

**CITY OF MORROW, GEORGIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2012**

Prepared by:  
Dan Defnall  
Director of Finance

Submitted By:  
Jeff Eady  
City Manager

CITY OF MORROW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**CITY OF MORROW, GEORGIA**

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## **INTRODUCTORY SECTION**



October 31, 2012

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

Ladies and Gentlemen:

It is a pleasure to hereby submit the Comprehensive Annual Financial Report of the City of Morrow, Georgia, for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

**1) INTRODUCTORY SECTION**

This introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, a listing of the City's principal officials, and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2010-2011.

**2) FINANCIAL SECTION**

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

**3) STATISTICAL SECTION**

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

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

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

## INDEPENDENT AUDIT

Georgia statutes and law require cities to have an audit performed annually by an independent certified public accountant. The City of Morrow's financial statements have been audited by Mauldin & Jenkins, Certified Public Accountants, LLC. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering and unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the first component of financial section of this report.

### Single Audit

The independent audit of the financial statements of the City is sometimes part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards. For fiscal year 2012, the City spent \$822,698 of federal funds on the following programs:

<b>Federal Grant/Pass Through Grantor/Program</b>	<b>Expenditures</b>
<b>US DEPARTMENT OF JUSTICE</b>	
<i>Direct Programs:</i>	
• ARRA – Community Policing Grant	\$ 131,913
• Public Safety Partnership – Cyber Crime Task Force	20,285
<b>Total Department of Justice Programs</b>	<b>152,198</b>
<b>US DEPARTMENT OF TRANSPORTATION</b>	
Georgia Department of Transportation (pass through)	
• ARRA - Pedestrian Underpass Project	653,705
<b>Total Department of Transportation Programs</b>	<b>653,705</b>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>	
Georgia Emergency Management Agency (pass through)	
• State Homeland Security Grant	16,795
<b>Total Homeland Security Programs</b>	<b>16,795</b>
<b>Total Federal Financial Assistance</b>	<b>\$ 822,698</b>

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

## THE PROFILE OF GOVERNMENT

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

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

Elections are held every two years, with the Mayor and two Council members on one cycle and the other two Council members on the next cycle.

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

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

### **ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION**

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

Construction by the Georgia Department of Transportation has started and continues on the \$46 million construction contract for the Highway 54 and Interstate 75 interchange and related bridges. The improvements include expanded lanes that will reduce traffic delays, a new bridge for Lee Street that will reduce congestion on Highway 54, and high mast lighting that will improve safety and visibility. Completion of this new interchange is scheduled for late calendar year 2012. Since the City of Morrow is geographically centered at this interstate interchange, completion of this construction is expected to make the City of Morrow more appealing and provide potential business growth to the area with the improved access and traffic.

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

### **MAJOR INITIATIVES**

During 2012, 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***

- Clayton State University
- General Growth Properties; Southlake Mall
- Clayton County Economic Development
- Clayton County Board of Commissioners
- Georgia Power Company
- State and National Archives
- Clayton Archway Partnership

### **Infrastructure Developments**

- Completion of Phase III of the Jester's Creek Pedestrian Path System
- Completion of the Lee Street Bridge over I-75
- Completion of I-75 Interchange construction (Georgia Department of Transportation)
- Completion of Pedestrian Underpass Tunnel beneath Highway 54 at Clayton State Blvd

### **Service Enhancements**

- Introduction of RecycleBank, residential recycling program
- One-stop shop for permitting to create a friendly process for residents and businesses
- Annual Certificate of Achievement for Excellence in Financial Reporting
- Developed the city's first Business Plan as a model to guide planning at the department level

### **Planning Initiatives**

- ARC: Livable Centers Initiative economic, transportation and market study of the Southlake Mall and Mixed Use areas
- Urban Land Institute Technical Assistance Program Report issued

### **Funding Partnerships**

- Department of Natural Resources; Land and Water Conservation Fund: resurface track at Milton Daniel Park
- Department of Transportation: Transportation Enhancement Grant: Phase III of Jester's Creek Path System
- Local Government Risk Management Services, Inc; Safety Grant: turnout gear and security upgrades
- Georgia Department of Transportation; Local Maintenance & Improvement Grant: street paving
- HUD; Community Development Block Grant: Playground equipment for Hammack Park.

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

## **FINANCIAL INFORMATION**

### **Accounting System Internal Controls**

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and county financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to federal assistance programs. This internal control structure is subject to periodic evaluation by management of the City.

### **Budgetary Controls**

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

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

### **Pension Benefit Plan**

The City contributes to the Georgia Municipal Employees Benefit System, an agent/multiple employer public employee retirement system administered by the Georgia Municipal Association. 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. All full-time City employees and all City officials are eligible to participate in the system. The employee becomes fully vested after ten years of service. The participation by the City's employees is noncontributory; however, the city is subject to the minimum funding standards for the Public Retirement Systems Standard Law. The



policy set by the City for contributing the annual pension expenses exceeds the minimum requirements of this law. The Georgia Municipal Employees Benefit System is actuarially sound with all indications that this will continue. The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plan participation is optional to City employees and the City has no fiduciary responsibility for the plan.

Debt Administration

The City's general obligation bonded debt legal limit was \$27,752,279, which is equal to 10% of the Assessed Valuation of property within the city limits of the City. The City had \$4,883,776 of outstanding long-term debt at June 30, 2012. The long-term debt represents \$3,915,000 in revenue bonds issued in 2009 against the City's SPLOST funds for the construction of the Morrow Conference Center and the balance of a 20-year lease between the City of Morrow and the Morrow Downtown Development Authority with the proceeds being used for the re-financing of the Morrow Welcome Center.

Cash Management

The City temporarily invests its idle cash in accounts earning competitive yields with a minimum of credit market risk. These accounts included certificates of deposits, U. S. Treasury issues, certain governmental agency securities, the State of Georgia's Local Government Investment Pool (Georgia Fund I), and numerous interest-bearing bank accounts. All funds are either insured by the Federal Deposit Insurance Corporation or collateralized by the issuing bank's investments.

**AWARDS**

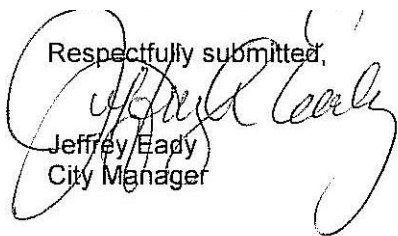
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Morrow, Georgia, for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last eighteen consecutive fiscal years (1994-2011). We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this report to the GFOA to determine its eligibility for another certificate.

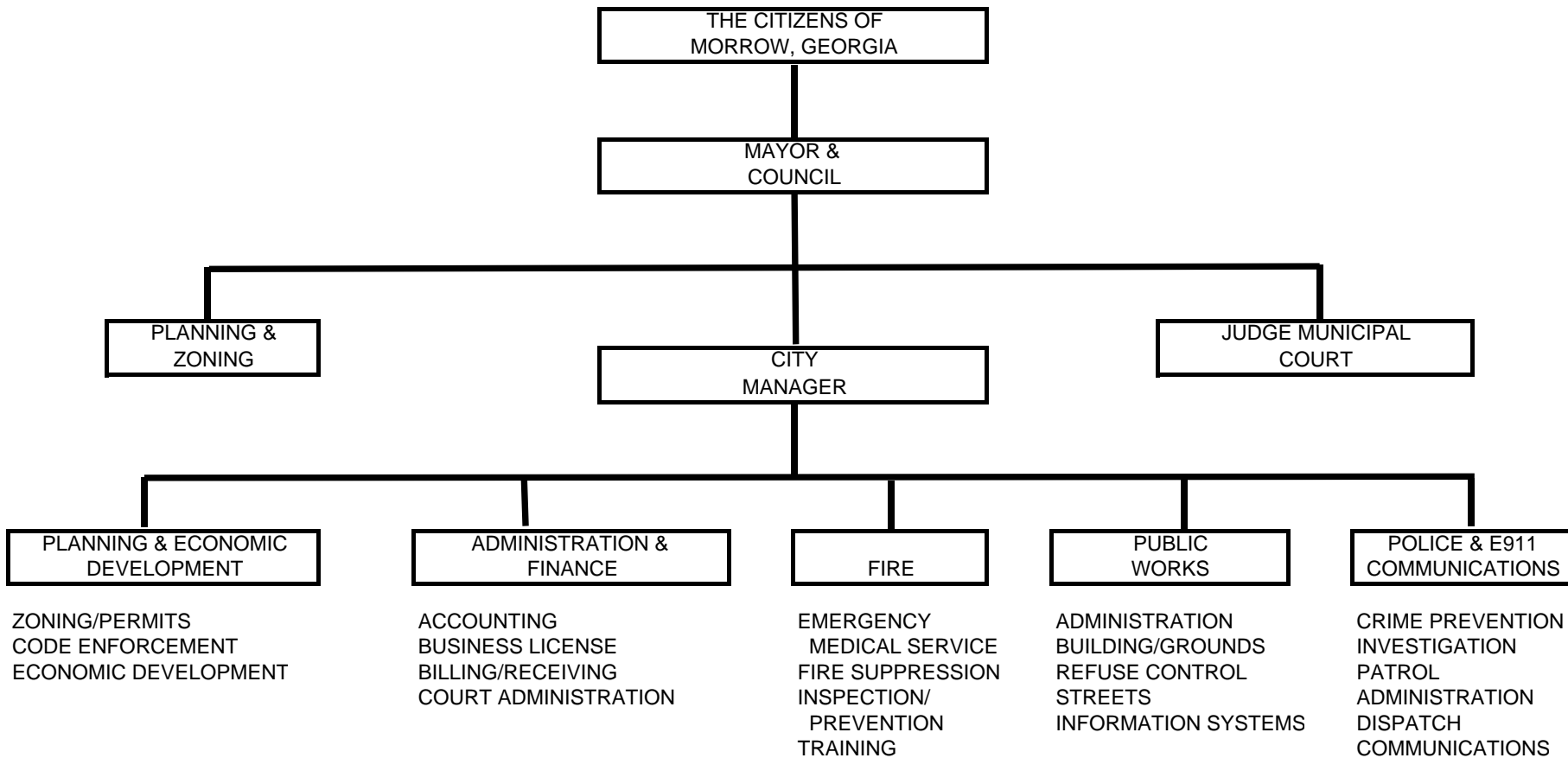
**ACKNOWLEDGEMENTS**

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

Respectfully submitted,  
  
Jeffrey Eady  
City Manager

# CITY OF MORROW, GEORGIA

## ORGANIZATIONAL CHART



# CITY OF MORROW, GEORGIA

## PRINCIPAL OFFICIALS JUNE 30, 2012

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### ELECTED OFFICIALS

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

### APPOINTED OFFICIALS

City Manager	Jeffrey A. Eady
Finance Officer	Dan Defnall
City Clerk	Evyonne Browning
City Attorney	Laurel Henderson
Municipal Court Judge	Ronald J. Freeman
Police Chief	Christopher A. Leighty
Fire Chief	Mark W. Herendeen
Public Works Director	Anou Sothsavath
Planning & Economic Development Director	Michael McLaughlin

### PLANNING & ZONING BOARD

Chairman	Shirley Watterson
Vice-Chairman	Dewey L. (Buck) Shirley
Secretary	John Maner
Board Member	Jack Bell
Board Member	Tamara Patridge

### INDEPENDENT AUDITORS

Mauldin & Jenkins, LLC

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Jandson*

President

*Jeffrey R. Emery*

Executive Director

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Morrow, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 – 11) and the Schedule of Funding Progress (on page 50) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morrow, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 48-8-21, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morrow, Georgia's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
October 31, 2012

# CITY OF MORROW, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2012. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for FY 2012 are as follows:

- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by \$27,560,632 (net assets).
- The City's total net assets increased \$2,451,169, due primarily to increases in cash and investments of approximately \$1.1 million and a decrease in debt of \$1.3 million.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of \$9,023,587, an increase of \$1,230,248 in comparison to the prior year. Approximately 31% of this total amount, or \$2,764,662, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, fund balance for the General Fund was \$8,008,830 or 73% of total general fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the fund balance for the SPLOST fund was \$941,196, which was restricted for other capital projects.
- At the end of the current fiscal year, the fund balance for Other Governmental Funds was \$73,561.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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

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

The government-wide financial statements can be found on pages 12 and 13 of this report.

### **Fund Financial Statements**

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

### **Governmental Funds**

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### **Proprietary Funds**

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

The basic proprietary fund financial statements can be found on pages 19 - 21 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 22 – 49 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Morrow exceeded liabilities by \$27,560,632 as of June 30, 2012. The City's net assets increased by \$2,451,169 for the fiscal year ended June 30, 2012. The increase in net assets was primarily due to increases in cash and investment balances of \$1.1 million and a decrease in debt of \$1.35 million. The largest portion of the City's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Although the City of Morrow's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

#### City of Morrow's Net Assets June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,733,539	\$ 8,952,461	\$ 241,467	\$ 259,533	\$ 9,975,006	\$ 9,211,994
Capital assets, net	18,877,270	18,726,181	4,705,917	4,837,226	23,583,187	23,563,407
Total assets	28,610,809	27,678,642	4,947,384	5,096,759	33,558,193	32,775,401
Other liabilities	650,617	1,004,416	182,670	200,735	833,287	1,205,151
Long-term liabilities outstanding	5,164,274	6,460,787	-	-	5,164,274	6,460,787
Total liabilities	5,814,891	7,465,203	182,670	200,735	5,997,561	7,665,938
Net assets:						
Invested in capital assets, net of related debt	12,922,300	12,553,494	4,705,917	4,837,226	17,628,217	17,390,720
Restricted	1,014,757	657,217	-	-	1,014,757	657,217
Unrestricted	8,858,861	7,002,728	58,797	58,798	8,917,658	7,061,526
Total net assets	\$ 22,795,918	\$ 20,213,439	\$ 4,764,714	\$ 4,896,024	\$ 27,560,632	\$ 25,109,463

An additional portion of the City's net assets (3.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,917,658) may be used to meet the government's ongoing obligations to citizens and creditors.

### Governmental Activities

Governmental activities during the fiscal year ended June 30, 2012, increased the City of Morrow's net assets by \$2,582,479. Business-type activities during the same period decreased net assets by \$131,310 for a total increase in net assets of \$2,451,169. Public safety expenses of \$6,129,433 represent 54% of the total governmental expenses. Interest expense of \$243,719 represents 2.2% of total governmental expenses. Interest expense is attributable to debt financed for the Morrow Tourist Center building and the Morrow Conference Center.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Morrow's Changes in Net Assets

June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 6,130,138	\$ 5,803,256	\$ 1,173,556	\$ 1,177,608	\$ 7,303,694	\$ 6,980,864
Operating grants and contributions	884,916	1,721,689	-	-	884,916	1,721,689
Capital grants and contributions	1,583,609	1,507,511	-	-	1,583,609	1,507,511
General revenues:						
Property taxes	1,896,885	1,634,577	-	-	1,896,885	1,634,577
Sales taxes	1,654,007	1,603,352	-	-	1,654,007	1,603,352
Franchise taxes	715,923	690,517	-	-	715,923	690,517
Other taxes	978,025	903,873	-	-	978,025	903,873
Miscellaneous	73,732	32,911	-	-	73,732	32,911
Unrestricted investment earnings	3,086	1,830	-	-	3,086	1,830
Gain on sale of capital assets	19,718	298	-	-	19,718	298
<b>Total revenues</b>	<b>13,940,039</b>	<b>13,899,814</b>	<b>1,173,556</b>	<b>1,177,608</b>	<b>15,113,595</b>	<b>15,077,422</b>
<b>Expenses:</b>						
General government	2,219,595	2,572,899	-	-	2,219,595	2,572,899
Judicial	414,825	384,023	-	-	414,825	384,023
Public safety	6,129,433	6,741,610	-	-	6,129,433	6,741,610
Public works	2,094,630	1,775,668	-	-	2,094,630	1,775,668
Economic development	307,398	275,328	-	-	307,398	275,328
Interest on long-term debt	243,719	250,639	-	-	243,719	250,639
Sanitation	-	-	833,225	836,005	833,225	836,005
Morrow Center	-	-	419,601	411,954	419,601	411,954
<b>Total expenses</b>	<b>11,409,600</b>	<b>12,000,167</b>	<b>1,252,826</b>	<b>1,247,959</b>	<b>12,662,426</b>	<b>13,248,126</b>
Increase (decrease) in net assets before transfers	2,530,439	1,899,647	(79,270)	(70,351)	2,451,169	1,829,296
Transfers	52,040	19,222	(52,040)	(19,222)	-	-
Special item	-	(243,216)	-	-	-	(243,216)
Change in net assets	2,582,479	1,675,653	(131,310)	(89,573)	2,451,169	1,586,080
Net assets, beginning of year	20,213,439	18,537,786	4,896,024	4,985,597	25,109,463	23,523,383
<b>Net assets, end of year</b>	<b>\$ 22,795,918</b>	<b>\$ 20,213,439</b>	<b>\$ 4,764,714</b>	<b>\$ 4,896,024</b>	<b>\$ 27,560,632</b>	<b>\$ 25,109,463</b>

### **Business-Type Activities**

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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, 2012, the total Governmental Funds of the City of Morrow reported a combined fund balance of \$9,023,587, a 15.8% percent increase from the previous year, primarily due to General Fund revenues exceeding expenditures by \$657,091. The SPLOST fund balance increased \$339,450 in 2012.

The General Fund is the primary operating fund of the City of Morrow. At the end of fiscal year 2012, the fund balance of the General Fund was \$8,008,830. Of this amount, \$2,764,662 represents unassigned fund balance, which is available as working capital for current spending in accordance with the purposes of the specific funds. The majority of the General Fund balance, \$5,244,168, is termed non-spendable to indicate that it is not available for new spending because it is already committed for prepaid expenditures (\$189,741), assets held for resale (\$1,634,276), and advances to the Downtown Development Authority (\$3,420,151). As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned governmental fund balance represents 21.6% of total governmental funds expenditures, while total fund balance represents 70.3% of that same amount. Other Governmental Funds had a positive fund balance of \$73,561. These funds include special revenue funds.

### **City of Morrow's Governmental Fund Balance June 30, 2012**

	2012	2011
General Fund	\$ 8,008,830	\$ 7,155,735
SPLOST Fund	941,196	601,746
Other Governmental Funds	73,561	35,858
Total Governmental Fund Balance	<u>\$ 9,023,587</u>	<u>\$ 7,793,339</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Proprietary Funds**

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

### **General Fund Budgetary Highlights**

- The City's budget is prepared according to Georgia law. The most significant budget fund is the General Fund.
- For the General Fund, the actual revenues of \$11,602,884 were higher than the final budget amount of \$10,794,170 by \$808,714. The increase was primarily due to increases in property taxes and fines & forfeitures revenues.
- The General Fund actual expenditures of \$10,945,793 were less than the budgeted amount of \$11,026,015 by \$80,222. The final budgets for the year increased by \$1.5 million from the original budget due primarily to increases in the budgets for capital expenditures and public safety as revenues were significantly above the original budgeted amounts.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The City of Morrow's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$23,583,187 (net of accumulated depreciation), a \$19,780 increase from the previous year. This net increase includes net additions of capital assets of \$1,354,642, and a decrease of \$1,334,862 for FY2012 depreciation expenses. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The investment in capital assets for business-type activities includes the Morrow Conference Center.

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

- Land Improvements from Demolition of Old Building (\$70,850)
- Building Improvements to City Hall and Police Dept (\$74,316)
- Equipment – Public Works (\$43,432)
- Equipment – Telephone Systems (\$43,302)
- Equipment – Public Safety (48,217)
- Rapid ID Computerized Scanners – Police Dept – (\$16,795)
- Vehicles – Fire Department – New Ambulance (\$131,189)
- Vehicles – Police Department (\$83,204)
- Pedestrian Underpass Tunnel at Highway 54 and Clayton State Blvd (\$718,835)
- Pedestrian Pathway System (\$24,159)
- Street Repaving (\$100,343)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Morrow's Capital Assets, net of Accumulated Depreciation June 30, 2012

	Governmental Activities		Business -type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,773,585	\$ 4,702,735	\$ -	\$ -	\$ 4,773,585	\$ 4,702,735
Buildings, grounds and improvements	2,350,535	2,409,205	4,685,644	4,810,595	7,036,179	7,219,800
Machinery and equipment	382,529	320,082	6,564	7,439	389,093	327,521
Furniture & fixtures	4,578	13,737	13,709	19,192	18,287	32,929
Infrastructure in process	132,948	1,891,200	-	-	132,948	1,891,200
Infrastructure	10,254,236	8,410,675	-	-	10,254,236	8,410,675
Vehicles	412,193	346,043	-	-	412,193	346,043
Computer Software	18,460	25,627	-	-	18,460	25,627
Park Facilities	548,206	606,877	-	-	548,206	606,877
Total	<u>\$ 18,877,270</u>	<u>\$ 18,726,181</u>	<u>\$ 4,705,917</u>	<u>\$ 4,837,226</u>	<u>\$ 23,583,187</u>	<u>\$ 23,563,407</u>

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

### Long-term Debt

As of June 30, 2012, the City of Morrow had total outstanding debt of \$5,164,274 comprised of \$3,915,000 in bonds payable, \$968,776 related to capital leases on the Morrow Tourist Center building and \$280,498 in compensated absences balances.

### City of Morrow's Outstanding Long-Term Liabilities June 30, 2012

	Governmental Activities		Business -type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital leases	\$ 968,776	\$ 1,037,687	\$ -	\$ -	\$ 968,776	\$ 1,037,687
Bonds payable	3,915,000	5,135,000	-	-	3,915,000	5,135,000
Compensated absences	280,498	288,100	-	-	280,498	288,100
Total	<u>\$ 5,164,274</u>	<u>\$ 6,460,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,164,274</u>	<u>\$ 6,460,787</u>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Currently Known Conditions Affecting the Future Operations**

The downturn in the economy continues to erode tax revenues from most sources. The significant decrease realized on real estate values, especially in Clayton County, over the past couple of years continues to challenge our future economic growth. Over the past 3 years, major interstate interchange construction has been ongoing at I-75 and Highway 54, which has greatly impacted traffic through the city. The Georgia Department of Transportation finalized construction of the new interchange at end of June 2012. City leaders are hopeful that this new interchange and the improved traffic flow, along with the completion of the new International Concourse with direct access off of Interstate 75 to Hartsfield Jackson Atlanta International Airport will be major factors influencing future development and redevelopment opportunities within the City of Morrow.

### **Factors Affecting the FY2012-13 Budget**

The City Council of City of Morrow considered many factors when approving the City's 2013 budget and are very aware of present economic conditions, forecasts for a very slow recovery, and the effects on its citizens and the levels of service provided by the City. The City Council increased property taxes from a rate of 6 mils to 7.5 mils.

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

Budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, the Confiscated Assets Fund, the Rental Car Excise Fund, the E911 Communications Fund, the SPLOST Fund, the Sanitation Fund, and The Morrow Center Fund. Budgets for the Enterprise funds are prepared for planning and control purposes only. The legal level of budgetary control is the department level, with the City Council being the only body authorized to make amendments to the budget. During the year there was an approximate \$1.5 million increase in budget appropriations between the original budget and the final amended budget for the City's General Fund. This increase was due primarily to increased appropriations in the public works department capital budget for federal grant funded capital projects that were completed during the year.

### **Contacting the City's Financial Management**

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



**CITY OF MORROW, GEORGIA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

ASSETS	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total Primary Government	Downtown Development Authority	Morrow Business and Tourism Association	Morrow Housing Authority
Cash and cash equivalents	\$ 1,370,600	\$ 248,553	\$ 1,619,153	\$ 73,238	\$ -	\$ 160
Investments	2,281,285	-	2,281,285	-	-	-
Taxes receivable	129,208	-	129,208	-	-	-
Accounts receivable	16,749	64,094	80,843	1,000,066	2,491	-
Due from primary government	-	-	-	-	10,337	-
Due from component unit	3,420,151	-	3,420,151	-	-	-
Due from other governments	567,421	-	567,421	-	-	-
Inventory	-	7,168	7,168	-	-	-
Prepaid expenses	190,085	-	190,085	-	795	-
Internal balances	78,348	(78,348)	-	-	-	-
Other noncurrent asset	45,416	-	45,416	111,980	-	-
Assets held for resale	1,634,276	-	1,634,276	-	-	75,000
Capital assets:						
Nondepreciable	4,906,533	-	4,906,533	7,594,671	-	-
Depreciable, net of accumulated depreciation	13,970,737	4,705,917	18,676,654	13,674,364	-	-
Total assets	<u>28,610,809</u>	<u>4,947,384</u>	<u>33,558,193</u>	<u>22,454,319</u>	<u>13,623</u>	<u>75,160</u>
<b>LIABILITIES</b>						
Accounts payable	399,572	70,518	470,090	21,198	8,899	-
Accrued liabilities	240,708	1,766	242,474	28,677	7,494	-
Unearned revenues	-	87,448	87,448	737	-	-
Customer deposits payable	-	22,938	22,938	-	-	-
Due to primary government	-	-	-	3,420,151	-	-
Due to component unit	10,337	-	10,337	-	-	-
Capital leases due within one year	71,625	-	71,625	-	-	-
Capital leases due in more than one year	897,151	-	897,151	-	-	-
Notes payable due within one year	-	-	-	1,142,044	-	-
Bonds payable due within one year	1,260,000	-	1,260,000	471,625	-	-
Bonds payable due in more than one year	2,655,000	-	2,655,000	8,731,165	-	-
Compensated absences due within one year	258,100	-	258,100	-	-	-
Compensated absences due in more than one year	22,398	-	22,398	-	-	-
Total liabilities	<u>5,814,891</u>	<u>182,670</u>	<u>5,997,561</u>	<u>13,815,597</u>	<u>16,393</u>	<u>-</u>
<b>NET ASSETS (DEFICIT)</b>						
Invested in capital assets, net of related debt	12,922,300	4,705,917	17,628,217	10,924,201	-	-
Restricted for law enforcement	73,561	-	73,561	-	-	-
Restricted for other capital projects	941,196	-	941,196	-	-	-
Unrestricted (deficit)	8,858,861	58,797	8,917,658	(2,285,479)	(2,770)	75,160
Total net assets (deficit)	<u>\$ 22,795,918</u>	<u>\$ 4,764,714</u>	<u>\$ 27,560,632</u>	<u>\$ 8,638,722</u>	<u>\$ (2,770)</u>	<u>\$ 75,160</u>

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

**CITY OF MORROW, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets							
	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	Morrow Business and Tourism Association	Morrow Housing Authority		
<b>Primary government:</b>												
Governmental activities:												
General government	\$ 2,219,595	\$ 1,084,186	\$ -	\$ -	\$ (1,135,409)	\$ -	\$ (1,135,409)	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial	414,825	-	-	-	(414,825)	-	(414,825)	-	-	-	-	-
Public safety	6,129,433	5,045,952	884,916	-	(198,565)	-	(198,565)	-	-	-	-	-
Public works	2,094,630	-	-	1,583,609	(511,021)	-	(511,021)	-	-	-	-	-
Economic development	307,398	-	-	-	(307,398)	-	(307,398)	-	-	-	-	-
Interest on long-term debt	243,719	-	-	-	(243,719)	-	(243,719)	-	-	-	-	-
Total governmental activities	<u>11,409,600</u>	<u>6,130,138</u>	<u>884,916</u>	<u>1,583,609</u>	<u>(2,810,937)</u>	<u>-</u>	<u>(2,810,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:												
Sanitation	833,225	920,189	-	-	-	86,964	86,964	-	-	-	-	-
Morrow Center	419,601	253,367	-	-	-	(166,234)	(166,234)	-	-	-	-	-
Total business-type activities	<u>1,252,826</u>	<u>1,173,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,270)</u>	<u>(79,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 12,662,426</u>	<u>\$ 7,303,694</u>	<u>\$ 884,916</u>	<u>\$ 1,583,609</u>	<u>(2,810,937)</u>	<u>(79,270)</u>	<u>(2,890,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Component units:</b>												
Downtown Development Authority	\$ 1,246,509	\$ 277,307	\$ 671,980	\$ -	-	-	-	(297,222)	-	-	-	-
Morrow Business and Tourism Association	257,657	6,446	6,639	-	-	-	-	-	(244,572)	-	-	-
Morrow Housing Authority	-	-	-	-	-	-	-	-	-	-	-	-
Total component units	<u>\$ 1,504,166</u>	<u>\$ 283,753</u>	<u>\$ 678,619</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(297,222)</u>	<u>(244,572)</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:												
Property taxes					1,896,885	-	1,896,885	-	-	-	-	-
Sales taxes					1,654,007	-	1,654,007	-	-	-	-	-
Insurance premium tax					302,298	-	302,298	-	-	-	-	-
Alcoholic beverage taxes					124,532	-	124,532	-	-	-	-	-
Other taxes					551,195	-	551,195	-	300,129	-	-	-
Miscellaneous					73,732	-	73,732	-	-	-	-	-
Franchise taxes					715,923	-	715,923	-	-	-	-	-
Unrestricted investment earnings					3,086	-	3,086	39,077	6	-	-	-
Gain on sale of capital assets					19,718	-	19,718	-	-	-	-	-
Transfers					52,040	(52,040)	-	-	-	-	-	-
Total general revenues and transfers					<u>5,393,416</u>	<u>(52,040)</u>	<u>5,341,376</u>	<u>39,077</u>	<u>300,135</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets					2,582,479	(131,310)	2,451,169	(258,145)	55,563	-	-	-
Net assets (deficit), beginning of year					20,213,439	4,896,024	25,109,463	8,896,867	(58,333)	-	-	75,160
Net assets (deficit), end of year					<u>\$ 22,795,918</u>	<u>\$ 4,764,714</u>	<u>\$ 27,560,632</u>	<u>\$ 8,638,722</u>	<u>\$ (2,770)</u>	<u>\$ 75,160</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**CITY OF MORROW, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

<b>ASSETS</b>	<b>General</b>	<b>SPLOST Fund</b>	<b>Other Governmental Funds</b>	<b>Totals Governmental Funds</b>
Cash and cash equivalents	\$ 581,206	\$ 660,056	\$ 129,338	\$ 1,370,600
Investments	2,281,285	-	-	2,281,285
Taxes receivable	75,034	-	54,174	129,208
Accounts receivable	1,559	-	15,190	16,749
Advance to component unit	3,420,151	-	-	3,420,151
Due from other governments	286,281	281,140	-	567,421
Due from other funds	166,336	-	-	166,336
Prepaid expenditures	189,741	-	344	190,085
Assets held for resale	1,634,276	-	-	1,634,276
Total assets	<u>\$ 8,635,869</u>	<u>\$ 941,196</u>	<u>\$ 199,046</u>	<u>\$ 9,776,111</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 369,203	\$ -	\$ 30,369	\$ 399,572
Accrued liabilities	201,619	-	7,128	208,747
Deferred revenues	45,880	-	-	45,880
Due to component unit	10,337	-	-	10,337
Due to other funds	-	-	87,988	87,988
Total liabilities	<u>627,039</u>	<u>-</u>	<u>125,485</u>	<u>752,524</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenditures	189,741	-	-	189,741
Advances	3,420,151	-	-	3,420,151
Assets held for resale	1,634,276	-	-	1,634,276
Restricted for:				
Law enforcement	-	-	73,561	73,561
Other capital projects	-	941,196	-	941,196
Unassigned:				
	2,764,662	-	-	2,764,662
Total fund balances	<u>8,008,830</u>	<u>941,196</u>	<u>73,561</u>	<u>9,023,587</u>
Total liabilities and fund balances	<u>\$ 8,635,869</u>	<u>\$ 941,196</u>	<u>\$ 199,046</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				18,877,270
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				45,880
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.				<u>(5,150,819)</u>
Net assets of governmental activities				<u>\$ 22,795,918</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, 2012**

	<u>General</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 1,970,306	\$ -	\$ -	\$ 1,970,306
Other taxes	2,080,837	-	551,195	2,632,032
Charges for services	824,229	-	126,820	951,049
Licenses and permits	1,058,978	-	-	1,058,978
Intergovernmental	1,334,506	1,581,714	-	2,916,220
Franchise fees	715,923	-	-	715,923
Fines and forfeitures	3,541,343	-	129,178	3,670,521
Interest revenue	3,030	1,895	56	4,981
Rental income	53,554	-	-	53,554
Other revenues	20,178	-	-	20,178
Total revenues	<u>11,602,884</u>	<u>1,583,609</u>	<u>807,249</u>	<u>13,993,742</u>
<b>Expenditures</b>				
Current:				
General government	2,206,955	-	-	2,206,955
Judicial	414,464	-	-	414,464
Public safety	5,918,527	-	345,171	6,263,698
Public works	2,115,167	-	-	2,115,167
Economic development	-	-	300,129	300,129
Capital outlay	-	24,159	-	24,159
Debt service:				
Principal	68,911	1,220,000	-	1,288,911
Interest	221,769	-	-	221,769
Total expenditures	<u>10,945,793</u>	<u>1,244,159</u>	<u>645,300</u>	<u>12,835,252</u>
Excess of revenues over expenditures	<u>657,091</u>	<u>339,450</u>	<u>161,949</u>	<u>1,158,490</u>
<b>Other financing sources (uses)</b>				
Transfers in	338,030	-	126,820	464,850
Transfers out	(161,744)	-	(251,066)	(412,810)
Proceeds from the sale of capital assets	19,718	-	-	19,718
Total other financing sources (uses)	<u>196,004</u>	<u>-</u>	<u>(124,246)</u>	<u>71,758</u>
Net change in fund balances	<u>853,095</u>	<u>339,450</u>	<u>37,703</u>	<u>1,230,248</u>
<b>Fund balances, beginning of year</b>	<u>7,155,735</u>	<u>601,746</u>	<u>35,858</u>	<u>7,793,339</u>
<b>Fund balances, end of year</b>	<u>\$ 8,008,830</u>	<u>\$ 941,196</u>	<u>\$ 73,561</u>	<u>\$ 9,023,587</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, 2012**

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

Net change in fund balances - total governmental funds	\$ 1,230,248
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 capital outlays exceeded depreciation in the current period.	151,089
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(73,421)
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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,259,466
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>15,097</u>
	<u>\$ 2,582,479</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,734,646	\$ 1,734,646	\$ 1,970,306	\$ 235,660
Other taxes	2,009,000	2,009,000	2,080,837	71,837
Charges for services	857,785	797,785	824,229	26,444
Licenses and permits	995,000	995,000	1,058,978	63,978
Intergovernmental	563,000	1,253,000	1,334,506	81,506
Franchise fees	662,000	662,000	715,923	53,923
Fines and forfeitures	2,799,000	3,309,595	3,541,343	231,748
Interest revenue	2,000	2,000	3,030	1,030
Rental income	27,000	27,000	53,554	26,554
Other revenues	4,144	4,144	20,178	16,034
Total revenues	<u>9,653,575</u>	<u>10,794,170</u>	<u>11,602,884</u>	<u>808,714</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Mayor / Commission	210,237	214,237	214,007	230
Elections	2,700	2,700	2,038	662
General administration	1,012,081	1,091,681	1,087,079	4,602
Finance	508,397	536,397	533,991	2,406
Economic development	295,150	299,150	298,990	160
Capital outlay	-	70,850	70,850	-
Total general government	<u>2,028,565</u>	<u>2,215,015</u>	<u>2,206,955</u>	<u>8,060</u>
<b>Judicial:</b>				
Municipal court	<u>416,130</u>	<u>416,530</u>	<u>414,464</u>	<u>2,066</u>
<b>Public safety:</b>				
Police	2,533,815	2,946,815	2,887,500	59,315
Fire	2,854,763	2,767,263	2,764,334	2,929
Capital outlay	<u>209,654</u>	<u>272,949</u>	<u>266,693</u>	<u>6,256</u>
Total public safety	<u>5,598,232</u>	<u>5,987,027</u>	<u>5,918,527</u>	<u>68,500</u>
<b>Public works:</b>				
Administration	1,180,466	1,185,466	1,184,716	750
Capital outlay	<u>74,000</u>	<u>930,350</u>	<u>930,451</u>	<u>(101)</u>
Total public works	<u>1,254,466</u>	<u>2,115,816</u>	<u>2,115,167</u>	<u>649</u>
<b>Debt service</b>	<u>279,627</u>	<u>291,627</u>	<u>290,680</u>	<u>947</u>
Total expenditures	<u>9,577,020</u>	<u>11,026,015</u>	<u>10,945,793</u>	<u>80,222</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,555</u>	<u>(231,845)</u>	<u>657,091</u>	<u>888,936</u>

(Continued)

**CITY OF MORROW, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ·  
BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Other financing sources (uses)</b>				
Transfers in	\$ 395,000	\$ 395,000	\$ 338,030	\$ (56,970)
Transfers out	(471,555)	(163,155)	(161,744)	1,411
Proceeds from the sale of capital assets	-	-	19,718	19,718
Total other financing sources (uses)	<u>(76,555)</u>	<u>231,845</u>	<u>196,004</u>	<u>(35,841)</u>
Net change in fund balances	-	-	853,095	853,095
<b>Fund balances, beginning of year</b>	<u>7,155,735</u>	<u>7,155,735</u>	<u>7,155,735</u>	-
<b>Fund balances, end of year</b>	<u>\$ 7,155,735</u>	<u>\$ 7,155,735</u>	<u>\$ 8,008,830</u>	<u>\$ 853,095</u>

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

**CITY OF MORROW, GEORGIA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012**

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 70,090	\$ 178,463	\$ 248,553
Inventory	-	7,168	7,168
Accounts receivable	62,939	1,155	64,094
Total current assets	<u>133,029</u>	<u>186,786</u>	<u>319,815</u>
<b>NONCURRENT ASSETS</b>			
Capital assets - depreciable, net	-	4,705,917	4,705,917
Total noncurrent assets	<u>-</u>	<u>4,705,917</u>	<u>4,705,917</u>
Total assets	<u>133,029</u>	<u>4,892,703</u>	<u>5,025,732</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	68,066	2,452	70,518
Accrued liabilities	-	1,766	1,766
Customer deposits payable	-	22,938	22,938
Due to other funds	-	78,348	78,348
Unearned revenues	64,963	22,485	87,448
Total current liabilities	<u>133,029</u>	<u>127,989</u>	<u>261,018</u>
<b>NET ASSETS</b>			
Invested in capital assets	-	4,705,917	4,705,917
Unrestricted	-	58,797	58,797
Total net assets	<u>\$ -</u>	<u>\$ 4,764,714</u>	<u>\$ 4,764,714</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 ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 920,189	\$ 253,367	\$ 1,173,556
Total operating revenues	<u>920,189</u>	<u>253,367</u>	<u>1,173,556</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	108,535	108,535
Purchased or contracted services	833,225	179,757	1,012,982
Depreciation	-	131,309	131,309
Total operating expenses	<u>833,225</u>	<u>419,601</u>	<u>1,252,826</u>
Operating income (loss)	86,964	(166,234)	(79,270)
<b>TRANSFERS</b>			
Transfers in	-	34,924	34,924
Transfers out	(86,964)	-	(86,964)
Total transfers	<u>(86,964)</u>	<u>34,924</u>	<u>(52,040)</u>
Change in net assets	-	(131,310)	(131,310)
<b>NET ASSETS, beginning of year</b>	<u>-</u>	<u>4,896,024</u>	<u>4,896,024</u>
<b>NET ASSETS, end of year</b>	<u>\$ -</u>	<u>\$ 4,764,714</u>	<u>\$ 4,764,714</u>

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

**CITY OF MORROW, GEORGIA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 931,531	\$ 259,738	\$ 1,191,269
Payments to suppliers	(829,869)	(122,287)	(952,156)
Payments to employees	-	(107,972)	(107,972)
Net cash provided by operating activities	<u>101,662</u>	<u>29,479</u>	<u>131,141</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers	(86,964)	34,924	(52,040)
Net cash provided by (used in) noncapital financing activities	<u>(86,964)</u>	<u>34,924</u>	<u>(52,040)</u>
Increase in cash and cash equivalents	14,698	64,403	79,101
<b>Cash and cash equivalents:</b>			
Beginning of year	<u>55,392</u>	<u>114,060</u>	<u>169,452</u>
End of year	<u>\$ 70,090</u>	<u>\$ 178,463</u>	<u>\$ 248,553</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 86,964	\$ (166,234)	\$ (79,270)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	131,309	131,309
Changes in assets and liabilities:			
Decrease in accounts receivable	11,342	6,371	17,713
Decrease in inventory	-	1,106	1,106
Decrease in accounts payable	(7,702)	(9,303)	(17,005)
Increase in accrued liabilities	11,058	563	11,621
Decrease in deferred liabilities	-	(17,391)	(17,391)
Increase in customer deposits	-	4,710	4,710
Increase in due to other funds	-	78,348	78,348
Net cash provided by operating activities	<u>\$ 101,662</u>	<u>\$ 29,479</u>	<u>\$ 131,141</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

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### **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. With respect to proprietary activities, the City has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

#### **A. The Financial Reporting Entity**

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

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 and as amended by GASB Statement 39, the City was determined to have the following component units as of June 30, 2012.

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. The Financial Reporting Entity(Continued)

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

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

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

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the City reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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### 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 fund. Budgets for the enterprise funds are prepared for planning and control purposes only.
7. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
8. Revenues and expenditures of the Capital Projects Fund are budgeted on a project basis and are, therefore, excluded from presentation in the financial statements.

#### E. Cash and Cash Equivalents

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



## NOTES TO FINANCIAL STATEMENTS

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### 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 loan 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 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value). The pool is regulated by the Georgia Office of State Treasurer.

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.

#### G. Inventory and Prepaid Items

Inventory in the proprietary funds is valued at the lower of cost or market. The City accounts for inventory on the purchase basis. 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

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### 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 assets. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statement of net assets as “internal balances.” In the major fund balance sheets, these receivables and payable 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 estimated fair market 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

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### 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, 2012, there was no capitalized interest.

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

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

#### K. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Compensated Absences

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

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.

#### M. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Funds which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2012, there were no encumbrances outstanding.

#### N. 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 assets.”

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. Fund Equity (Continued)

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

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

**Net Assets** – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, 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 assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Use of Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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 \$5,150,819 difference are as follows:

Capital leases	\$ 968,776
Bonds payable	3,915,000
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(45,416)
Compensated absences	280,498
Accrued interest	31,961
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 5,150,819</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 assets 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 \$151,089 difference are as follows:

Capital outlay	\$ 1,354,642
Depreciation expense	(1,203,553)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 151,089

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$1,259,466 difference are as follows:

Principal retirement of long-term debt	\$ 1,288,911
Amortization of bond issuance cost	(29,445)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 1,259,466

## NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$15,097 difference are as follows:

Change in accrued interest	\$ 7,495
Change in compensated absences	7,602
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 15,097
	\$ 15,097

### NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2012, are summarized as follows:

Amounts as presented on the entity wide Statement of Net Assets:	
Cash and cash equivalents	\$ 1,619,153
Investments	2,281,285
Component Units - cash and cash equivalents	73,398
Total	\$ 3,973,836
Cash deposited with financial institutions	\$ 1,692,551
Cash deposited with Georgia Fund 1	2,281,285
Total	\$ 3,973,836



## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

**Credit risk.** State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. It is the City's policy to limit its investments to those allowed and authorized by State law. As of June 30, 2012, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At June 30, 2012, the City had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	48 day weighted average	\$ 2,281,285

**Georgia Fund 1**, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAAM rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability.

The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1.00 per share.

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

**Custodial credit risk – deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2012, all of the City's bank balances were covered by either federal depository insurance or by collateral held by the City's agent in the City's name.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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

### NOTE 4. RECEIVABLES

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

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor Governmental</u>	<u>Sanitation</u>	<u>Morrow Center</u>	<u>Total</u>
Receivables:						
Taxes	\$ 88,602	\$ -	\$ 159,800	\$ -	\$ -	\$ 248,402
Accounts	1,559	-	15,190	62,939	1,155	80,843
Due from						
other governments	<u>286,282</u>	<u>281,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>567,422</u>
Gross receivables	376,443	281,140	174,990	62,939	1,155	896,667
Less: allowance	<u>(13,569)</u>	<u>-</u>	<u>(105,626)</u>	<u>-</u>	<u>-</u>	<u>(119,195)</u>
Total receivables	<u>\$ 362,874</u>	<u>\$ 281,140</u>	<u>\$ 69,364</u>	<u>\$ 62,939</u>	<u>\$ 1,155</u>	<u>\$ 777,472</u>

### Property Taxes

Property taxes were levied on August 9, 2011, (Levy Date) based upon property values assessed as of January 1. The billings were mailed on September 1, 2011, and payable on or before November 14, 2011, for the fiscal year 2012 tax. Taxes not paid within 30 days of the November 14th due date are subject to property tax liens on December 14, 2011. Property tax revenues are recognized when levied to the extent they result in current receivables.

The tax rate levied during fiscal year 2012 for the City's operations was 7.5 mills (mill equals \$1 per thousand dollars of assessed value).

The City considers property taxes receivable at June 30, 2012, to be fully collectible and does not maintain an allowance for uncollectible property taxes.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

#### A. Primary Government

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 4,702,735	\$ 70,850	\$ -	\$ -	\$ 4,773,585
Infrastructure in process	1,891,200	742,994	-	(2,501,246)	132,948
Total capital assets, not being depreciated	<u>6,593,935</u>	<u>813,844</u>	<u>-</u>	<u>(2,501,246)</u>	<u>4,906,533</u>
Capital assets, being depreciated:					
Buildings, grounds, and improvements	4,373,384	74,316	-	-	4,447,700
Machinery and equipment	790,078	134,951	-	-	925,029
Furniture and fixtures	230,876	-	-	-	230,876
Infrastructure	10,069,625	100,343	-	2,501,246	12,671,214
Vehicles	2,722,914	214,393	(173,376)	-	2,763,931
Computer software	432,907	16,795	-	-	449,702
Park facilities and improvements	890,058	-	-	-	890,058
Total capital assets, being depreciated	<u>19,509,842</u>	<u>540,798</u>	<u>(173,376)</u>	<u>2,501,246</u>	<u>22,378,510</u>
Less accumulated depreciation for:					
Buildings, grounds, and improvements	(1,964,179)	(132,986)	-	-	(2,097,165)
Machinery and equipment	(469,996)	(72,504)	-	-	(542,500)
Furniture and fixtures	(217,139)	(9,159)	-	-	(226,298)
Infrastructure	(1,658,950)	(758,028)	-	-	(2,416,978)
Vehicles	(2,376,871)	(148,243)	173,376	-	(2,351,738)
Computer software	(407,280)	(23,962)	-	-	(431,242)
Park facilities and improvements	(283,181)	(58,671)	-	-	(341,852)
Total accumulated depreciation	<u>(7,377,596)</u>	<u>(1,203,553)</u>	<u>173,376</u>	<u>-</u>	<u>(8,407,773)</u>
Total capital assets, being depreciated, net	<u>12,132,246</u>	<u>(662,755)</u>	<u>-</u>	<u>2,501,246</u>	<u>13,970,737</u>
Governmental activities capital assets, net	<u>\$ 18,726,181</u>	<u>\$ 151,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,877,270</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

#### A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Buildings, grounds, and improvements	\$ 4,998,021	\$ -	\$ -	\$ 4,998,021
Machinery and equipment	8,752	-	-	8,752
Furniture and fixtures	27,417	-	-	27,417
Total capital assets, being depreciated	5,034,190	-	-	5,034,190
Less accumulated depreciation for:				
Buildings, grounds, and improvements	(187,426)	(124,951)	-	(312,377)
Machinery and equipment	(1,313)	(875)	-	(2,188)
Furniture and fixtures	(8,225)	(5,483)	-	(13,708)
Total accumulated depreciation	(196,964)	(131,309)	-	(328,273)
Business-type activities capital assets, net	\$ 4,837,226	\$ (131,309)	\$ -	\$ 4,705,917

#### B. Primary Government (Continued)

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

Governmental activities:	
General government	\$ 94,577
Public safety	243,299
Public works	865,677
Total depreciation expense - governmental activities	\$ 1,203,553

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

#### C. Discretely Presented Component Unit – Downtown Development Authority

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 7,373,204	\$ -	\$ -	\$ 221,467	\$ 7,594,671
Total capital assets, not being depreciated	<u>7,373,204</u>	<u>-</u>	<u>-</u>	<u>221,467</u>	<u>7,594,671</u>
Capital assets, being depreciated:					
Buildings, grounds, and improvements	12,018,276	-	(24,607)	(221,467)	11,772,202
Infrastructure	4,845,232	-	-	-	4,845,232
Furniture and fixtures	110,998	-	-	-	110,998
Signs	53,131	-	-	-	53,131
Total capital assets, being depreciated	<u>17,027,637</u>	<u>-</u>	<u>(24,607)</u>	<u>(221,467)</u>	<u>16,781,563</u>
Less accumulated depreciation for:					
Buildings, grounds, and improvements	(1,982,272)	(499,452)	24,607	-	(2,457,117)
Infrastructure	(404,388)	(152,785)	-	-	(557,173)
Furniture and fixtures	(50,657)	(22,200)	-	-	(72,857)
Signs	(16,511)	(3,541)	-	-	(20,052)
Total accumulated depreciation	<u>(2,453,828)</u>	<u>(677,978)</u>	<u>24,607</u>	<u>-</u>	<u>(3,107,199)</u>
Total capital assets, being depreciated, net	<u>14,573,809</u>	<u>(677,978)</u>	<u>-</u>	<u>(221,467)</u>	<u>13,674,364</u>
Total capital assets, net	<u>\$ 21,947,013</u>	<u>\$ (677,978)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,269,035</u>

Included in the above amount is a development known as "Old Towne Morrow", whose assets had a net book value of approximately \$8.98 million as of June 30, 2012. Due to the continued downturn in the economy, the development has been temporarily closed.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT

#### A. Primary Government

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Capital leases	\$ 1,037,687	\$ -	\$ (68,911)	\$ 968,776	\$ 71,625
Bonds payable	5,135,000	-	(1,220,000)	3,915,000	1,260,000
Compensated absences	288,100	241,735	(249,337)	280,498	258,100
Governmental activity					
Long-term liabilities	<u>\$ 6,460,787</u>	<u>\$ 241,735</u>	<u>\$ (1,538,248)</u>	<u>\$ 5,164,274</u>	<u>\$ 1,589,725</u>

Compensated absences are substantially liquidated by the General Fund.

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

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

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, 2012:

<b>Fiscal year ending June 30,</b>	
2013	\$ 107,982
2014	107,982
2015	107,982
2016	107,982
2017	107,982
2018-2022	539,912
2023-2024	115,050
Total minimum lease payments	<u>1,194,872</u>
Less amount representing interest	(226,096)
Present value of minimum lease payments	<u>\$ 968,776</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

**Revenue Bonds.** In June 2009, the City issued revenue bonds where the City pledged income derived from a 1% special purpose local option sales tax levied by Clayton County to pay debt service. The City's SPLOST revenue bonds outstanding at June 30, 2012, 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>
Various SPLOST Projects	3.44%	6 years	2015	<u>\$ 5,135,000</u>	<u>\$ 3,915,000</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2013	\$ 1,260,000	\$ 134,676	\$ 1,394,676
2014	1,305,000	91,332	1,396,332
2015	1,350,000	46,440	1,396,440
Total	<u>\$ 3,915,000</u>	<u>\$ 272,448</u>	<u>\$ 4,187,448</u>

### 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, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Development Authority</b>					
Bonds payable	\$ 9,651,701	\$ -	\$ (448,911)	\$ 9,202,790	\$ 471,625
Note payable	1,202,327	-	(60,283)	1,142,044	1,142,044
Development Authority Long-term liabilities	<u>\$ 10,854,028</u>	<u>\$ -</u>	<u>\$ (509,194)</u>	<u>\$ 10,344,834</u>	<u>\$ 1,613,669</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. In June 2007, the Authority issued bonds (Series 2007) in the amount of \$10,000,000. The proceeds of these bonds were used to purchase the Macy's Building from the City. In May 2008, the Authority issued new bonds (Series 2008) to refinance the Series 2007 bonds at a lower interest rate. Bonds payable at June 30, 2012, 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	\$ 968,790
Macy's Building	3.39%	10 years	2017	10,000,000	8,234,000
					<u>\$ 9,202,790</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2013	\$ 471,625	\$ 315,490	\$ 787,115
2014	494,430	299,125	793,555
2015	517,345	281,972	799,317
2016	534,374	264,027	798,401
2017	6,603,521	264,027	6,867,548
2018 - 2022	469,308	309,318	778,626
2023 - 2024	112,187	9,651	121,838
Total	<u>\$ 9,202,790</u>	<u>\$ 1,743,610</u>	<u>\$ 10,946,400</u>

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Amount</u>
Office complex purchase	5.91%	3 years	2013	\$ 1,300,000	<u>\$ 1,142,044</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

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

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year ending June 30,			
2013	\$ 1,142,044	\$ 11,193	\$ 1,153,237
Total	\$ 1,142,044	\$ 11,193	\$ 1,153,237

### 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.

The City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the current rate is 9.96% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees.

At January 1, 2012, the date of the most recent actuarial valuation, there were 185 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	39
Vested terminated employees not yet receiving benefits	42
Active employees	104
Total	185

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### A. Plan Description (Continued)

As of the most recent valuation date, January 1, 2012, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/12	\$ 9,825,050	\$ 10,573,887	\$ 748,837	92.9 %	\$ 4,804,485	15.6 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2012.

#### B. Summary of Significant Accounting Policies

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

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

#### C. Funding Policy

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### C. Funding Policy (Continued)

The annual required contribution for the current year was determined as part of the January 1, 2011, actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% per year, compounded annually and net of investment expenses and (b) projected salary increases of 3% for inflation and 0.5% for merit or seniority. The amortization method is closed level dollar for the remaining unfunded liability. The remaining amortization period varies for the bases, with a net effective amortization period of 10 years. These amortization periods are closed for this plan year.

#### D. Annual Pension Cost

<u>Fiscal Year Beginning</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
01/01/04	\$ 271,262	100 %	\$ -
01/01/05	252,420	100	-
01/01/06	255,766	100	-
01/01/07	299,462	100	-
01/01/08	303,559	100	-
01/01/09	522,256	100	-
07/01/10	411,635	100	-
07/01/11	483,130	100	-

### NOTE 8. DEFINED CONTRIBUTION PENSION PLAN

The City participates in the Georgia Municipal Association 401(a) Defined Contribution Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, CitiStreet. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City. Employees are not required to contribute to the Plan. The City contributes an amount equal to 50% of the amount contributed by participants to the City's plan, except that the City shall not match in excess of 4% of the participant's annual compensation. The City's contribution for each employee is 100% vested after five (5) years of continuous service. For the fiscal year ending June 30, 2012, the City suspended all contributions to the Plan and thus made no contribution for 2012.

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. BUDGET COMPLIANCE AND DEFICIT FUND BALANCE

#### A. Excess of Expenditures over Appropriations

For the year ended June 30, 2012, expenditures exceeded budget appropriations, as follows:

Fund	Excess
General Fund	
Public works - capital outlay	\$ 101
Hotel / Motel Tax Fund - economic development	15,129

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

### NOTE 10. HOTEL/MOTEL LODGING TAX

The City has levied an 8% lodging tax. For the fiscal year ended June 30, 2012, \$535,836 of hotel/motel tax was collected. Of the total collected, over 50% 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, 2012, are as follows:

Due To	Due From		Total
	Nonmajor Governmental	Morrow Center	
General Fund	\$ 87,988	\$ 78,348	\$ 166,336

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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer from	Transfer to			Total
	General	Nonmajor Governmental	Morrow Center	
General Fund	\$ -	\$ 126,820	\$ 34,924	\$ 161,744
Nonmajor Governmental	251,066	-	-	251,066
Sanitation	86,964	-	-	86,964
Total	\$ 338,030	\$ 126,820	\$ 34,924	\$ 499,774

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

### NOTE 12. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). During its year ended June 30, 2012, the City's membership dues were paid by Clayton County, Georgia on the City's behalf. Membership in a regional commission (RC) is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the ARC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: Atlanta Regional Commission, 3715 Northside Parkway, 200 North Creek Suite 300, Atlanta, Georgia 30327.

### 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 14. RISK MANAGEMENT

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

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

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

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

### NOTE 15. SHORT TERM DEBT

#### Line of Credit:

In the prior year, the City maintained, with a financial institution, an uncollateralized revolving line of credit used to fund a grant project in the amount of \$1,200,000, at an interest rate of 3.5%. As of June 30, 2012, this line of credit was paid in full and was not renewed.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Line of credit	\$ 333,000	\$ -	\$ (333,000)	\$ -	\$ -

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 16. SUBSEQUENT EVENT**

Subsequent to year end, the City entered into a new lease agreement for the purchase of a new fire truck. The total amount leased was \$461,794 and is being financed over ten years at 2.45%.

## **REQUIRED SUPPLEMENTARY INFORMATION**



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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2003	\$ 5,292,883	\$ 5,629,397	\$ 336,514	94.0 %	\$ 3,643,957	9.2 %
1/1/2004	5,838,768	5,855,794	17,026	99.7	3,386,039	0.5
1/1/2005	6,508,916	6,480,220	(28,696)	100.4	3,199,444	(0.9)
1/1/2006	6,986,941	6,534,385	(452,556)	106.9	3,511,297	(12.9)
1/1/2007	7,518,302	7,110,947	(407,355)	105.7	3,888,441	(10.5)
1/1/2008	8,166,199	7,890,874	(275,325)	103.5	4,112,214	(6.7)
1/1/2009	6,956,352	8,534,903	1,578,551	81.5	4,526,903	34.9
1/1/2010	8,858,997	9,099,687	240,690	97.4	4,400,873	5.5
1/1/2011	9,343,935	9,798,736	454,801	95.4	4,769,013	9.5
1/1/2012	9,825,050	10,573,887	748,837	92.9	4,804,485	15.6

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

**COMBINING STATEMENTS  
AND SCHEDULES**

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

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**SPECIAL REVENUE FUNDS**

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

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

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

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

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

**CITY OF MORROW, GEORGIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

<b>ASSETS</b>	<b>Emergency Communication Fund</b>	<b>Hotel/ Motel Tax Fund</b>	<b>Confiscated Assets Fund</b>	<b>Excise Tax Fund</b>	<b>Totals</b>
Cash and cash equivalents	\$ -	\$ -	\$ 129,338	\$ -	\$ 129,338
Taxes receivable	-	52,900	-	1,274	54,174
Accounts receivable	15,190	-	-	-	15,190
Prepaid expenditures	344	-	-	-	344
<b>Total assets</b>	<b>\$ 15,534</b>	<b>\$ 52,900</b>	<b>\$ 129,338</b>	<b>\$ 1,274</b>	<b>\$ 199,046</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 988	\$ -	\$ 29,381	\$ -	\$ 30,369
Accrued expenses	7,128	-	-	-	7,128
Due to other funds	7,418	52,900	26,396	1,274	87,988
<b>Total liabilities</b>	<b>15,534</b>	<b>52,900</b>	<b>55,777</b>	<b>1,274</b>	<b>125,485</b>
<b>FUND BALANCES</b>					
Restricted for:					
Law enforcement	-	-	73,561	-	73,561
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>73,561</b>	<b>-</b>	<b>73,561</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,534</b>	<b>\$ 52,900</b>	<b>\$ 129,338</b>	<b>\$ 1,274</b>	<b>\$ 199,046</b>

**CITY OF MORROW, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Emergency Communication Fund</b>	<b>Hotel/ Motel Tax Fund</b>	<b>Confiscated Assets Fund</b>	<b>Excise Tax Fund</b>	<b>Totals</b>
<b>Revenues</b>					
Other taxes	\$ -	\$ 535,836	\$ -	\$ 15,359	\$ 551,195
Charges for services	126,820	-	-	-	126,820
Fines and forfeitures	-	-	129,178	-	129,178
Interest revenue	-	-	56	-	56
Total revenues	<u>126,820</u>	<u>535,836</u>	<u>129,234</u>	<u>15,359</u>	<u>807,249</u>
<b>Expenditures</b>					
Public safety	253,640	-	91,531	-	345,171
Economic development	-	300,129	-	-	300,129
Total expenditures	<u>253,640</u>	<u>300,129</u>	<u>91,531</u>	<u>-</u>	<u>645,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,820)</u>	<u>235,707</u>	<u>37,703</u>	<u>15,359</u>	<u>161,949</u>
<b>Other financing sources (uses)</b>					
Transfers in	126,820	-	-	-	126,820
Transfers out	-	(235,707)	-	(15,359)	(251,066)
Total other financing sources (uses)	<u>126,820</u>	<u>(235,707)</u>	<u>-</u>	<u>(15,359)</u>	<u>(124,246)</u>
Net change in fund balances	-	-	37,703	-	37,703
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>35,858</u>	<u>-</u>	<u>35,858</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,561</u>	<u>\$ -</u>	<u>\$ 73,561</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Charges for services	\$ 146,550	\$ 146,550	\$ 126,820	\$ (19,730)
Total revenues	<u>146,550</u>	<u>146,550</u>	<u>126,820</u>	<u>(19,730)</u>
<b>Expenditures</b>				
Public safety	617,705	274,705	253,640	21,065
Total expenditures	<u>617,705</u>	<u>274,705</u>	<u>253,640</u>	<u>21,065</u>
Deficiency of revenues under expenditures	<u>(471,155)</u>	<u>(128,155)</u>	<u>(126,820)</u>	<u>1,335</u>
<b>Other financing sources</b>				
Transfers in	471,155	128,155	126,820	(1,335)
Total other financing sources	<u>471,155</u>	<u>128,155</u>	<u>126,820</u>	<u>(1,335)</u>
Net change in fund balance	-	-	-	-
<b>Fund balances, beginning of year</b>	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MORROW, GEORGIA  
HOTEL/MOTEL TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Other taxes	\$ 570,000	\$ 570,000	\$ 535,836	\$ (34,164)
<b>Expenditures</b>				
Economic development	285,000	285,000	300,129	(15,129)
Total expenditures	<u>285,000</u>	<u>285,000</u>	<u>300,129</u>	<u>(15,129)</u>
Excess of revenues over expenditures	<u>285,000</u>	<u>285,000</u>	<u>235,707</u>	<u>(49,293)</u>
<b>Other financing uses</b>				
Transfers out	(285,000)	(285,000)	(235,707)	49,293
Total other financing uses	<u>(285,000)</u>	<u>(285,000)</u>	<u>(235,707)</u>	<u>49,293</u>
Net change in fund balance	-	-	-	-
<b>Fund balances, beginning of year</b>	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Fines and forfeitures	\$ 50,000	\$ 92,500	\$ 129,178	\$ 36,678
Interest	-	-	56	56
Total revenues	<u>50,000</u>	<u>92,500</u>	<u>129,234</u>	<u>36,734</u>
<b>Expenditures</b>				
Public safety	50,000	92,500	91,531	969
Total expenditures	<u>50,000</u>	<u>92,500</u>	<u>91,531</u>	<u>969</u>
Net change in fund balance	-	-	37,703	37,703
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>35,858</u>	<u>35,858</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,561</u>	<u>\$ 73,561</u>



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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Other taxes	\$ 9,540	\$ 15,540	\$ 15,359	\$ (181)
<b>Other financing uses</b>				
Transfers out	(9,540)	(15,540)	(15,359)	181
Net change in fund balance	-	-	-	-
<b>Fund balances, beginning of year</b>	-	-	-	-
<b>Fund balances, end of year</b>	<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, 2012**

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<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Pedestrian Path System Phase I	\$ 139,448	\$ 139,448	\$ 139,950	\$ -	\$ 139,950
Pedestrian Path System Phase II	690,000	690,000	278,513	24,159	302,672
Pedestrian Path System Phase III	861,025	861,025	451,329	-	451,329
Barton Park Phase IV	377,901	377,901	-	-	-
Morrow Conference Center	4,051,626	4,051,626	5,095,143	-	5,095,143
Olde Morrow Creek Corridor	2,160,000	2,160,000	1,826,781	-	1,826,781
Pedestrian Path System Phase V	290,000	290,000	-	-	-
Pedestrian Path System Phase VI	290,000	290,000	-	-	-
Lee Street Pedestrian Facility	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 9,860,000</u>	<u>\$ 9,860,000</u>	<u>\$ 7,791,716</u>	<u>\$ 24,159</u>	<u>\$ 7,815,875</u>

## CITY OF MORROW, GEORGIA COMPONENT UNITS

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

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

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

**CITY OF MORROW, GEORGIA**

**STATEMENT OF CASH FLOWS  
COMPONENT UNITS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Downtown Development Authority</b>	<b>Morrow Business and Tourism Association</b>	<b>Morrow Housing Authority</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,028,580	\$ 253,386	\$ -	\$ 1,281,966
Payments to suppliers	(153,023)	(120,288)	-	(273,311)
Payments to employees	-	(137,344)	-	(137,344)
Net cash provided by (used in) operating activities	<u>875,557</u>	<u>(4,246)</u>	<u>-</u>	<u>871,311</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advances from primary government	4,381	-	-	4,381
Net cash provided by noncapital financing activities	<u>4,381</u>	<u>-</u>	<u>-</u>	<u>4,381</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on bonds	(60,283)	-	-	(60,283)
Principal paid on notes payable and capital leases	(448,911)	-	-	(448,911)
Interest paid	(401,652)	-	-	(401,652)
Net cash used in capital and related financing activities	<u>(910,846)</u>	<u>-</u>	<u>-</u>	<u>(910,846)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	39,081	6	-	39,087
Net cash provided by investing activities	<u>39,081</u>	<u>6</u>	<u>-</u>	<u>39,087</u>
Change in cash and cash equivalents	8,173	(4,240)	-	3,933
<b>Cash and cash equivalents:</b>				
Beginning of year	65,065	4,240	160	69,465
End of year	<u>\$ 73,238</u>	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 73,398</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>				
Net operating income	\$ 109,005	\$ 55,557	\$ -	\$ 164,562
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	677,978	-	-	677,978
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	78,557	(475)	-	78,082
Decrease in prepaid expenses	-	439	-	439
Decrease in due to primary government	-	(59,353)	-	(59,353)
Increase (decrease) in accounts payable	9,280	(525)	-	8,755
Increase in accrued liabilities	737	111	-	848
Net cash provided by (used in) operating activities	<u>\$ 875,557</u>	<u>\$ (4,246)</u>	<u>\$ -</u>	<u>\$ 871,311</u>

# STATISTICAL SECTION

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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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> .....	<b>59 - 64</b>
<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>	
<b>Revenue Capacity</b> .....	<b>65 - 69</b>
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i>	
<b>Debt Capacity</b> .....	<b>70 - 72</b>
<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>	
<b>Demographic and Economic Information</b> .....	<b>73 and 74</b>
<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>	
<b>Operating Information</b> .....	<b>75 - 78</b>
<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 ASSETS BY ACTIVITY  
LAST NINE FISCAL YEARS**

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

**CITY OF MORROW, GEORGIA**

**CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS**

Expenses	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:									
Governmental activities:									
General government	\$ 1,321,684	\$ 1,152,346	\$ 1,685,149	\$ 2,693,482	\$ 1,916,132	\$ 1,692,191	\$ 12,908,230	\$ 2,572,899	\$ 2,219,595
Judicial	56,042	167,032	174,165	190,486	312,561	388,218	353,217	384,023	414,825
Public safety	4,444,719	4,504,847	4,570,661	5,117,869	6,179,546	6,759,090	6,460,751	6,741,610	6,129,433
Public works	722,379	805,648	1,024,683	570,783	1,286,678	1,546,931	1,775,873	1,775,668	2,094,630
Economic development	-	161,067	163,076	241,854	187,103	163,313	161,156	275,328	307,398
Interest and fiscal changes	-	54,812	52,728	50,289	48,488	73,201	250,977	250,639	243,719
Total governmental activities expenses	6,544,824	6,845,752	7,670,462	8,864,763	9,930,508	10,622,944	21,910,204	12,000,167	11,409,600
Business-type activities:									
Sanitation	972,091	964,547	975,755	1,175,632	1,081,972	1,001,787	923,938	836,005	833,225
Morrow Center	-	-	-	-	-	-	168,345	411,954	419,601
Total business-type activities expenses	972,091	964,547	975,755	1,175,632	1,081,972	1,001,787	1,092,283	1,247,959	1,252,826
Total primary government expenses	7,516,915	7,810,299	8,646,217	10,040,395	11,012,480	11,624,731	23,002,487	13,248,126	12,662,426
<b>Program revenues</b>									
Primary government:									
Governmental activities:									
Charges for services <sup>(a)</sup>									
General government	1,143,315	1,517,619	1,351,249	1,285,924	1,312,562	1,036,261	1,081,785	1,108,890	1,084,186
Public safety	1,760,057	1,983,424	2,600,898	3,531,926	4,357,563	4,705,219	4,432,995	4,694,366	5,045,952
Operating grants and contributions	168,777	193,820	25,403	201,476	-	-	147,717	1,721,689	884,916
Capital grants and contributions	-	-	-	-	3,143,132	576,188	1,568,989	1,507,511	1,583,609
Total governmental activities program revenues	3,072,149	3,694,863	3,977,550	5,019,326	8,813,257	6,317,668	7,231,486	9,032,456	8,598,663
Business-type activities:									
Charges for services									
Sanitation	1,163,091	1,236,396	1,118,367	1,372,292	1,240,150	1,167,594	1,065,842	968,431	920,189
Morrow Center	-	-	-	-	-	-	55,544	209,177	253,367
Total business-type activities program revenues	1,163,091	1,236,396	1,118,367	1,372,292	1,240,150	1,167,594	1,121,386	1,177,608	1,173,556
Total primary government program revenues	4,235,240	4,931,259	5,095,917	6,391,618	10,053,407	7,485,262	8,352,872	10,210,064	9,772,219
Net (expense)/revenue									
Governmental activities	(3,472,675)	(3,150,889)	(3,692,912)	(3,845,437)	(1,117,251)	(4,305,276)	(14,678,718)	(2,967,711)	(2,810,937)
Business-type activities	191,000	271,849	142,612	196,660	158,178	165,807	29,103	(70,351)	(79,270)
Total primary government net expense	(3,281,675)	(2,879,040)	(3,550,300)	(3,648,777)	(959,073)	(4,139,469)	(14,649,615)	(3,038,062)	(2,890,207)

(Continued)

**CITY OF MORROW, GEORGIA**

**CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS**

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

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

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



**CITY OF MORROW, GEORGIA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**

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

**Note:** GASB 54 was implemented during fiscal year 2011.

**CITY OF MORROW, GEORGIA**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS**

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>									
Property taxes <sup>(b)</sup>	\$ -	\$ 1,096,267	\$ 1,143,803	\$ 1,471,921	\$ 1,614,117	\$ 1,597,308	\$ 1,743,042	\$ 1,629,148	\$ 1,970,306
Other taxes	2,440,738	2,563,138	2,834,444	2,836,720	2,834,977	2,620,688	2,541,002	2,546,385	2,632,032
Charges for services	249,791	360,099	416,297	487,370	545,391	905,867	1,130,955	962,317	951,049
Licenses and permits	1,127,852	1,305,040	1,344,715	1,274,733	1,296,436	1,025,873	1,071,343	1,093,682	1,058,978
Intergovernmental	535,555	580,861	435,338	614,313	3,591,339	983,580	2,161,847	3,677,076	2,916,220
Franchise fees	1,260,654	1,448,863	592,557	620,378	686,643	712,704	664,498	690,517	715,923
Fines, forfeitures, and fees	553,174	577,392	1,781,200	2,642,910	3,380,091	3,358,552	2,864,622	3,300,393	3,670,521
Interest revenues	198,932	254,982	1,289,491	254,551	417,152	76,126	16,277	2,583	4,981
Rental income	25,575	37,020	35,235	34,181	165,203	187,210	22,500	16,879	53,554
Other revenues	63,243	146,952	94,985	107,426	183,080	35,044	48,387	16,032	20,178
<b>Total revenues</b>	<b>6,455,514</b>	<b>8,370,614</b>	<b>9,968,065</b>	<b>10,344,503</b>	<b>14,714,429</b>	<b>11,502,952</b>	<b>12,264,473</b>	<b>13,935,012</b>	<b>13,993,742</b>
<b>Expenditures:</b>									
Current:									
General government <sup>(c)</sup>	1,216,145	1,049,357	2,878,566	3,530,666	5,806,429	4,922,354	4,393,190	2,483,815	2,206,955
Judicial	-	167,954	171,912	191,225	312,959	387,621	354,340	383,501	414,464
Public safety	4,197,997	4,303,044	4,531,343	5,541,628	6,407,506	6,576,604	6,205,103	6,579,175	6,263,698
Public works	676,665	1,185,020	1,710,955	2,015,363	7,070,038	2,442,896	1,321,775	2,439,957	2,115,167
Economic development	-	161,067	170,495	188,404	186,358	163,952	155,168	271,736	300,129
Capital Outlay <sup>(a)</sup>	465,649	-	-	-	-	1,112,583	6,535,456	10,127	24,159
Debt service:									
Principal	47,271	52,663	54,726	57,004	59,096	61,410	63,815	66,328	1,288,911
Interest and fiscal charges	148,658	41,301	53,256	50,978	48,887	46,572	220,321	221,674	221,769
Bond issuance costs	-	-	-	-	-	133,550	-	-	-
<b>Total expenditures</b>	<b>6,752,385</b>	<b>6,960,406</b>	<b>9,571,253</b>	<b>11,575,268</b>	<b>19,891,273</b>	<b>15,847,542</b>	<b>19,249,168</b>	<b>12,456,313</b>	<b>12,835,252</b>
Excess (deficiency) of revenues over expenditures	(296,871)	1,410,208	396,812	(1,230,765)	(5,176,844)	(4,344,590)	(6,984,695)	1,478,699	1,158,490
Other financing sources (uses)									
Issuance of debt	127,388	-	-	-	-	-	-	-	-
Proceeds from bond issuance	-	-	-	-	-	5,135,000	-	-	-
Proceeds from the sale of capital assets	-	-	38,600	8,215,110	909,718	1,105	11,337	102,624	19,718
Transfers in	991,375	1,042,923	934,247	1,256,117	1,213,746	1,178,487	1,119,721	570,240	464,850
Transfers out	(988,537)	(765,197)	(797,512)	(1,059,457)	(1,055,568)	(1,012,680)	(1,050,777)	(551,018)	(412,810)
<b>Total other financing sources (uses)</b>	<b>130,226</b>	<b>277,726</b>	<b>175,335</b>	<b>8,411,770</b>	<b>1,067,896</b>	<b>5,301,912</b>	<b>80,281</b>	<b>121,846</b>	<b>71,758</b>

(Continued)

**CITY OF MORROW, GEORGIA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**

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

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

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

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

**CITY OF MORROW, GEORGIA**

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

Tax Digest Year	Real Property				Other Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Mobile Homes	Motor Vehicles						
2004	\$ 59,469,758	\$ 229,527,529	\$ -	\$ 12,089,750	\$ 42,617,874	\$ (43,240,586)	\$ 300,464,325	4.00	\$ 751,160,813	40%
2005	67,187,097	227,682,973	-	11,916,590	42,299,241	(49,223,686)	299,862,215	4.00	749,655,538	40%
2006	74,472,627	238,603,261	-	11,499,110	45,188,601	(51,408,070)	318,355,529	5.00	795,888,823	40%
2007	86,063,353	240,437,907	-	12,361,360	46,887,405	(53,401,350)	332,348,675	5.00	830,871,688	40%
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	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	73,773,415	213,382,165	-	11,652,700	45,377,795	(47,720,016)	296,466,059	6.00	741,165,148	40%
2011	68,703,167	198,097,906	-	10,356,060	45,249,749	(44,879,588)	277,527,294	7.50	693,818,235	40%

Source: Clayton County Tax Commissioner

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

# CITY OF MORROW, GEORGIA

## PROPERTY TAX RATES LAST TEN TAX DIGEST YEARS

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<u>Tax Digest Year</u>	<u>City of Morrow</u>		<u>State of Georgia</u>	<u>Clayton County</u>	<u>School District</u>	<u>Total Millage Rate</u>
	<u>Operating Millage</u>	<u>Total Direct Rate</u>				
2002	0.000	0.000	0.250	5.154	18.916	24.320
2003	0.000	0.000	0.250	6.882	18.916	26.048
2004	4.000	4.000	0.250	6.882	18.916	30.048
2005	4.000	4.000	0.250	7.781	18.916	30.947
2006	5.000	5.000	0.250	8.764	20.000	34.014
2007	5.000	5.000	0.250	8.535	19.836	33.621
2008	5.000	5.000	0.250	11.436	19.836	36.522
2009	6.000	6.000	0.250	11.436	20.000	37.686
2010	6.000	6.000	0.250	11.436	20.000	37.686
2011	7.500	7.500	0.250	11.436	20.000	39.186

Source: Clayton County Tax Commissioner

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

**CITY OF MORROW, GEORGIA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND SEVEN YEARS AGO**

Taxpayer	2011 (Tax Digest Year)			2004 (Tax Digest Year)		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southlake Mall, LLC	\$ 24,099,400	1	12.33%	\$ 27,909,600	1	9.29%
DDRTC	14,117,340	2	7.22%			
Paccar Inc	7,801,416	3	3.99%	5,471,115	9	1.82%
Southlake Atlanta LLC	7,584,200	4	3.88%			
Sherwin Williams	7,410,882	5	3.79%	6,147,494	5	2.05%
ECM Southlake	7,363,400	6	3.77%			
Costco	6,943,531	7	3.55%	7,362,696	3	2.45%
Scott H Lee as Trustee	6,075,000	8	3.11%	6,073,621	7	2.02%
Glenwood Morrow	3,995,600	9	2.04%			
Clayton Place	3,384,000	10	1.73%			
Inland Southeast				16,137,200	2	5.37%
Inland Southeast Southlake				6,085,000	6	2.03%
Rich's Real Estate Inc.				7,041,200	4	2.34%
OLP Southlake				5,640,000	8	1.88%
Secured Prop Investors				5,373,183	10	1.79%
ALL OTHERS	106,745,756		54.60%	207,223,216		68.97%
Total	<u>\$ 195,520,525</u>		<u>100.00%</u>	<u>\$ 300,464,325</u>		<u>100.00%</u>

Source: Clayton County Tax Commissioner

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

**CITY OF MORROW, GEORGIA**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST EIGHT FISCAL YEARS**

Fiscal Year	Taxes Levied	Errors, Releases or Adjustments	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	% of Levy		Amount	% of Levy
2005	\$ 1,094,214	\$ -	\$ 1,094,214	\$ 1,073,981	98.15%	\$ 20,233	\$ 1,094,214	100.00%
2006	1,066,274	1,984	1,068,258	1,051,898	98.47%	16,360	1,068,258	100.00%
2007	1,366,192	14,787	1,380,979	1,344,975	97.39%	36,004	1,380,979	100.00%
2008	1,520,933	(19,307)	1,501,626	1,483,899	98.82%	17,727	1,501,626	100.00%
2009	1,550,823	(11,614)	1,539,209	1,497,633	97.30%	40,352	1,537,985	99.92%
2010	1,697,259	21,699	1,718,958	1,636,993	95.23%	57,388	1,694,381	98.57%
2011	1,567,965	(11,688)	1,556,277	1,501,774	96.50%	31,779	1,533,553	98.54%
2012	1,869,436	(18,422)	1,851,014	1,805,744	97.55%	-	1,805,744	97.55%

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

**CITY OF MORROW, GEORGIA**

**LOCAL OPTION SALES TAX HISTORY  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
July	\$ 143,054	\$ 129,633	\$ 141,590	\$ 148,824	\$ 147,778	\$ 148,490	\$ 179,390	\$ 136,062	\$ 127,269	\$ 143,029
August	129,951	127,552	120,262	154,530	149,708	137,592	147,924	164,788	129,785	136,777
September	129,925	124,577	162,901	146,804	181,762	137,362	184,280	145,208	124,262	106,970
October	124,976	129,745	150,591	176,290	170,091	127,180	175,408	138,145	121,287	113,109
November	113,979	140,343	139,505	156,849	194,440	143,040	120,291	135,900	117,782	119,476
December	146,802	107,492	135,643	150,803	113,268	171,375	162,189	143,843	181,375	146,152
January	121,894	139,221	136,788	125,776	143,592	142,258	127,109	125,081	138,284	167,229
February	133,496	131,328	149,329	173,497	168,296	153,206	100,307	128,428	145,420	130,783
March	124,068	140,000	112,397	153,052	128,364	135,482	80,860	142,603	146,243	142,107
April	124,887	124,063	148,986	84,146	127,969	142,195	94,804	134,106	136,481	165,511
May	114,060	137,410	154,249	210,912	150,267	139,954	135,404	127,869	140,156	143,600
June	135,838	144,191	159,443	166,573	163,590	184,664	142,468	121,396	134,166	138,410
Adjustment	-	6,989	6,585	7,103	7,327	3,008	-	10,792	-	854
<b>Total</b>	<u>\$ 1,542,930</u>	<u>\$ 1,582,544</u>	<u>\$ 1,718,269</u>	<u>\$ 1,855,159</u>	<u>\$ 1,846,452</u>	<u>\$ 1,765,806</u>	<u>\$ 1,650,434</u>	<u>\$ 1,654,221</u>	<u>\$ 1,642,510</u>	<u>\$ 1,654,007</u>

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						
2003	\$ -	\$ 98,987	\$ 98,987	0.04%	0.12%	\$ 20.28	\$ 85,650	4,882
2004	-	1,452,454	1,452,454	0.51%	1.70%	297.51	85,650	4,882
2005	-	1,400,066	1,400,066	0.47%	1.63%	286.78	85,650	4,882
2006	-	1,345,340	1,345,340	0.45%	1.57%	275.57	85,650	4,882
2007	-	1,288,336	1,288,336	0.40%	1.50%	263.90	85,650	4,882
2008	-	1,229,240	1,229,240	0.37%	1.44%	251.79	85,650	4,882
2009	5,135,000	1,167,830	6,302,830	1.86%	7.36%	1,291.03	85,650	4,882
2010	5,135,000	1,104,015	6,239,015	1.94%	7.28%	1,277.96	85,650	4,882
2011	5,135,000	1,037,687	6,172,687	2.08%	4.98%	957.75	123,905	6,445
2012	3,915,000	968,776	4,883,776	1.76%	3.86%	751.93	126,614	6,495

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**

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<b>Fiscal Year Ended June 30,</b>	<b>Assessed value of taxable property</b>	<b>Debt Limit (10% of assessed value)</b>	<b>Amount of outstanding debt applicable to debt limit</b>	<b>Legal debt margin</b>	<b>Total net debt applicable to the limit as a percentage of debt limit</b>
2003	274,613,462	27,461,346	98,987	27,362,359	0.36%
2004	287,331,471	28,733,147	1,452,454	27,280,693	5.05%
2005	300,464,325	30,046,433	1,400,066	28,646,367	4.66%
2006	299,862,215	29,986,222	1,345,340	28,640,882	4.49%
2007	318,355,529	31,835,553	1,288,336	30,547,217	4.05%
2008	332,348,675	33,234,868	1,229,240	32,005,628	3.70%
2009	339,307,935	33,930,794	6,302,830	27,627,964	18.58%
2010	321,098,397	32,109,840	6,239,015	25,870,825	19.43%
2011	296,466,059	29,646,606	6,172,687	23,473,919	20.82%
2012	277,527,294	27,752,729	4,883,776	22,868,953	17.60%

**CITY OF MORROW, GEORGIA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2012**

Jurisdiction	Debt Outstanding	Percentage Applicable to the City of Morrow <sup>(a)</sup>	Amount Applicable to the City of Morrow
<b>Clayton County, Georgia- Overlapping Debt</b>			
Capital leases payable	\$ 9,685,806	5.41%	\$ 524,316
Revenue bonds payable	22,755,138	5.41%	<u>1,231,792</u>
Subtotal Overlapping Debt			1,756,108
<b>City of Morrow, Georgia- Direct Debt</b>			
			<u>4,883,776</u>
Total Direct and Overlapping Debt			<u>\$ 6,639,884</u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the County. Debt outstanding provided by the County (as of June 30, 2012) 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.

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

## CITY OF MORROW, GEORGIA

### DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate <sup>(4)</sup>	School Enrollment <sup>(5)</sup>
2003	4,882 <sup>(1)</sup>	85,649,808 <sup>(1)</sup>	17,544 <sup>(1)</sup>	30.50 <sup>(1)</sup>	4.40%	1,374
2004	4,882 <sup>(1)</sup>	85,649,808 <sup>(1)</sup>	17,544 <sup>(1)</sup>	30.50 <sup>(1)</sup>	4.10%	1,290
2005	4,882 <sup>(1)</sup>	85,649,808 <sup>(1)</sup>	17,544 <sup>(1)</sup>	30.50 <sup>(1)</sup>	5.40%	1,312
2006	4,882 <sup>(1)</sup>	85,649,808 <sup>(1)</sup>	17,544 <sup>(1)</sup>	30.50 <sup>(1)</sup>	5.40%	1,312
2007	4,882 <sup>(1)</sup>	85,649,808 <sup>(1)</sup>	17,544 <sup>(1)</sup>	30.50 <sup>(1)</sup>	5.40%	1,312
2008	4,882 <sup>(1)</sup>	85,649,808 <sup>(1)</sup>	17,544 <sup>(1)</sup>	30.50 <sup>(1)</sup>	5.80%	1,312
2009	4,882 <sup>(1)</sup>	85,649,808 <sup>(1)</sup>	17,544 <sup>(1)</sup>	30.50 <sup>(1)</sup>	10.00%	1,313
2010	4,882 <sup>(1)</sup>	85,649,808 <sup>(1)</sup>	17,544 <sup>(1)</sup>	30.50 <sup>(1)</sup>	10.00%	1,313
2011	6,445 <sup>(2)</sup>	123,905,125 <sup>(2)</sup>	19,225 <sup>(2)</sup>	31.10 <sup>(2)</sup>	10.40%	1,313
2012	6,495 <sup>(3)</sup>	126,613,530 <sup>(3)</sup>	19,494 <sup>(3)</sup>	31.10 <sup>(2)</sup>	8.80%	1,726

Sources:

<sup>(1)</sup> U.S. Census Bureau - 2000 Census

<sup>(2)</sup> U.S. Census Bureau - 2010 Census

<sup>(3)</sup> Morrow QuickFacts from US Census Bureau updated 9/18/12

<sup>(4)</sup> U.S. Department of Labor Statistics

<sup>(5)</sup> Clayton County Board of Education

## CITY OF MORROW, GEORGIA

### TEN LARGEST EMPLOYERS IN MORROW CURRENT YEAR AND SIX YEARS AGO

<b>Business</b>	<b>2012</b>			<b>2006</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Clayton State University	659	1	10.17%			
Wal-Mart Super Center	334	2	5.15%	477	1	6.12%
Macy's	217	3	3.35%	141	4	1.81%
Costco	140	4	2.16%	115	6	1.48%
Target	135	5	2.08%			
Bestbuy	107	6	1.65%	107	8	1.37%
Cracker Barrel	98	7	1.51%	110	7	1.41%
Sears	94	8	1.45%	134	5	1.72%
Burlington Coat Factory	70	9	1.08%	60	9	0.77%
Barnes and Noble	59	10	0.91%	59	10	0.76%
Sherwin Williams				325	2	4.17%
JC Penney				213	3	2.73%

Source: City records.

Information prior to 2006 was not available.

# CITY OF MORROW, GEORGIA

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

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<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Police Department</u>	<u>Fire Department</u>	<u>Inspections</u>	<u>E-911</u>	<u>Total</u>
2003	24	35	26	1	10	96
2004	24	35	26	1	10	96
2005	26	36	27	1	10	100
2006	27	39	29	1	12	108
2007	33	37	34	1	12	117
2008	40	39	37	1	15	132
2009	31	36	38	1	14	120
2010	25	35	33	1	12	106
2011	26	34	40	1	12	113
2012	27	32	33	1	11	104

Sources: Various City Departments

## CITY OF MORROW, GEORGIA

### PUBLIC SAFETY OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Citations issued	8,628	7,508	7,503	10,352	14,055	22,185	22,096	13,561	15,468	8,478
DUI Citations issued	67	61	48	76	124	260	109	122	94	43
Warnings issued	2,663	1,778	2,297	3,638	3,880	770	8,577	10,220	12,455	8,521
Crime Statistics:										
Aggravated Assault	23	13	18	8	13	8	9	14	10	3
Auto Theft	179	186	138	98	64	68	65	57	49	56
Murder	-	-	-	1	1	-	-	-	-	-
Rape	2	2	3	-	-	4	2	-	2	2
Robbery	42	31	32	33	33	24	21	13	21	12
Burglary	49	41	54	51	45	65	74	57	66	64
Theft	1,014	1,121	1,021	762	766	970	814	683	710	867
Fire										
Incident responses	1,739	1,833	1,966	1,978	2,100	2,000	1,963	2,120	2,213	2,008
Public Safety Education										
Events	82	113	78	113	115	115	112	113	114	111
Persons contacted	4,122	3,936	3,936	16,621	17,115	17,425	16,498	17,915	15,975	15,032

Source: City police and fire department records.

## CITY OF MORROW, GEORGIA

### CAPITAL ASSET STATISTICS BY FUNCTION LAST NINE FISCAL YEARS

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

**Sources:** Various City departments.

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



# CITY OF MORROW, GEORGIA

## CONSTRUCTION ACTIVITY LAST TEN FISCAL YEARS

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<u>Fiscal Year Ended June 30,</u>	<u>Residential Permits Issued</u>	<u>Residential Value</u>	<u>Commercial Permits Issued</u>	<u>Commercial Value</u>
2003	88	\$ 9,536,670	59	\$ 14,354,051
2004	32	3,730,650	54	5,809,390
2005	35	4,203,585	30	4,148,642
2006	109	14,787,743	42	8,675,754
2007	49	7,554,925	44	5,657,668
2008	31	4,210,993	32	3,472,189
2009	13	148,762	17	2,015,804
2010	39	155,689	291	6,169,072
2011	51	114,354	195	3,137,092
2012	96	257,644	204	2,913,384

Source: City's Planning and Zoning Department.

**CITY OF MORROW, GEORGIA**

**SINGLE AUDIT OF FEDERAL PROGRAMS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

**CITY OF MORROW, GEORGIA**  
**SINGLE AUDIT OF FEDERAL PROGRAMS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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# CITY OF MORROW, GEORGIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Identification Number</u>	<u>Eligible Expenditures</u>
U.S. DEPARTMENT OF JUSTICE			
Direct programs:			
ARRA - Community Policing Grant	16.710	2009RKWX0268	\$ 131,913
Public Safety Partnership - Cyber Crime Task Force	16.710	200-12-AT-0053	20,285
Total Department of Justice Grant Programs			<u>152,198</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Georgia Department of Transportation			
ARRA - Underpass Path Project	20.205	0006793	<u>653,705</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Georgia Emergency Management Agency			
State Homeland Security Grant	97.067	2010 SS-T0-0034	<u>16,795</u>
Total Federal Financial Assistance			<u>\$ 822,698</u>

# CITY OF MORROW, GEORGIA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting.

#### **Measurement Focus**

The determination of when an award is expended is based on when the activity related to the award occurred.

#### **Program Type Determination**

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$300,000 or three percent of total federal expenditures. The threshold of \$300,000 was used in distinguishing between Type A and Type B programs.

#### **Method of Major Program Selection**

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended June 30, 2012.

#### **Amount Provided to Subrecipients**

During 2012, the City did not pass through any federal funding to subrecipients.

**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**

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

We have audited 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, as of and for the year ended June 30, 2012, which collectively comprise the City of Morrow, Georgia's basic financial statements and have issued our report thereon dated October 31, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the City of Morrow, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Morrow, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Morrow, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Morrow, Georgia's internal control over financial reporting.

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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Morrow, Georgia's financial statements are free of 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*.

This report is intended solely for the information and use of management, the City Council, others within the City, federal awarding agencies and pass through entities, and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
October 31, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the City of Morrow, Georgia's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.



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### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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**Schedule of Expenditures of Federal Awards**

We have audited 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, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
October 31, 2012

# CITY OF MORROW, GEORGIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### **Federal Awards**

Internal Control over major programs:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for  
major programs Unqualified

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?  yes  no

Identification of major programs:

CFDA Number  
20.205

Name of Federal Program or Cluster  
U.S. Department of Transportation; Highway Planning  
and Construction

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

**CITY OF MORROW, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III  
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV  
STATUS OF PRIOR YEAR FINDINGS**

None reported.