Conference Center) located at Southlake Mall and a professional office complex from the Downtown Development Authority. Bonds payable at June 30, 2018, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Amount</u>
Morrow Conference Center	4.93%	10 years	2025	\$ 9,165,000	<u>\$ 8,525,000</u>

Bonds Payable. 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,			
2019	\$ 660,000	\$ 420,283	\$ 1,080,283
2020	680,000	387,745	1,067,745
2021	705,000	354,221	1,059,221
2022	725,000	319,464	1,044,464
2023	750,000	283,722	1,033,722
2024 - 2025	5,005,000	455,286	5,460,286
Total	<u>\$ 8,525,000</u>	<u>\$ 2,220,721</u>	<u>\$ 10,745,721</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)

Plan membership. At January 1, 2018, there were 178 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	42
Inactive plan members entitled to but not receiving benefits	56
Active plan members	80
Total	<u>178</u>

Benefits provided. As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for full-time employees. Benefits are provided by the Plan whereby retirees receive 3% multiplied by their salary multiplied by the number of years of service. There is a 30 year cap on the service component of the computation. Employee benefits are fully vested after ten years of service. Normal retirement age is 65 with five years of credited service.

Contributions. The City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the current rate is 10.3% 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.

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan, as adopted by City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by Plan members during the year, with an additional amount to finance any unfunded accrued liability. City contributions to the Plan were \$342,836 for the year ended June 30, 2018.

B. Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, with update procedures performed by the actuary to roll forward the total pension liability measured as of September 30, 2017.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Actuarial assumptions. The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%, plus age and service based merit increases
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-distinct rates, set forward two years for males and one year for females. The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through June 30, 2014. There are no cost of living adjustments included in the assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return*
Domestic equity	45.00%	6.71%
International equity	20.00%	7.71%
Real estate	10.00%	5.21%
Global fixed income	5.00%	3.36%
Domestic fixed income	20.00%	2.11%
Cash	0.00%	
Total or weighted arithmetic average	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made equal to the actuarially determined contribution rate. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2018, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	\$ 14,354,513	\$ 13,017,022	\$ 1,337,491
Changes for the year:			
Service cost	247,172	-	247,172
Interest	1,091,236	-	1,091,236
Differences between expected and actual experience	(273,482)	-	(273,482)
Contributions—employer	-	359,871	(359,871)
Net investment income	-	1,945,947	(1,945,947)
Benefit payments, including refunds of employee contributions	(548,085)	(548,085)	-
Administrative expense	-	(30,794)	30,794
Other	280,826	-	280,826
Net changes	<u>797,667</u>	<u>1,726,939</u>	<u>(929,272)</u>
Ending Balance	<u><u>\$ 15,152,180</u></u>	<u><u>\$ 14,743,961</u></u>	<u><u>\$ 408,219</u></u>

The Plan's fiduciary net position as a percentage of the total pension liability	97.31%
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The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of Plan assets is increasing or decreasing over time relative to the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 2,491,986	\$ 408,219	\$ (1,331,339)

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 a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2017, and the current sharing pattern of costs between employer and employee.

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension income in the amount of \$72,812. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (816,645)
Changes in assumptions	224,660	(36,492)
Net difference between projected and actual earnings on pension plan investments	-	(765,075)
City contributions subsequent to the measurement date	285,697	-
Total	<u>\$ 510,357</u>	<u>\$ (1,618,212)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

City contributions subsequent to the measurement date of \$285,697 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2019	\$ (441,681)
2020	(365,018)
2021	(399,199)
2022	(187,654)
Total	<u>\$ (1,393,552)</u>

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, Nationwide Retirement Solutions. 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 years of continuous service, 66% vested after four years and 33% vested after three years. For the fiscal year ending June 30, 2018, the City did not contribute 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFICIT NET POSITION

The Downtown Development Authority and the Urban Redevelopment Agency had a deficit net position of \$189,937 and \$2,843,010 , respectively, as of June 30, 2018. The deficit in the Downtown Development Authority will be reduced through charges for services and intergovernmental revenues. The deficit in the Urban Redevelopment Agency will be reduced as the City pays down the outstanding bond obligation.

NOTE 10. HOTEL/MOTEL LODGING TAX

The City has levied an 8% lodging tax. For the fiscal year ended June 30, 2018, \$999,441 of hotel/motel tax was collected. The total amount collected was used for the promotion of tourism within the City.

NOTE 11. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2018, are as follows:

Due To	Due From					Total
	2008 SPLOST	2014 SPLOST	Nonmajor Governmental	Sanitation Fund	Morrow Center	
General Fund	\$ 47,530	\$ 1,181,261	\$ 35,419	\$ 78,781	\$ 157,965	\$ 1,500,956
Nonmajor Governmental	-	-	17,709	-	-	17,709
Total	<u>\$ 47,530</u>	<u>\$ 1,181,261</u>	<u>\$ 53,128</u>	<u>\$ 78,781</u>	<u>\$ 157,965</u>	<u>\$ 1,518,665</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, 2018, consisted of the following:

Transfer from	Transfer to		
	General	Nonmajor Governmental	Total
Nonmajor Governmental	\$ 374,791	\$ 187,395	\$ 562,186
Sanitation Fund	46,295	-	46,295
Total	<u>\$ 421,086</u>	<u>\$ 187,395</u>	<u>\$ 608,481</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.

NOTES TO FINANCIAL STATEMENTS

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, 2018, 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, 40 Courtland Street NE, Atlanta, Georgia 30303.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (CONTINUED)

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MORROW, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 247,172	\$ 276,558	\$ 359,638	\$ 443,408
Interest on total pension liability	1,091,236	1,079,384	1,026,035	996,071
Differences between expected and actual experience	(273,482)	(652,364)	(149,908)	(439,431)
Changes of assumptions	280,826	-	-	(109,478)
Benefit payments, including refunds of employee contributions	(548,085)	(553,195)	(541,580)	(466,299)
Net change in total pension liability	797,667	150,383	694,185	424,271
Total pension liability - beginning	14,354,513	14,204,130	13,509,945	13,085,674
Total pension liability - ending	\$ 15,152,180	\$ 14,354,513	\$ 14,204,130	\$ 13,509,945
Plan fiduciary net position				
Contributions - employer	\$ 359,871	\$ 420,033	\$ 552,938	\$ 528,868
Net investment income	1,945,947	1,317,861	130,288	1,197,510
Benefit payments, including refunds of employee contributions	(548,085)	(553,195)	(541,580)	(466,299)
Administrative expenses	(30,794)	(16,943)	(19,282)	(15,243)
Net change in plan fiduciary net position	1,726,939	1,167,756	122,364	1,244,836
Plan fiduciary net position - beginning	13,017,022	11,849,266	11,726,902	10,482,066
Plan fiduciary net position - ending	\$ 14,743,961	\$ 13,017,022	\$ 11,849,266	\$ 11,726,902
City's net pension liability - ending	\$ 408,219	\$ 1,337,491	\$ 2,354,864	\$ 1,783,043
Plan fiduciary net position as a percentage of the total pension liability	97.3%	90.7%	83.4%	86.8%
Covered payroll	\$ 3,521,632	\$ 3,831,939	\$ 4,423,020	\$ 4,915,662
City's net pension liability as a percentage of covered payroll	11.6%	34.9%	53.2%	36.3%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

CITY OF MORROW, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 342,836	\$ 363,278	\$ 431,384	\$ 577,249
Contributions in relation to the actuarially determined contribution	<u>342,836</u>	<u>359,850</u>	<u>431,384</u>	<u>577,249</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 3,428</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,319,767	\$ 3,521,632	\$ 3,931,939	\$ 4,423,020
Contributions as a percentage of covered payroll	10.3%	10.2%	11.0%	13.1%

Notes to the Schedule

Valuation date	January 1, 2018
Cost method	Projected unit credit
Actuarial asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed rate of return on investments	7.50%
Projected salary increases	2.75%
Cost-of-living adjustment	0.00%
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	N/A

The schedule will present 10 years of information once it is accumulated.

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

The **Product Development Fund** is used to account for the portion of the hotel/motel tax revenues that the Mayor and Council have specifically designated for tourism product development purposes such as facilities.

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, 2018

ASSETS	Hotel/ Motel Tax Fund	Product Development Fund	Confiscated Assets Fund	Excise Tax Fund	Totals
Cash and cash equivalents	\$ 503,163	\$ 443,965	\$ 168,559	\$ -	\$ 1,115,687
Taxes receivable	94,449	-	-	-	94,449
Due from other funds	-	17,709	-	-	17,709
Total assets	<u>\$ 597,612</u>	<u>\$ 461,674</u>	<u>\$ 168,559</u>	<u>\$ -</u>	<u>\$ 1,227,845</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 77,903	\$ -	\$ 109,837	\$ -	\$ 187,740
Due to other funds	53,128	-	-	-	53,128
Total liabilities	<u>131,031</u>	<u>-</u>	<u>109,837</u>	<u>-</u>	<u>240,868</u>
FUND BALANCES					
Restricted for:					
Public safety	-	-	58,722	-	58,722
Housing and economic development	466,581	461,674	-	-	928,255
Total fund balances	<u>466,581</u>	<u>461,674</u>	<u>58,722</u>	<u>-</u>	<u>986,977</u>
Total liabilities and fund balances	<u>\$ 597,612</u>	<u>\$ 461,674</u>	<u>\$ 168,559</u>	<u>\$ -</u>	<u>\$ 1,227,845</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, 2018

	Hotel/ Motel Tax Fund	Product Development Fund	Confiscated Assets Fund	Excise Tax Fund	Totals
Revenues					
Other taxes	\$ 999,441	\$ -	\$ -	\$ -	\$ 999,441
Fines and forfeitures	-	-	8,892	-	8,892
Total revenues	<u>999,441</u>	<u>-</u>	<u>8,892</u>	<u>-</u>	<u>1,008,333</u>
Expenditures					
Public safety	-	-	50,568	-	50,568
Housing and economic development	674,061	108,000	-	-	782,061
Total expenditures	<u>674,061</u>	<u>108,000</u>	<u>50,568</u>	<u>-</u>	<u>832,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>325,380</u>	<u>(108,000)</u>	<u>(41,676)</u>	<u>-</u>	<u>175,704</u>
Other financing sources (uses)					
Transfers in	-	187,395	-	-	187,395
Transfers out	(562,186)	-	-	-	(562,186)
Total other financing sources (uses)	<u>(562,186)</u>	<u>187,395</u>	<u>-</u>	<u>-</u>	<u>(374,791)</u>
Net change in fund balances	(236,806)	79,395	(41,676)	-	(199,087)
Fund balances, beginning of year	<u>703,387</u>	<u>382,279</u>	<u>100,398</u>	<u>-</u>	<u>1,186,064</u>
Fund balances, end of year	<u>\$ 466,581</u>	<u>\$ 461,674</u>	<u>\$ 58,722</u>	<u>\$ -</u>	<u>\$ 986,977</u>

CITY OF MORROW, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL HOTEL/MOTEL TAX FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Other taxes	\$ 1,032,600	\$ 1,032,600	\$ 999,441	\$ (33,159)
Total revenues	<u>1,032,600</u>	<u>1,032,600</u>	<u>999,441</u>	<u>(33,159)</u>
Expenditures				
Economic development	<u>1,141,763</u>	<u>1,141,763</u>	<u>674,061</u>	<u>467,702</u>
Total expenditures	<u>1,141,763</u>	<u>1,141,763</u>	<u>674,061</u>	<u>467,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,163)</u>	<u>(109,163)</u>	<u>325,380</u>	<u>434,543</u>
Other financing sources (uses)				
Transfers in	109,163	109,163	-	(109,163)
Transfers out	<u>-</u>	<u>-</u>	<u>(562,186)</u>	<u>(562,186)</u>
Total other financing sources (uses)	<u>109,163</u>	<u>109,163</u>	<u>(562,186)</u>	<u>(671,349)</u>
Net change in fund balance	-	-	(236,806)	(236,806)
Fund balances, beginning of year	<u>703,387</u>	<u>703,387</u>	<u>703,387</u>	<u>-</u>
Fund balances, end of year	<u>\$ 703,387</u>	<u>\$ 703,387</u>	<u>\$ 466,581</u>	<u>\$ (236,806)</u>

CITY OF MORROW, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL PRODUCT DEVELOPMENT FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Economic development	543,612	543,612	108,000	435,612
Total expenditures	543,612	543,612	108,000	435,612
Deficiency of revenues under expenditures	(543,612)	(543,612)	(108,000)	435,612
Other financing sources				
Transfers in	193,612	193,612	187,395	(6,217)
Total other financing sources	193,612	193,612	187,395	(6,217)
Net change in fund balance	(350,000)	(350,000)	79,395	429,395
Fund balances, beginning of year	382,279	382,279	382,279	-
Fund balances, end of year	<u>\$ 32,279</u>	<u>\$ 32,279</u>	<u>\$ 461,674</u>	<u>\$ 429,395</u>

CITY OF MORROW, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL CONFISCATED ASSETS FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Fines and forfeitures	\$ 60,700	\$ 60,700	\$ 8,892	\$ (51,808)
Total revenues	<u>60,700</u>	<u>60,700</u>	<u>8,892</u>	<u>(51,808)</u>
Expenditures				
Public safety	60,700	60,700	50,568	10,132
Total expenditures	<u>60,700</u>	<u>60,700</u>	<u>50,568</u>	<u>10,132</u>
Net change in fund balance	-	-	(41,676)	(41,676)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>100,398</u>	<u>100,398</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,722</u>	<u>\$ 58,722</u>

CITY OF MORROW, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL EXCISE TAX FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Other taxes	\$ 41,279	\$ 41,279	\$ -	\$ (41,279)
Total revenues	<u>41,279</u>	<u>41,279</u>	<u>-</u>	<u>(41,279)</u>
 Other financing uses				
Transfers out	(41,279)	(41,279)	-	41,279
Total other financing uses	<u>(41,279)</u>	<u>(41,279)</u>	<u>-</u>	<u>41,279</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>	<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, 2018

<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	\$ 139,950	\$ 139,950	\$ -	\$ 139,950
Pedestrian Path System Phase II	690,000	302,672	302,672	-	302,672
Pedestrian Path System Phase III	861,025	860,523	593,746	22,359	616,105
Barton Park Phase IV	377,901	377,901	-	-	-
Morrow Conference Center	4,051,626	5,095,143	5,095,143	-	5,095,143
Olde Morrow Creek Corridor	2,160,000	1,826,781	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>677,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 9,860,000</u></u>	<u><u>\$ 9,860,000</u></u>	<u><u>\$ 7,958,292</u></u>	<u><u>\$ 22,359</u></u>	<u><u>\$ 7,980,651</u></u>

CITY OF MORROW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX – 2014 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Communication and RMS Software	\$ 2,201,126	\$ 2,201,126	\$ 337,849	\$ 23,646	\$ 361,495
Street Resurfacing and Road Improvements	1,559,694	1,559,694	58,896	821,246	880,142
Facilities Improvements	1,114,067	1,114,067	155,456	50,802	206,258
Vehicles	1,600,205	1,600,205	270,873	190,171	461,044
Equipment	249,821	249,821	70,606	36,833	107,439
Comprehensive Plan	<u>27,008</u>	<u>27,008</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 6,751,921</u></u>	<u><u>\$ 6,751,921</u></u>	<u><u>\$ 893,680</u></u>	<u><u>\$ 1,122,698</u></u>	<u><u>\$ 2,016,378</u></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 **Urban Redevelopment Agency** was activated by a resolution adopted during the fiscal year ended June 30, 2009. Its purpose is to exercise the City's "urban redevelopment project powers" under the Urban Redevelopment Law.

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, 2018

	Downtown Development Authority	Urban Redevelopment Authority	Morrow Housing Authority	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 138,623	\$ 1,414,837	\$ -	\$ 1,553,460
Payments to suppliers	(55,021)	(572,769)	-	(627,790)
Payments to employees	-	(27,231)	-	(27,231)
Net cash provided by operating activities	<u>83,602</u>	<u>814,837</u>	<u>-</u>	<u>898,439</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on notes payable and capital leases	(86,625)	(640,000)	-	(726,625)
Interest paid	(21,866)	-	-	(21,866)
Net cash used in capital and related financing activities	<u>(108,491)</u>	<u>(640,000)</u>	<u>-</u>	<u>(748,491)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	21,357	33	-	21,390
Net cash provided by investing activities	<u>21,357</u>	<u>33</u>	<u>-</u>	<u>21,390</u>
Change in cash and cash equivalents	(3,532)	174,870	-	171,338
Cash and cash equivalents:				
Beginning of year	<u>187,429</u>	<u>407,874</u>	<u>696</u>	<u>595,999</u>
End of year	<u><u>\$ 183,897</u></u>	<u><u>\$ 582,744</u></u>	<u><u>\$ 696</u></u>	<u><u>\$ 767,337</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Net operating income (loss)	\$ (127,494)	\$ 662,447	\$ -	\$ 534,953
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	124,059	116,868	-	240,927
Changes in assets and liabilities:				
Decrease in accounts receivable	90,685	22,983	-	113,668
Decrease in due from primary government	-	27,712	-	27,712
Increase (decrease) in accounts payable	(2,748)	3,364	-	616
Decrease in accrued interest	-	(1,314)	-	(1,314)
Decrease in deferred revenue	(900)	(17,223)	-	(18,123)
Net cash provided by (used in) operating activities	<u><u>\$ 83,602</u></u>	<u><u>\$ 814,837</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 898,439</u></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.

<u>Contents</u>	<u>Page</u>
Financial Trends	69 – 74
<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	75 – 79
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i>	
Debt Capacity	80 – 82
<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	83 and 84
<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	85 – 88
<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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 23,866,983	\$ 12,155,243	\$ 12,553,494	\$ 12,922,300	\$ 14,388,529	\$ 15,145,014	\$ 13,883,120	\$ 13,576,092	\$ 13,835,240	\$ 13,220,282
Restricted	-	-	657,217	1,014,757	1,301,836	1,459,254	1,358,374	2,799,967	3,829,338	3,636,388
Unrestricted	9,234,985	6,382,543	7,002,728	8,858,861	7,253,161	4,410,592	4,380,364	5,136,658	5,756,363	9,231,843
Total governmental activities net position	<u>\$ 33,101,968</u>	<u>\$ 18,537,786</u>	<u>\$ 20,213,439</u>	<u>\$ 22,795,918</u>	<u>\$ 22,943,526</u>	<u>\$ 21,014,860</u>	<u>\$ 19,621,858</u>	<u>\$ 21,512,717</u>	<u>\$ 23,420,941</u>	<u>\$ 26,088,513</u>
Business-type activities										
Net investment in capital assets	\$ -	\$ 4,968,535	\$ 4,837,226	\$ 4,705,917	\$ 4,574,608	\$ 4,443,299	\$ -	\$ -	\$ 32,800	\$ 24,480
Unrestricted	-	17,062	58,798	58,797	58,797	58,797	-	10,070	46,068	91,867
Total business-type activities net position	<u>\$ -</u>	<u>\$ 4,985,597</u>	<u>\$ 4,896,024</u>	<u>\$ 4,764,714</u>	<u>\$ 4,633,405</u>	<u>\$ 4,502,096</u>	<u>\$ -</u>	<u>\$ 10,070</u>	<u>\$ 78,868</u>	<u>\$ 116,347</u>
Primary government										
Net investment in capital assets	\$ 23,866,983	\$ 17,123,778	\$ 17,390,720	\$ 17,628,217	\$ 18,963,137	\$ 19,588,313	\$ 13,883,120	\$ 13,576,092	\$ 13,868,040	\$ 13,244,762
Restricted	-	-	657,217	1,014,757	1,301,836	1,459,254	1,358,374	2,799,967	3,829,338	3,636,388
Unrestricted	9,234,985	6,399,605	7,061,526	8,917,658	7,311,958	4,469,389	4,380,364	5,146,728	5,802,431	9,323,710
Total primary government net position	<u>\$ 33,101,968</u>	<u>\$ 23,523,383</u>	<u>\$ 25,109,463</u>	<u>\$ 27,560,632</u>	<u>\$ 27,576,931</u>	<u>\$ 25,516,956</u>	<u>\$ 19,621,858</u>	<u>\$ 21,522,787</u>	<u>\$ 23,499,809</u>	<u>\$ 26,204,860</u>

CITY OF MORROW, GEORGIA

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

Expenses	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Primary government:										
Governmental activities:										
General government	\$ 1,692,191	\$ 12,908,230	\$ 2,572,899	\$ 2,219,595	\$ 2,330,884	\$ 2,659,889	\$ 1,309,864	\$ 1,085,997	\$ 959,779	\$ 1,031,964
Judicial	388,218	353,217	384,023	414,825	299,269	207,361	461,246	371,820	289,793	401,773
Public safety	6,759,090	6,460,751	6,741,610	6,129,433	5,837,934	6,063,898	5,826,054	5,149,353	4,931,355	4,546,184
Public works	1,546,931	1,775,873	1,775,668	2,094,630	2,250,389	2,012,159	3,691,972	1,822,152	1,865,253	1,795,120
Economic development	163,313	161,156	275,328	307,398	295,928	319,228	565,371	737,779	1,161,855	2,118,492
Interest and fiscal changes	73,201	250,977	250,639	243,719	171,835	130,073	85,360	44,183	35,741	31,409
Total governmental activities expenses	10,622,944	21,910,204	12,000,167	11,409,600	11,186,239	11,392,608	11,939,867	9,211,284	9,243,776	9,924,942
Business-type activities:										
Sanitation	1,001,787	923,938	836,005	833,225	837,610	891,957	886,173	848,292	997,255	1,149,361
Morrow Center	-	168,345	411,954	419,601	411,498	390,376	401,316	205,831	216,665	230,755
Total business-type activities expenses	1,001,787	1,092,283	1,247,959	1,252,826	1,249,108	1,282,333	1,287,489	1,054,123	1,213,920	1,380,116
Total primary government expenses	11,624,731	23,002,487	13,248,126	12,662,426	12,435,347	12,674,941	13,227,356	10,265,407	10,457,696	11,305,058
Program revenues										
Primary government:										
Governmental activities:										
Charges for services										
General government	1,036,261	1,081,785	1,108,890	1,084,186	1,058,252	1,087,830	17,061	15,630	1,338,694	1,168,511
Public safety	4,705,219	4,432,995	4,694,366	5,045,952	2,990,715	2,677,990	1,699,591	1,593,283	1,260,637	1,988,733
Public works	-	-	-	-	-	-	-	3,870	-	-
Economic development	-	-	-	-	-	-	236,955	160,486	-	-
Operating grants and contributions	-	147,717	1,721,689	884,916	215,044	257,600	375,000	187,675	340,647	1,186,072
Capital grants and contributions	576,188	1,568,989	1,507,511	1,583,609	1,615,952	1,445,656	48,336	341,577	1,112,301	2,376,918
Total governmental activities program revenues	6,317,668	7,231,486	9,032,456	8,598,663	5,879,963	5,469,076	2,376,943	2,302,521	4,052,279	6,720,234
Business-type activities:										
Charges for services										
Sanitation	1,167,594	1,065,842	968,431	920,189	956,336	1,029,827	1,033,592	968,121	1,145,948	1,195,656
Morrow Center	-	55,544	209,177	253,367	160,788	164,441	194,894	161,031	174,657	268,234
Total business-type activities program revenues	1,167,594	1,121,386	1,177,608	1,173,556	1,117,124	1,194,268	1,228,486	1,129,152	1,320,605	1,463,890
Total primary government program revenues	7,485,262	8,352,872	10,210,064	9,772,219	6,997,087	6,663,344	3,605,429	3,431,673	5,372,884	8,184,124

(Continued)

CITY OF MORROW, GEORGIA

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense)/revenue										
Governmental activities	\$ (4,305,276)	\$ (14,678,718)	\$ (2,967,711)	\$ (2,810,937)	\$ (5,306,276)	\$ (5,923,532)	\$ (9,562,924)	\$ (6,908,763)	\$ (5,191,497)	\$ (3,204,708)
Business-type activities	165,807	29,103	(70,351)	(79,270)	(131,984)	(88,065)	(59,003)	75,029	106,685	83,774
Total primary government net expense	(4,139,469)	(14,649,615)	(3,038,062)	(2,890,207)	(5,438,260)	(6,011,597)	(9,621,927)	(6,833,734)	(5,084,812)	(3,120,934)
General revenue and other changes in net position										
Primary government:										
Governmental activities:										
Property taxes	1,618,013	1,769,748	1,634,577	1,896,885	1,926,089	2,431,997	2,323,174	2,375,633	2,574,919	2,152,162
Sales taxes	1,687,170	1,652,727	1,603,352	1,654,007	1,707,532	1,609,741	2,999,232	2,979,764	2,025,574	2,204,524
Insurance Premium tax	273,237	270,673	262,807	302,298	321,091	332,459	345,938	378,019	399,700	425,616
Alcoholic beverage taxes	132,601	125,279	125,564	124,532	94,882	99,894	137,883	109,879	137,582	155,926
Other taxes	573,511	492,323	515,502	551,195	629,398	930,692	1,522,468	2,002,155	1,167,603	(12,206)
Miscellaneous	222,254	70,887	32,911	73,732	140,608	77,997	285,139	169,326	89,197	229,727
Franchise fees	712,704	664,498	690,517	715,923	659,513	636,838	650,166	674,693	629,776	600,095
Investment earnings	76,126	13,558	1,830	3,086	3,589	2,952	5,163	5,530	14,312	58,641
Gain on sale of assets	-	11,337	298	19,718	17,273	-	37,435	12,664	23,171	11,500
Special item	-	-	(243,216)	-	-	-	-	-	-	-
Extraordinary item ^(d)	-	-	-	-	-	-	(238,038)	-	-	-
Transfers ^(a)	165,807	(4,956,494)	19,222	52,040	(675)	43,244	128,362	64,959	37,887	46,295
Total governmental activities general revenues and other changes in net position	5,461,423	114,536	4,643,364	5,393,416	5,499,300	6,165,814	8,196,922	8,772,622	7,099,721	5,872,280
Business-type activities:										
Special item ^(c)	-	-	-	-	-	-	(4,314,731)	-	-	-
Transfers	(165,807)	4,956,494	(19,222)	(52,040)	675	(43,244)	(128,362)	(64,959)	(37,887)	(46,295)
Total business-type activities general revenues and other changes in net position	(165,807)	4,956,494	(19,222)	(52,040)	675	(43,244)	(4,443,093)	(64,959)	(37,887)	(46,295)
Total primary government general revenues and other changes in net position	1,156,147	(9,578,585)	1,586,080	2,451,169	61,715	110,973	(5,868,098)	1,873,929	1,977,022	2,705,051
Change in net position										
Governmental activities ^(b)	1,156,147	(14,564,182)	1,675,653	2,582,479	193,024	242,282	(1,366,002)	1,863,859	1,908,224	2,667,572
Business-type activities	-	4,985,597	(89,573)	(131,310)	(131,309)	(131,309)	(187,365)	10,070	68,798	37,479
Total primary government change in net position	\$ 1,156,147	\$ (9,578,585)	\$ 1,586,080	\$ 2,451,169	\$ 61,715	\$ 110,973	\$ (1,553,367)	\$ 1,873,929	\$ 1,977,022	\$ 2,705,051

^(a) The transfer in Governmental Activities in 2010 represents the transfer of the Morrow Center capital assets to an enterprise fund.

^(b) The Change in Net Position in 2014 for Governmental Activities does not reflect the prior period adjustment of \$(2,170,948) due to the implementation of GASB No. 68.

^(c) The Special Item in Business Activities for 2015 represents the sale of the Morrow Center to the Urban Redevelopment Agency.

^(d) The Extraordinary Item in Governmental Activities for 2015 represents the write-down of real estate held by the City for resale to its fair value.

CITY OF MORROW, GEORGIA

FUND BALANCES – GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 6,121,142	\$ 5,178,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,188,578	2,224,129	-	-	-	-	-	-	-	-
Nonspendable	-	-	5,232,214	5,244,168	5,343,048	4,001,623	5,244,168	3,815,035	3,607,028	3,681,843
Restricted	-	-	19,613	-	-	-	-	-	116,124	69,859
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	1,903,908	2,764,662	2,146,121	2,508,181	2,764,662	2,738,418	4,802,962	7,055,995
Total General fund	<u>\$ 9,309,720</u>	<u>\$ 7,402,959</u>	<u>\$ 7,155,735</u>	<u>\$ 8,008,830</u>	<u>\$ 7,489,169</u>	<u>\$ 6,509,804</u>	<u>\$ 8,008,830</u>	<u>\$ 6,553,453</u>	<u>\$ 8,526,114</u>	<u>\$ 10,807,697</u>
All Other Governmental Funds										
Reserved, reported in:										
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	4,069,064	(897,403)	-	-	-	-	-	-	-	-
Special revenue funds	(38,360)	(69,546)	-	-	-	-	-	-	9,000	-
Restricted, reported in:										
Special revenue funds	-	-	35,858	73,561	43,201	90,155	73,561	312,257	1,177,064	986,977
Capital projects funds	-	-	601,746	941,196	1,258,635	1,369,099	941,196	1,073,117	2,536,150	2,579,552
Total all other governmental funds	<u>\$ 4,030,704</u>	<u>\$ (966,949)</u>	<u>\$ 637,604</u>	<u>\$ 1,014,757</u>	<u>\$ 1,301,836</u>	<u>\$ 1,459,254</u>	<u>\$ 1,014,757</u>	<u>\$ 1,385,374</u>	<u>\$ 3,722,214</u>	<u>\$ 3,566,529</u>
Total all governmental funds	<u>\$ 13,340,424</u>	<u>\$ 6,436,010</u>	<u>\$ 7,793,339</u>	<u>\$ 9,023,587</u>	<u>\$ 8,791,005</u>	<u>\$ 7,969,058</u>	<u>\$ 9,023,587</u>	<u>\$ 7,938,827</u>	<u>\$ 12,248,328</u>	<u>\$ 14,374,226</u>

Note: GASB 54 was implemented during fiscal year 2011.

CITY OF MORROW, GEORGIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Property taxes	\$ 1,597,308	\$ 1,743,042	\$ 1,629,148	\$ 1,970,306	\$ 1,898,449	\$ 2,399,459	\$ 2,300,764	\$ 2,279,325	\$ 2,447,572	\$ 2,258,548
Other taxes	2,620,688	2,541,002	2,546,385	2,632,032	2,752,903	2,718,725	3,957,727	4,402,750	4,842,760	3,962,319
Charges for services	905,867	1,130,955	962,317	951,049	399,451	472,063	364,060	391,389	310,882	464,015
Licenses and permits	1,025,873	1,071,343	1,093,682	1,058,978	1,040,023	1,070,238	344,094	256,843	1,317,734	1,164,307
Intergovernmental	983,580	2,161,847	3,677,076	2,916,220	2,277,065	2,163,577	1,795,480	1,591,048	340,647	2,374,531
Franchise fees	712,704	664,498	690,517	715,923	659,513	636,838	650,166	674,693	629,776	600,095
Fines, forfeitures, and fees	3,358,552	2,864,622	3,300,393	3,670,521	2,161,060	1,760,000	1,349,760	1,217,086	970,715	1,528,922
Interest revenues	76,126	16,277	2,583	4,981	5,953	6,150	5,163	5,530	14,312	58,641
Rental income	187,210	22,500	16,879	53,554	26,593	55,237	30,407	26,781	29,199	29,899
Other revenues	35,044	48,387	16,032	20,178	114,015	22,760	80,129	55,767	59,998	199,828
Total revenues	11,502,952	12,264,473	13,935,012	13,993,742	11,335,025	11,305,047	10,877,750	10,901,212	10,963,595	12,641,105
Expenditures:										
Current:										
General government	4,922,354	4,393,190	2,483,815	2,206,955	2,281,432	2,984,872	1,301,842	1,056,148	948,333	1,048,460
Judicial	387,621	354,340	383,501	414,464	300,913	206,317	460,020	370,881	292,606	416,674
Public safety	6,576,604	6,205,103	6,579,175	6,263,698	6,111,366	6,081,918	5,801,979	5,089,177	4,705,285	4,534,105
Public works	2,442,896	1,321,775	2,439,957	2,115,167	1,515,636	1,242,745	1,143,615	1,017,010	1,081,125	1,059,249
Housing and development ^(c)	163,952	155,168	271,736	300,129	304,814	321,708	525,014	690,212	1,114,633	2,072,715
Capital Outlay	1,112,583	6,535,456	10,127	24,159	38,513	30,192	251,057	346,565	369,770	1,145,057
Debt service:										
Principal	61,410	63,815	66,328	1,288,911	1,362,469	1,456,661	1,559,708	270,341	259,148	266,283
Interest and fiscal charges	46,572	220,321	221,674	221,769	179,345	138,021	93,029	45,320	37,433	30,459
Bond issuance costs	133,550	-	-	-	-	-	-	-	-	-
Total expenditures	15,847,542	19,249,168	12,456,313	12,835,252	12,094,488	12,462,434	11,136,264	8,885,654	8,808,333	10,573,002
Excess (deficiency) of revenues over expenditures	(4,344,590)	(6,984,695)	1,478,699	1,158,490	(759,463)	(1,157,387)	(258,514)	2,015,558	2,155,262	2,068,103
Other financing sources (uses)										
Proceeds from bond issuance ^(a)	5,135,000	-	-	-	-	-	-	-	-	-
Proceeds from capital lease ^(b)	-	-	-	-	461,794	292,196	300,523	-	-	-
Proceeds from the sale of capital assets	1,105	11,337	102,624	19,718	65,762	-	37,436	12,664	23,171	11,500
Transfers in	1,178,487	1,119,721	570,240	464,850	575,660	632,705	808,194	1,076,156	785,044	608,481
Transfers out	(1,012,680)	(1,050,777)	(551,018)	(412,810)	(576,335)	(589,461)	(679,832)	(1,011,197)	(747,157)	(562,186)
Total other financing sources (uses)	5,301,912	80,281	121,846	71,758	526,881	335,440	466,321	77,623	61,058	57,795

(Continued)

CITY OF MORROW, GEORGIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Special item	\$ -	\$ -	\$ (243,216)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Extraordinary item	-	-	-	-	-	-	(238,038)	-	-	-
Net change in fund balances	<u>\$ 957,322</u>	<u>\$ (6,904,414)</u>	<u>\$ 1,357,329</u>	<u>\$ 1,230,248</u>	<u>\$ (232,582)</u>	<u>\$ (821,947)</u>	<u>\$ (30,231)</u>	<u>\$ 2,093,181</u>	<u>\$ 2,216,320</u>	<u>\$ 2,125,898</u>
Debt service as a percentage of non-capital expenditures	0.54%	1.64%	2.23%	2.31%	11.79%	12.79%	12.83%	18.58%	3.82%	3.14%

^(a) The bond proceeds in 2009 were for 2008 SPLOST Capital Projects Fund revenue bonds.

^(b) During 2013, 2014, and 2015, the City chose to lease purchase certain vehicles.

^(c) Beginning in 2015, the Planning and Zoning and Economic Development departments are shown in the Housing and Development function rather than General Government.

CITY OF MORROW, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN 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	Industrial	Motor Vehicles						
2008	91,255,372	247,037,731	-	13,200,010	45,340,561	(57,525,739)	339,307,935	5.00	848,269,838	40%
2009 ^(a)	84,532,382	231,618,951	-	13,611,450	46,431,470	(55,095,856)	321,098,397	6.00	802,745,993	40%
2010 ^(b)	73,773,415	213,382,165	38,481,864	11,652,700	45,377,795	(47,720,016)	334,947,923	6.00	837,369,808	40%
2011	68,703,167	198,097,906	38,413,448	10,356,060	45,249,749	(44,879,588)	315,940,742	7.50	789,851,855	40%
2012	56,899,909	192,386,084	37,453,869	11,191,190	45,297,131	(38,960,597)	304,267,586	7.50	760,668,965	40%
2013	52,123,787	188,010,464	35,671,276	11,729,050	43,656,848	(34,441,315)	296,750,110	9.50	741,875,275	40%
2014 ^(c)	54,158,547	199,470,602	24,108,758	9,200,580	32,094,330	(33,829,376)	285,203,441	9.50	713,008,603	40%
2015	59,664,633	188,186,942	18,266,624	6,376,960	26,067,133	(34,727,585)	263,834,707	9.64	659,586,768	40%
2016	66,704,691	190,234,673	12,850,000	4,789,650	7,754,517	(43,332,156)	239,001,375	9.64	597,503,438	40%
2017	68,327,337	188,177,661	12,611,400	3,556,440	7,636,103	(48,646,944)	231,661,997	9.67	579,154,993	40%

Source: Clayton County Tax Commissioner

^(a) Beginning with the 2009 Tax Digest Year, the fair market values of property has declined as a result of the recession and the housing bubble.

^(b) Beginning with the 2010 Tax Digest Year, the "Industrial" component of the digest was separated out of the "Other" category.

^(c) Beginning with the 2014 Tax Digest, the "Motor Vehicles" component has decreased substantially due to the imposition of the Title Ad Valorem Tax method.

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				
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
2013	9.500	9.500	0.150	14.661	20.000	44.311
2014	9.500	9.500	0.100	14.869	19.804	44.273
2015	9.638	9.638	0.050	15.862	19.095	44.645
2016	9.638	9.638	0.000	16.596	19.095	45.329
2017	9.672	9.672	0.000	16.596	19.095	45.363

Source: Clayton County Tax Commissioner

Note: The City has a homestead exemption of \$60,000 as it relates to assessed values.

CITY OF MORROW, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2017 (Tax Digest Year)			2008 (Tax Digest Year)		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
VCG - Southlake Mall LLC	\$ 38,850,896	1	16.77%	\$		
USPG Portfolio Five LLC	28,564,424	2	12.33%			
Paccar Inc	24,033,464	3	10.37%	12,886,017	9	3.80%
Comcast of Georgia, Inc.	21,033,121	4	9.08%			
Sherwin Williams Co.	22,894,101	5	9.88%			
Realty Income Properties II LLC	22,725,500	6	9.81%			
Costco Wholesale Corp	19,152,971	7	8.27%	19,185,004	5	5.65%
Scott H. Lee as Trustee (WalMart)	13,964,500	8	6.03%	15,621,000	7	4.60%
1956-1994 Mount Zion Rd Holdings LLC	13,525,392	9	5.84%			
Georgia Power Company	12,937,210	10	5.58%			
Southlake Mall LLC				73,409,248	1	21.63%
DDRTC Southlake Pavilion LLC				73,006,953	2	21.52%
Southlake Atlanta LLC				25,019,617	3	7.37%
Atlanta Distribution Center				19,506,429	4	5.75%
ECM Southlake LLC				18,408,500	6	5.43%
Glenwood Morrow Co. LLC				13,546,365	8	3.99%
Clayton Place LLC				11,713,500	10	3.46%
All Other Taxpayers	13,980,418		6.03%	57,005,302		16.80%
Total	<u>\$ 231,661,997</u>		<u>100.00%</u>	<u>\$ 339,307,935</u>		<u>100.00%</u>

Source: Clayton County Tax Commissioner

CITY OF MORROW, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN 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
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%	75,236	1,712,229	99.61%
2011	1,567,965	(11,688)	1,556,277	1,501,774	96.50%	47,109	1,548,883	99.52%
2012	1,869,436	(18,422)	1,851,014	1,805,744	97.55%	36,126	1,841,870	99.51%
2013	1,765,760	(56,992)	1,708,768	1,698,692	99.41%	31,494	1,730,186	101.25%
2014	2,174,364	(64,012)	2,110,352	2,051,663	97.22%	-	2,051,663	97.22%
2015	2,198,674	(100,933)	2,097,741	2,023,339	96.45%	26,094	2,049,433	97.70%
2016	2,226,453	(57,659)	2,168,794	2,113,303	97.44%	785	2,114,088	97.48%
2017	2,415,391	(1,590)	2,413,801	2,197,884	91.05%	1,942	2,199,826	91.14%
2018	2,408,406	N/A (a)	2,408,406	2,072,963	86.07%	5,420	2,078,383	86.30%

Source: City tax records.

CITY OF MORROW, GEORGIA

LOCAL OPTION SALES TAX HISTORY

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
July	\$ 179,390	\$ 136,062	\$ 127,269	\$ 143,029	\$ 139,725	\$ 126,722	\$ 143,804	\$ 183,296	\$ 164,582	\$ 183,511
August	147,924	164,788	129,785	136,777	135,122	130,710	137,577	163,917	163,731	178,842
September	184,280	145,208	124,262	106,970	128,209	127,527	144,185	160,319	165,220	171,565
October	175,408	138,145	121,287	113,109	128,652	128,524	130,772	159,592	168,315	174,547
November	120,291	135,900	117,782	119,476	123,224	123,010	137,443	152,865	127,011	170,897
December	162,189	143,843	181,375	146,152	156,521	150,179	152,221	181,856	161,801	196,768
January	127,109	125,081	138,284	167,229	149,536	122,314	137,326	138,873	228,713	185,127
February	100,307	128,428	145,420	130,783	155,432	129,671	139,256	127,712	157,572	163,114
March	80,860	142,603	146,243	142,107	130,398	144,497	140,455	155,103	174,213	207,348
April	94,804	134,106	136,481	165,511	205,995	137,342	50,589	158,324	161,679	188,094
May	135,404	127,869	140,156	143,600	124,907	143,660	143,967	161,430	177,087	192,958
June	142,468	121,396	134,166	138,410	129,216	134,285	139,410	168,307	175,067	190,742
Adjustments	-	10,792	-	854	596	11,300	372	1,103	583	1,013
Total	\$ 1,650,434	\$ 1,654,221	\$ 1,642,510	\$ 1,654,007	\$ 1,707,533	\$ 1,609,741	\$ 1,597,377	\$ 1,912,697	\$ 2,025,574	\$ 2,204,526

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						
2009	\$ 5,135,000	\$ 1,167,830	\$ 6,302,830	1.90%	7.36%	\$ 1,291.03	\$ 85,650	4,882
2010	5,135,000	1,104,015	6,239,015	1.84%	7.28%	1,277.96	85,650	4,882
2011	5,135,000	1,037,687	6,172,687	1.92%	7.21%	1,264.38	85,650	4,882
2012	3,915,000	968,776	4,883,776	1.46%	5.70%	1,000.36	85,650	4,882
2013	2,655,000	1,328,101	3,983,101	1.26%	4.65%	815.87	85,650	4,882
2014	1,350,000	1,468,363	2,818,363	0.93%	2.27%	437.29	123,905	6,445
2015	-	1,559,451	1,559,451	0.53%	1.23%	240.10	126,614	6,495
2016	-	1,289,110	1,289,110	0.45%	0.97%	187.94	132,475	6,859
2017	-	1,029,962	1,029,962	0.39%	0.70%	141.56	147,615	7,276
2018	-	763,679	763,679	0.32%	N/A ^(a)	N/A ^(a)	N/A ^(a)	7,473

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
2009 ^(a)	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	334,947,923	33,494,792	6,172,687	27,322,105	18.43%
2012	315,940,742	31,594,074	4,883,776	26,710,298	15.46%
2013	304,267,586	30,426,759	3,983,101	26,443,658	13.09%
2014	296,750,110	29,675,011	2,818,363	26,856,648	9.50%
2015	285,203,441	28,520,344	1,559,451	26,960,893	5.47%
2016 ^(b)	263,834,707	26,383,471	1,289,110	25,094,361	4.89%
2017	239,001,375	23,900,138	1,029,962	22,870,176	4.31%
2018	231,661,997	23,166,200	763,679	22,402,521	3.30%

Source: City's Accounting Records.

^(a) The increase in outstanding debt in the 2009 fiscal year represented SPLOST revenue bonds.

^(b) The assessed value of taxable property decreased 27% from FY 2009 to FY 2016 due to the recession.

CITY OF MORROW, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF JUNE 30, 2018

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	\$ 5,794,915	3.98%	\$ 230,733
Revenue bonds payable	35,045,000	3.98%	1,395,370
General obligation bonds payable	63,550,000	3.98%	2,530,339
Subtotal Overlapping Debt			4,156,442
City of Morrow, Georgia- Direct Debt			763,679
Total Direct and Overlapping Debt			\$ 4,920,121

Sources: Assessed value data used to estimate applicable percentages provided by the County. Debt outstanding provided by the County (as of June 30, 2018) 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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate ⁽⁴⁾</u>	<u>School Enrollment ⁽⁵⁾</u>
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 ⁽³⁾	8.80%	1,214
2013	6,859 ⁽³⁾	132,474,726 ⁽³⁾	19,314 ⁽³⁾	31.10 ⁽³⁾	8.80%	1,339
2014	6,715 ⁽³⁾	132,614,535 ⁽³⁾	19,749 ⁽³⁾	33.90 ⁽³⁾	5.80%	1,339
2015	6,715 ⁽³⁾	141,541,083 ⁽³⁾	19,749 ⁽³⁾	33.90 ⁽³⁾	7.90%	1,339
2016	7,338 ⁽³⁾	156,680,976 ⁽³⁾	21,352 ⁽³⁾	33.90 ⁽³⁾	6.60%	1,339
2017	7,276 ⁽³⁾	147,615,488 ⁽³⁾	20,288 ⁽³⁾	39.50 ⁽⁶⁾	9.60% ⁽⁶⁾	1,416
2018	7,473 ⁽³⁾	⁽⁷⁾ ⁽³⁾	19,491 ⁽³⁾	31.10 ⁽⁶⁾	6.60% ⁽⁶⁾	⁽⁸⁾

Sources:

⁽¹⁾ U.S. Census Bureau - 2000 Census

⁽²⁾ U.S. Census Bureau - 2010 Census

⁽³⁾ Morrow QuickFacts from U.S. Census Bureau

⁽⁴⁾ U.S. Department of Labor Statistics

⁽⁵⁾ Clayton County Board of Education

⁽⁶⁾ American Fact Finder from U.S. Census Bureau

⁽⁷⁾ Information not available due to federal government shutdown

⁽⁸⁾ Clayton County Public Schools website not updated

CITY OF MORROW, GEORGIA

TEN LARGEST EMPLOYERS IN MORROW CURRENT YEAR AND NINE YEARS AGO

Business	2018			2009		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Clayton State University	1,192	1	14.70%	1,064	1	12.39%
Wal-Mart Super Center	333	2	4.11%	343	2	4.00%
Macy's	191	3	2.36%	256	3	2.98%
Sherwin Williams	168	4	2.07%	149	4	1.74%
Chime Solutions	150	5	1.85%			
Costco	132	6	1.63%	128	5	1.49%
Cracker Barrel	102	7	1.26%	91	8	1.06%
Olive Garden	95	8	1.17%	84	10	0.98%
Best Buy	85	9	1.05%	107	6	1.25%
Las Trojas Restaurant	43	10	0.53%			
Sears				94	7	1.09%
J C Penney				90	9	1.05%
All Other Employers	5,618		69.28%	6,179		71.97%
Total Employment in City	8,109		100.00%	8,585		100.00%

Source: City's records.

CITY OF MORROW, GEORGIA

FULL-TIME EQUIVALENT CITY EMPLOYEES BY DEPARTMENT LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	General Government	Judicial	Police Department	Fire Department	Planning and Zoning	Economic Development	Public Works	E-911	Total
2009	31	-	36	38	1	-	-	14	120
2010	25	-	35	33	1	-	-	12	106
2011	26	-	34	40	1	-	-	12	113
2012	25	-	34	33	1	-	-	11	104
2013	26	-	34	33	1	-	-	11	105
2014	25	-	35	34	1	2	-	11	108
2015	11	1	35	34	2	4	10	12	108
2016	7	1	31	34	1	3	10	12	99
2017	18	1	29	32	1	2	9	8	100
2018	11	1	29	33	1	2	9	0	86

Sources: Various City Departments.

Note: Beginning with 2015, the employees in the General Government category were broken down more clearly by job function.

CITY OF MORROW, GEORGIA

PUBLIC SAFETY OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Citations issued	22,096	13,561	15,468	8,478	7,124	5,673	5,312	5,422	5,707	4,994
DUI Citations issued	109	122	94	43	50	34	26	41	55	18
Warnings issued	8,577	10,220	12,455	8,521	5,293	1,350	1,162	1,133	1,159	690
Crime Statistics:										
Aggravated Assault	9	14	10	3	1	7	14	17	9	8
Auto Theft	65	57	49	56	45	46	39	53	66	61
Rape	2	-	2	2	1	1	2	1	6	1
Robbery	21	13	21	12	27	20	24	31	30	26
Burglary	74	57	66	64	56	31	47	58	61	60
Theft	814	683	710	867	889	502	390	609	531	692
Fire										
Incident responses	1,963	2,120	2,213	2,008	1,937	2,030	2,142	1,859	1,730	1,697
Public Safety Education										
Events	112	113	114	111	106	115	102	80	9	31
Persons contacted	16,498	17,915	15,975	15,032	14,998	15,490	12,367	10,569	3,545	5,214

Source: City police and fire department records.

CITY OF MORROW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	-	1	1
Patrol units	43	43	43	43	43	43	43	43	35	35
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (miles)	34	34	34	34	34	34	34	34	34	34
Streetlights	861	861	861	861	861	861	861	861	861	861
Parks and recreation										
Acreage	125	125	125	125	125	125	125	125	125	125
Playgrounds	11	11	11	11	11	11	11	11	12	12
Path system (miles)	1	1	1	2	2	2	2	2	2	2

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

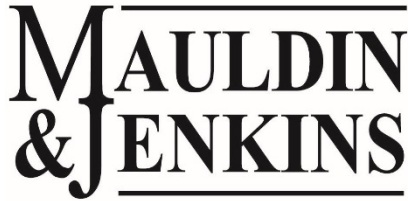
Fiscal Year Ended June 30,	Residential Permits Issued	Residential Value	Commercial Permits Issued	Commercial Value
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2009	13	\$ 148,762	17	\$ 2,015,804
2010	39	155,689	291	6,169,072
2011	51	114,354	195	3,137,092
2012	96	257,644	204	2,913,384
2013	218	5,091,743	236	8,528,004
2014	253	13,798,230	348	6,783,923
2015	216	12,007,372	249	13,713,698
2016	46	158,894	184	16,778,562
2017	39	159,913	286	13,919,063
2018	44	192,603	137	6,137,850

Source: City's Planning and Zoning Department.

⁽¹⁾ The lower activity levels seen in Fiscal Years 2007 through 2012 is attributable to the financial impact of the "housing market bubble" and the resulting Great Recession.

⁽²⁾ The lower residential activity shown in FY 2016 resulted from several new neighborhoods that were under construction in prior fiscal years being built out.

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2019.

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 opinions 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
January 29, 2019

CITY OF MORROW, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Significant deficiencies 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, 2018 due to the total amount of federal expenditures being less than \$750,000 during the fiscal year 2018.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III STATUS OF PRIOR YEAR FINDINGS

None reported.