

CITY OF MORROW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

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City of Morrow, Georgia
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2015

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INTRODUCTORY SECTION



December 29, 2015

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

Ladies and Gentlemen:

I would like to present to you the Comprehensive Annual Financial Report of the City of Morrow, Georgia, for the fiscal year ended June 30, 2015. 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 (CAFR) is written to be used and understood by a broad array of people. It is presented in three sections:

1) INTRODUCTORY SECTION

The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, and a listing of the City's principal officials.

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, the notes to the 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 can be found on pages 4 through 13 of this financial report and complements this letter of transmittal and should be read in conjunction with it.

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The data in the report is believed to be accurate in all material respects and conforms substantially with the standards of the Government Finance Officers Association (GFOA) program for the Certificate of Achievement for Excellence in Financial Reporting. Due to the untimely turnover of staff, the City failed to submit its CAFR for the 2014 fiscal year so a track record of receiving the award for eighteen consecutive years was broken. This report will again be submitted to the GFOA for evaluation of eligibility for the GFOA awards program. All necessary disclosures have been included in order to enable the reader to gain the maximum understanding of the City's financial activity.

INDEPENDENT AUDIT

Georgia statutes and law require cities to have an audit performed annually by an independent certified public accountant. The City of Morrow's financial statements have been audited by Mauldin & Jenkins, Certified Public Accountants, LLC. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report and can be found on pages 1 through 3.

Single Audit

The City of Morrow is not required to undergo an annual Single Audit in conformity with the provision of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." During FY 2015, the City of Morrow did not receive federal funding at a level which required single audit presentation; therefore, a single audit is not included in this report.

Management Discussion & Analysis

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

THE PROFILE OF GOVERNMENT

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

Morrow operates under the Council/City Manager form of government. The City of Morrow is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by the State to extend its corporate limits by annexation, which

occurs periodically when deemed appropriate by the governing Council. Policy making and legislative authority are vested in the governing council, which consists of a Mayor and four Council members. The governing council is responsible, among other things, for passing ordinances, adopting budgets, appointing committees, and hiring both the City Manager and legal counsel and confirming appointments of the various department heads. 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 non-partisan basis, and serve staggered four-year terms. Elections are held every two years, with the Mayor and two Council members on one cycle and the other two Council members on the next cycle.

The City's organization includes six major departments: Administration, Administrative Support Services, Fire (including E911), Police, Public Works and Services, 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 services, emergency communications, code enforcement, public works, sanitation, planning and 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 budget discussions in January and meetings are held monthly working with the Mayor, Council, City Manager, and Department Heads to reach a proposed draft budget on or about March 9th. The Mayor and Council, City Manager, and Department Heads are involved in the budget development from start to finish. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30 (the close of the City's fiscal year). The annual budget is prepared by fund, function, and department: for example: General Fund, Public Safety, and Police Department. Department Directors are not allowed to make transfers between appropriated accounts. Appropriations between Departments are not allowed, except by specific action of the City Council. Budget to actual comparisons are provided in this report for each individual fund for which an appropriated budget has been adopted. For the general fund, this comparison extends to the department level. Budget to actual comparisons for all governmental and enterprise funds (business-type activities) are presented in the other Required Supplementary Information (RSI) section of the financial statements.

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

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

Construction by the Georgia Department of Transportation was completed in 2012 on the \$46 million construction contract for the Highway 54 and Interstate 75 interchange and related bridges. The improvements included expanded lanes that have reduced traffic delays, a new bridge for Lee Street that has reduced congestion on Highway 54, and high mast lighting that has improved safety and visibility. Completion of the interstate redesign has improved the functions of this center point of the City but it has suffered setbacks with multiple thefts that have disabled much of the lighting. The City continues to work with Georgia Department of Transportation and Georgia Power to understand a long-term solution to this costly problem.

Still, the improvements to the city's entry way are important. The effects of closing of nearby Fort Gillem in Forest Park have been mitigated by the development of the Gillem Logistics Center which includes a 253 acre Kroger Distribution Center, direct connectivity to I-285, mixed use and industrial zoning for redevelopment opportunities. Clayton County continues to strengthen its position in the market for Film and Television. The opening of the new Porsche facility, North America's first, in Hapeville has injected the area with a new appeal. Hartsfield-Jackson International Airport with access to Interstate 75 within 10 minutes of the City of Morrow continues to add value to the area for new development. The closing of long-standing Turner Field may offer new challenges or it may offer new opportunities for the creation and realization of the Aerotropolis project.

The City of Morrow has traditionally produced a conservative budget and this has been extremely beneficial in the current economic market. Furthermore, cuts to minimize excess have been made in an effort to strengthen our financial solvency. We believe Georgia and the City of Morrow are seeing a positive growth in our economies, albeit very slowly.

MAJOR INITIATIVES

During FY 2015, 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

- Reestablished relationship with Arts Clayton; and
- Reestablish relationship with Clayton County Chamber of Commerce; and
- MARTA comes to Clayton County and MARTA Police open offices inside Morrow city limits; and
- Prosecuting Attorney's Counsel of Georgia moved offices to Morrow; and
- Clayton County Board of Commissioners; and
- Reynolds Nature Preserve; and
- Negotiation of 2015 Special Purpose Local Option Sales Tax agreement with County and other Municipalities Completed and approved by voters; and
- Clayton County Public Image Coalition; and
- Face to face relationship development with local businesses; and
- Working to establish a new Destination Marketing Organization; and
- Georgia Power Company; and
- Clayton County Economic Development and Film Office
- Clayton State University

- All Clayton County Municipalities
- Establishment of the first ever Tri-Cities Urban Redevelopment Plan (with Morrow, Lake City, and Forest Park)

Infrastructure Developments

- Engineering and Design Phase of Pedestrian Pathway System Phase 3 continues; and
- Partnership with Clayton County Water Authority through a CDBG grant to upgrade Milton Daniel Park; and
- Identification and planning for repairs of the bridges and boardwalks on pedestrian path system; and
- Georgia Department of Transportation repaving Hwy 54; and
- Georgia Department of Transportation clean and repair sound barriers coming into Exit 233, and
- Working with Georgia Department of Transportation for possible tree removal along I-75

Service Enhancements

- Face to face meetings with existing businesses to develop valuable relationships; and
- Partnering with Southlake Mall management to beautify entrances into the mall for higher impact with possible investors; and
- Working closely with commercial property owners to hear and address concerns related to signage, visibility, crimes, etc; and
- Working to partner with neighboring city to increase the street sweeping services for high impact of cleanliness; and
- Partnering with Clayton State University for local art to mitigate graffiti in designated areas; and
- Improved regulations on Temporary Signs for local businesses; and
- Consistent Social Media Campaign on Facebook
- Greater support for citizen based organizations such as Neighborhood Watch, Neighbors Helping Neighbors, CERT, and other volunteer and service groups; and
- Annual Certificate of Achievement for Excellence in Financial Reporting

Planning Initiatives

- Assessment of zoning and sign codes; and
- Community Improvement District - evaluating a potential opportunity
- New direction for marketing Morrow using Hotel/Motel tax, in accordance with state laws; and
- Increased outreach and collaboration with Vietnamese Communities throughout Clayton County; and

Funding Partnerships

- Department of Transportation: Transportation Enhancement Grant: Phase III of Jester's Creek Path System
- Local Government Risk Management Services, Inc; Safety Grant: turnout gear and security upgrades
- Georgia Department of Transportation; Local Maintenance & Improvement Grant: street paving
- Fire Act Grant; purchase of new equipment and gear

Morrow understands that relationships are important, a changing environment sometimes calls for an amended approach, that every little thing has an impact on how the city is perceived, not only by residents but by everyone who comes into the City. We will not succeed alone. Our citizens are the priority but we cannot provide services without the tax revenue generated by our commercial entities, so we must consider their importance and needs as we develop our services and strategies. We must take a stand to prevent growth that does not add value to our city while doing everything we can to help businesses, families, visitors, stakeholders, partners, and neighbors thrive. We have to keep our streets clean and safe, we have to create a brand that attracts people and businesses, we have to strengthen our visibility to lure more people off the interstate and into our restaurants, gas stations, shops, and even homes. We have to make strategic moves and work for what we want; it will not happen accidentally.

LONG TERM FINANCIAL PLANNING

Relevant Financial Policies and Practices

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

Budgetary Controls

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

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

Planning and Economic Development

Budget cuts alone will not make Morrow successful in terms of revenue versus expenditures. We must find ways to increase revenue and that means building a destination. Our destination may be for the traveler who is looking for a nice hotel and a bite to eat. Our destination may be for the family shopping for a new home, or a young professional wanting a cool place to live that's close to downtown Atlanta. Our destination may be for a logistics company looking for affordable rent but finding a place where the airport is easy to access. Our destination may be for a filming crew that needs some great shots and keeps the talent closer to home with only a 10 minute drive to the busiest passenger airport in the world. Our destination may be for a new kiosk at the mall or a new restaurant ready to serve the 300,000 hungry citizens of Clayton

County. The Planning and Economic Development Department of the City of Morrow must work to brand Morrow as a destination for all these and more.

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

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.

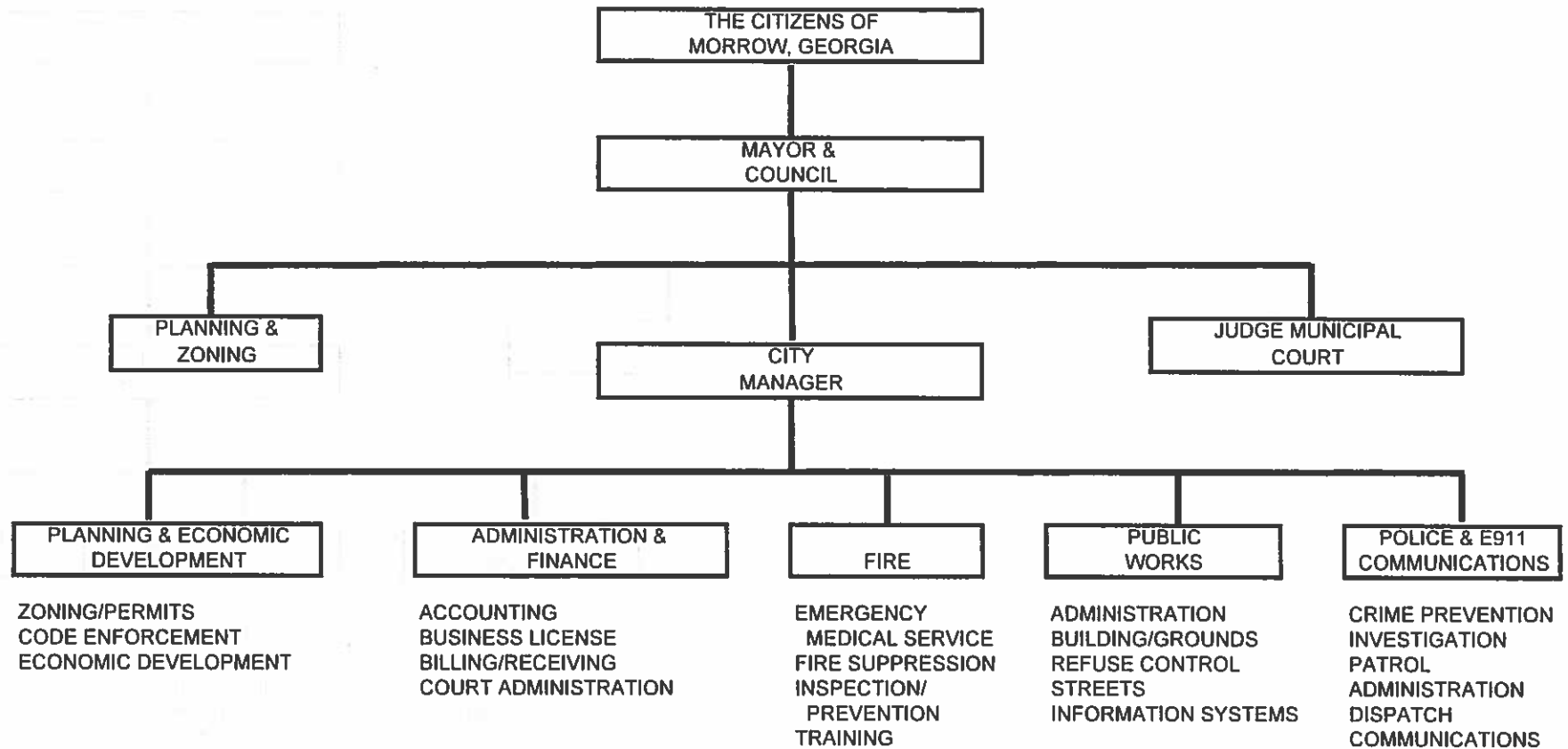
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Sylvia Redic', written over a horizontal line.

Sylvia Redic
City Manager

CITY OF MORROW, GEORGIA

ORGANIZATIONAL CHART



**City of Morrow, Georgia
Principal Officials
June 30, 2015**

Elected Officials

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member

J. B. Burke
Hang Tran
Jeanell Bridges
Larry Ferguson
Christopher Mills

Appointed Officials

City Manager
City Attorney
Municipal Court Judge

Sylvia Redic
Steve Fincher
Ronald J. Freeman

Planning and Zoning Board

Chairman
Vice-Chairman
Board Member
Board Member
Board Member

Dewey L. (Buck) Shirley
Joyce Bean
Jack Bell
Tamara Patridge
(Vacant)

Supervisory Staff Positions

City Clerk
Police Chief (Interim)
Fire Chief (Interim)
Public Works Director
Accounting Manager

Viet Tran
Greg Tatroe
Herb Jones
Anou Sothsavath
(Vacant)

Contracted Professionals

Independent Auditors

Mauldin & Jenkins, LLC

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Morrow, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 8 and 16, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the City's net pension liability and related ratios. Our opinions are not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 13), the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 54), and the Schedule of the City's Contributions (on page 55) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morrow, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules of revenues, expenditures, and changes in fund balance-budget to actual, schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedules of revenues, expenditures, and changes in fund balance-budget to actual, and the schedule of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedules of revenues, expenditures, and changes in fund balance-budget to actual, and the schedule of expenditures of special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the City of Morrow, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Morrow, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 29, 2015

City of Morrow, Georgia

Management's Discussion and Analysis (MD&A)

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, 2015. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for the Fiscal Year Ended June 30, 2015 are as follows:

- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by \$19,648,858 (*net position*). Of this amount, \$4,380,364 (*unrestricted net position*) may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position decreased \$5,868,098 during the 2015 fiscal year. The entire amount of the decrease can be directly attributed to the current real estate market which resulted in large adjustments to last year's capital asset balances. During the 2015 fiscal year, the City recognized \$1,529,427 as an impairment loss on infrastructure serving the Olde Town Morrow project which has been closed. In addition, an accounting loss of \$4,314,732 was recognized when the Morrow Conference Center (which was located inside the old Macy's building) was sold to the Urban Redevelopment Agency. Another \$238,038 was recognized as a loss of fair value on real estate that the City was holding for resale.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of \$7,938,827, a decrease of \$30,231 in comparison to the prior year. Approximately 34.5% of this total amount, or \$2,738,418, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the fund balance for the General Fund was \$6,553,453 or 72.9% of total General Fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the combined fund balances for the two SPLOST funds was \$1,073,117, which was restricted for other capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Management's Discussion And Analysis (MD&A)

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

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

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

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

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

The government-wide financial statements can be found on pages 14 and 15 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 essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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

Management's Discussion And Analysis (MD&A)

The City of Morrow adopts an annual budget for its General Fund, as required by the City's charter and statutes of the State of Georgia. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the 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 five Special Revenue Funds: (1) Emergency Communication Fund, (2) Hotel/Motel Tax Fund, (3) Product Development Fund, (4) Confiscated Assets Fund, and (5) Rental Car Excise Tax Fund.

The basic governmental fund financial statements can be found on pages 16 and 17 of this report.

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 21 - 23 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 24 – 53 of this report.

Other Information. The combining statement referred to earlier in connection with nonmajor governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 56 – 65 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Morrow exceeded liabilities by \$19,648,858 as of June 30, 2015. The City's net position decreased by \$5,868,098 for the fiscal year ended June 30, 2015. As indicated earlier, the entire decrease for FY 2015 can be traced to reductions in capital asset carrying values. A comparison of the City's Net Position for the two most recent fiscal years is provided in the following table.

Management's Discussion And Analysis (MD&A)

City of Morrow's Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current and Other Assets	\$ 8,613,878	\$ 8,757,458	\$ 193,648	\$ 263,308	\$ 8,807,526	\$ 9,020,766
Capital Assets, Net	<u>15,442,571</u>	<u>17,963,650</u>	<u>-</u>	<u>4,443,299</u>	<u>15,442,571</u>	<u>22,406,949</u>
Total Assets	<u>\$ 24,056,449</u>	<u>\$ 26,721,108</u>	<u>\$ 193,648</u>	<u>\$ 4,706,607</u>	<u>\$ 24,250,097</u>	<u>\$ 31,427,715</u>
Deferred Outflows of Resources	<u>\$ 481,041</u>	<u>\$ 432,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,041</u>	<u>\$ 432,660</u>
Other Liabilities	\$ 555,417	\$ 444,784	\$ 193,648	\$ 204,511	\$ 749,065	\$ 649,295
Long-Term Liabilities Outstanding	<u>3,569,138</u>	<u>5,694,124</u>	<u>-</u>	<u>-</u>	<u>3,569,138</u>	<u>5,694,124</u>
Total Liabilities	<u>\$ 4,124,555</u>	<u>\$ 6,138,908</u>	<u>\$ 193,648</u>	<u>\$ 204,511</u>	<u>\$ 4,318,203</u>	<u>\$ 6,343,419</u>
Deferred Inflows of Resources	<u>\$ 764,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764,077</u>	<u>\$ -</u>
Net Position:						
Net Investment in Capital Assets	\$ 13,883,120	\$ 15,145,014	\$ -	\$ 4,443,299	\$ 13,883,120	\$ 19,588,313
Restricted	1,385,374	1,459,254	-	-	1,385,374	1,459,254
Unrestricted	<u>4,380,364</u>	<u>4,410,592</u>	<u>-</u>	<u>58,797</u>	<u>4,380,364</u>	<u>4,469,389</u>
Total Net Position, As Restated	<u>\$ 19,648,858</u>	<u>\$ 21,014,860</u>	<u>\$ -</u>	<u>\$ 4,502,096</u>	<u>\$ 19,648,858</u>	<u>\$ 25,516,956</u>

The largest portion of the City's net position for both FY 2015 and FY 2014, (70.7% and 76.8%, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Although the City of Morrow's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion (i.e., 7.4%) of the City's FY 2015 net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,380,364) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities during the fiscal year ended June 30, 2015, decreased the City of Morrow's net position by \$1,366,002. Business-type activities during the same period decreased net position by \$4,502,096 for a total decrease in net position of \$5,868,098. Key elements of this decrease in net position are shown in the following tabular information.

Management's Discussion And Analysis (MD&A)

City of Morrow's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,953,607	\$ 3,765,820	\$ 1,228,486	\$ 1,194,268	\$ 3,182,093	\$ 4,960,088
Operating Grants and Contributions	375,000	257,600	-	-	375,000	257,600
Capital Grants and Contributions	1,350,190	1,445,656	-	-	1,350,190	1,445,656
General Revenues:						
Property Taxes	2,323,174	2,431,997	-	-	2,323,174	2,431,997
Sales Taxes	1,697,378	1,609,741	-	-	1,697,378	1,609,741
Franchise Taxes	650,166	636,838	-	-	650,166	636,838
Other Taxes	2,006,289	1,363,045	-	-	2,006,289	1,363,045
Miscellaneous	285,139	77,997	-	-	285,139	77,997
Unrestricted Investment Earnings	5,163	2,952	-	-	5,163	2,952
Gain on Sale of Capital Assets	37,435	-	-	-	37,435	-
Total Revenues	\$ 10,683,541	\$ 11,591,646	\$ 1,228,486	\$ 1,194,268	\$ 11,912,027	\$ 12,785,914
Expenses:						
General Government	\$ 1,309,864	\$ 2,659,889	\$ -	\$ -	\$ 1,309,864	\$ 2,659,889
Judicial	461,246	207,361	-	-	461,246	207,361
Public Safety	5,826,054	6,063,898	-	-	5,826,054	6,063,898
Public Works	3,691,972	2,012,159	-	-	3,691,972	2,012,159
Housing and Development	565,371	319,228	-	-	565,371	319,228
Interest on Long-Term Debt	85,360	130,073	-	-	85,360	130,073
Sanitation	-	-	886,173	891,957	886,173	891,957
Morrow Conference Center	-	-	401,316	390,376	401,316	390,376
Total Expenses	\$ 11,939,867	\$ 11,392,608	\$ 1,287,489	\$ 1,282,333	\$ 13,227,356	\$ 12,674,941
Change in Net Position Before Transfers, Special Item and Extraordinary Item	\$ (1,256,326)	\$ 199,038	\$ (59,003)	\$ (88,065)	\$ (1,315,329)	\$ 110,973
Special Item	\$ -	\$ -	\$ (4,314,731)	\$ -	\$ (4,314,731)	\$ -
Extraordinary Item	(238,038)	-	-	-	(238,038)	-
Transfers	128,362	43,244	(128,362)	(43,244)	-	-
Change in Net Position	\$ (1,366,002)	\$ 242,282	\$ (4,502,096)	\$ (131,309)	\$ (5,868,098)	\$ 110,973
Prior Period Adjustment	-	(2,170,948)	-	-	-	(2,170,948)
Net Position, Beginning, as Restated	21,014,860	22,943,526	4,502,096	4,633,405	25,516,956	27,576,931
Net Position, Ending	\$ 19,648,858	\$ 21,014,860	\$ -	\$ 4,502,096	\$ 19,648,858	\$ 25,516,956

Management's Discussion And Analysis (MD&A)

Governmental Activities. As shown on the previous table, the Governmental Activities had a deficit of revenues compared to expenses in the amount of \$1,256,326 for FY 2015 but a positive amount of \$199,038 for FY 2014. The primary reason for this variance between the two fiscal years is that \$1,529,427 was recognized as an infrastructure impairment expense in the Public Works department in FY 2015 due to the closing of the Olde Town Morrow project.

The FY 2015 revenues for the Governmental Activities totaled \$10,683,541 which was \$908,105 less than the previous fiscal year. A substantial portion of the decrease can be attributed to a decline of \$410,240 in fines and forfeiture revenues. Another contributing factor is the write-off of approximately \$240,000 in hotel motel tax revenues recognized in FY 2014 that were deemed uncollectible when the business owner declared bankruptcy in FY 2015.

The tabular information also shows that expenses related to Governmental Activities totaled \$11,939,867 for FY 2015 which was an increase of \$547,259 over FY 2014. But if one were to discount the one-time infrastructure impairment loss of \$1.53 million discussed earlier, then expenses for FY 2015 on a comparable basis actually declined from the previous fiscal year.

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

For FY 2015, the business-type activities had a negative change in net position of \$4,502,096. This resulted primarily from the sale of the capital assets of the Morrow Conference Center to the Urban Redevelopment Agency. With all of the sales proceeds going to the Downtown Development Authority, it resulted in a loss on the sale of \$4,314,731 for the Morrow Conference Center enterprise fund.

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, 2015, the total Governmental Funds of the City of Morrow reported a combined fund balance of \$7,871,202 which represented a decrease of \$30,231 or 0.4% from the previous year. This decrease can be primarily attributed to the net difference in two occurrences. First, the total of the two SPLOST capital projects fund balances decreased by \$295,982 after the City paid off the remaining revenue bonds of \$1,350,000. Secondly, this decrease was offset somewhat by increases in the fund balances of the Hotel Motel Tax (\$180,718) and Product Development (\$32,706) Special Revenue Funds as a result of the City not renewing its contract with its previous Destination Marketing Organization (DMO).

Management's Discussion And Analysis (MD&A)

A comparison of governmental fund balances for FY 2015 and FY 2014 are provided in the following table:

City of Morrow's Governmental Fund Balances

	FY 2015	FY 2014	Increase (Decrease)
General Fund	\$6,553,453	\$6,509,804	\$ 43,649
Special Purpose Local Option Sales Tax (SPLOST) -			
2008 Capital Projects Fund	752,339	1,369,099	(616,760)
2014 Capital Projects Fund	320,778	--	320,778
NonMajor Special Revenue Funds:			
Hotel Motel Tax	180,718	--	180,718
Product Development	32,706	--	32,706
Confiscated Assets	<u>98,833</u>	<u>90,155</u>	<u>8,678</u>
	<u>\$7,938,827</u>	<u>\$7,969,058</u>	<u>\$(30,231)</u>

The General Fund is the primary operating fund of the City of Morrow. At the end of fiscal year 2015, the fund balance of the General Fund was \$6,553,453 which represented an increase of \$43,649 from the previous fiscal year. Of the total fund balance for FY 2015, \$2,738,418 represents unassigned fund balance, which is available as working capital or to meet any future spending needs. The majority of the General Fund fund balance, \$3,815,035, is termed non-spendable to indicate that it is not available for new spending because it is already committed for prepaid expenditures (\$258,064), assets held for resale (\$103,619), and advances to one of the City's component units, the Downtown Development Authority (\$3,453,352).

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 General Fund fund balance represents 30.5% of total General Fund expenditures, while total General Fund fund balance represents 72.9% of that same amount.

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

General Fund Budgetary Highlights

- The City's budget is prepared according to Georgia law and City's charter. The most significant budget fund is the General Fund.
- For the General Fund, the actual revenues of \$8,493,286 were lower than the final budget amount of \$9,070,710 by \$577,424. The net unfavorable budget variance was primarily due to a decrease in fines and forfeitures revenues.
- The General Fund actual expenditures of \$8,991,311 were less than the budgeted amount of \$9,528,122 by \$536,811. The net favorable budget variance was primarily due to expenditure decreases in the Judicial and Police functions.

Management's Discussion And Analysis (MD&A)

- The unfavorable expenditure variances for Capital Outlay in the Public Safety and Public Works functions were actually offset by a favorable variance in the Other Financing Sources category (i.e., proceeds from capital lease).

Capital Asset and Debt Administration

Capital Assets. The City of Morrow's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2015, totals \$15,442,571. Capital assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The investment in capital assets for business-type activities represented the Morrow Conference Center in FY 2014. A comparison of the City's investment in capital assets as of June 30, 2015 and 2014 is provided in the following table.

City of Morrow's Capital Assets, Net of Accumulated Depreciation

<u>Capital Asset Class</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 5,013,235	\$ 5,013,235	\$ -	\$ -	\$ 5,013,235	\$ 5,013,235
Infrastructure in Process	238,358	201,653	-	-	238,358	201,653
Buildings, Grounds and Improvements	2,175,056	2,307,014	-	4,435,742	2,175,056	6,742,756
Machinery and Equipment	204,318	264,904	-	4,814	204,318	269,718
Furniture and Fixtures	-	-	-	2,743	-	2,743
Infrastructure	6,339,666	8,725,310	-	-	6,339,666	8,725,310
Vehicles	962,669	868,171	-	-	962,669	868,171
Computer Software	8,073	12,949	-	-	8,073	12,949
Park Facilities and Improvements	501,196	570,419	-	-	501,196	570,419
Total	\$ 15,442,571	\$ 17,963,655	\$ -	\$ 4,443,299	\$ 15,442,571	\$ 22,406,954

The net investment in capital assets balance of \$15,422,571 represents a \$6,964,383 decrease from the previous year's total of \$22,406,954. This 31% decrease for FY 2015 includes net deletions of capital assets of \$3,977,504, FY 2015 depreciation expense in the amount of \$1,457,452, and impairments of infrastructure assets totaling \$1,529,427.

Only \$337,228 in new capital assets was acquired during FY 2015. Of that amount, \$300,523 represented vehicle replacements and \$36,705 was for pedestrian pathway improvements.

Additional information on the City's capital assets can be found in Note 6 of the Notes to the Financial Statements.

Management's Discussion And Analysis (MD&A)

Long-Term Debt

As of June 30, 2015, the City of Morrow had total outstanding long-term debt of \$3,569,138 which was all identified with the Governmental Activities. A comparison of the long-term liabilities at June 30, 2015 and 2014 are shown in the following table.

City of Morrow's Outstanding Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Capital Leases	\$1,559,451	\$1,468,636	\$ --	\$ --	\$1,559,451	\$1,468,636
Bonds Payable	--	1,350,000	--	--	--	1,350,000
Compensated Absences	226,644	271,880	--	--	226,644	271,880
Net Pension Liability	<u>1,783,043</u>	<u>2,603,608</u>	<u>--</u>	<u>--</u>	<u>1,783,043</u>	<u>2,603,608</u>
Total	<u>\$3,569,138</u>	<u>\$5,694,124</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$3,569,138</u>	<u>\$5,694,124</u>

During FY 2015, the remainder of the SPLOST revenue bonds was redeemed. Activity in the Capital Leases obligation reflects a new capital lease in the amount of \$300,523 for nine replacement vehicles and payments on outstanding leases of \$209,708. Also during FY 2015, there was a reduction in the Compensated Absences balance as a result of reductions in the work force.

Additional information on the City's long-term debt can be found in Note 7 of the Notes to the Financial Statements.

Currently Known Conditions Affecting the Future Operations

The stalled overall economy continues to keep tax revenues basically flat from most sources. Commercial real estate values continue to decline with the loss of leases with major retailers. This trend continues to challenge our future economic growth. Also, the City's attempts to leverage the efforts of the Downtown Development Authority have fallen short of expectations.

On the other hand because of its location, there are also a number of positive indicators for the City's future. The completion of the revamped interstate interchange at I-75 and Highway 54 has improved traffic flow through the City and seems to be drawing new business and investment in commercial properties within the City. Also in the area of transportation, MARTA has begun providing public transit services throughout Clayton County which should provide additional customers to our retail businesses.

The completion of the new International Concourse with direct access off of Interstate 75 to Hartsfield Jackson Atlanta International Airport will be major factors influencing future development and redevelopment opportunities within the City of Morrow. Over the past three years, the City has seen increased activity in revenues for permits for new residential construction and increased activity in new business investment, which is helping to offset some of the negative impacts of additional closures of existing big box retailers.

Management's Discussion And Analysis (MD&A)

Factors Affecting the FY 2015 - 16 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 two SPLOST Funds, 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. For the 2015 fiscal year, no changes were made to the appropriations contained in the original budget.

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

The City Council of City of Morrow considered many factors when approving the City's FY 2016 budget. In making those difficult budgetary decisions, the Mayor and Council were very aware of the present economic conditions, forecasts for a very slow recovery, and the effects on its citizens and the levels of service provided by the City.

To help address an original budget shortfall of about \$1.4 million due to declining revenues, the FY 2016 budget included a reduction in the workforce of seven positions in the Administrative and Police Departments. The issuance of the Urban Redevelopment Agency bonds in June of 2015 also means that the City will be faced with larger annual debt service payments beginning in FY 2018. So the groundwork for meeting those additional appropriations was laid.

And because of continuing declines in the tax digest, the City Council was compelled to factor property tax rates from 9.5 mills to 9.638 mills in order to obtain the same amount of property tax revenues for the FY 2016 budget. As a result of these actions, the General Fund budget was balanced with only \$174,355 needing to come from prior year reserves.

Contacting the City's Financial Management

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

City of Morrow, Georgia
Statement of Net Position
June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total Primary Government	Downtown	Urban	Morrow
				Development Authority	Redevelopment Agency	Housing Authority
ASSETS						
Cash and Cash Equivalents	\$ 2,007,454	\$ 179,211	\$ 2,186,665	\$ 141,959	\$ 500,296	\$ 751
Investments	1,983,704	-	1,983,704	-	-	-
Taxes Receivable	357,689	-	357,689	-	-	-
Accounts Receivable	48,668	82,309	130,977	748,576	-	-
Interest Receivable	-	-	-	7,195	-	-
Due From Primary Government	-	-	-	-	18,826	-
Due From Component Unit	-	-	-	-	21,130	-
Due From Other Governments	333,456	-	333,456	-	-	-
Prepaid Expenses	258,064	-	258,064	-	-	-
Internal Balances	67,872	(67,872)	-	-	-	-
Advance To Component Unit	3,453,352	-	3,453,352	-	-	-
Assets Held For Resale	103,619	-	103,619	-	-	61,000
Capital Assets, Nondepreciable	5,251,593	-	5,251,593	292,019	2,657,339	-
Capital Assets, Depreciable, Net of Accumulated Depreciation	10,190,978	-	10,190,978	3,302,068	2,838,870	-
Total Assets	\$ 24,056,449	\$ 193,648	\$ 24,250,097	\$ 4,491,817	\$ 6,036,461	\$ 61,751
DEFERRED OUTFLOWS OF RESOURCES						
Pension	\$ 481,041	\$ -	\$ 481,041	\$ -	\$ -	\$ -
LIABILITIES						
Accounts Payable	\$ 272,583	\$ 82,471	\$ 355,054	\$ 1,693	\$ 90	\$ -
Accrued Liabilities	135,342	3,028	138,370	7,195	18,826	-
Customer Deposits Payable	-	15,347	15,347	5,000	17,930	-
Unearned Revenues	128,666	92,802	221,468	-	3,200	-
Due To Component Unit	18,826	-	18,826	21,130	-	-
Advance From Primary Government	-	-	-	3,453,352	-	-
Capital Leases Due Within One Year	270,341	-	270,341	-	-	-
Capital Leases Due In More Than One Year	1,289,110	-	1,289,110	-	-	-
Bonds Payable Due Within One Year	-	-	-	80,357	-	-
Bonds Payable Due In More Than One Year	-	-	-	665,214	9,165,000	-
Compensated Absences Due In One Year	158,379	-	158,379	-	-	-
Compensated Absences Due In More Than One Year	68,265	-	68,265	-	-	-
Net Pension Liability	1,783,043	-	1,783,043	-	-	-
Total Liabilities	\$ 4,124,555	\$ 193,648	\$ 4,318,203	\$ 4,233,941	\$ 9,205,046	\$ -
DEFERRED INFLOWS OF RESOURCES						
Pension	\$ 764,077	\$ -	\$ 764,077	\$ -	\$ -	\$ -
NET POSITION						
Net Investment In Capital Assets	\$ 13,883,120	\$ -	\$ 13,883,120	\$ 3,594,087	\$ (3,168,495)	\$ -
Restricted For:						
Tourism	180,718	-	180,718	-	-	-
Product Development	32,706	-	32,706	-	-	-
Law Enforcement	98,833	-	98,833	-	-	-
Other Capital Projects	1,073,117	-	1,073,117	-	-	-
Unrestricted	4,380,364	-	4,380,364	(3,336,211)	(90)	61,751
Total Net Position	\$ 19,648,858	\$ -	\$ 19,648,858	\$ 257,876	\$ (3,168,585)	\$ 61,751

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, 2015

Functions / Programs	Net (Expenses) Revenues and Changes in Net Position									
	Program Revenues				Primary Government			Component Units		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Urban Redevelopment Agency	Morrow Housing Authority
Primary Government:										
Governmental Activities:										
General Government	\$ 1,309,864	\$ 17,061	\$ -	\$ -	\$ (1,292,803)	\$ -	\$ (1,292,803)	\$ -	\$ -	\$ -
Judicial	461,246	-	-	-	(461,246)	-	(461,246)	-	-	-
Public Safety	5,826,054	1,699,591	375,000	121,270	(3,630,193)	-	(3,630,193)	-	-	-
Public Works	3,691,972	-	-	1,228,920	(2,463,052)	-	(2,463,052)	-	-	-
Housing and Development	565,371	236,955	-	-	(328,416)	-	(328,416)	-	-	-
Interest on Long-Term Debt	85,360	-	-	-	(85,360)	-	(85,360)	-	-	-
Total Governmental Activities	<u>\$ 11,939,867</u>	<u>\$ 1,953,607</u>	<u>\$ 375,000</u>	<u>\$ 1,350,190</u>	<u>\$ (8,261,070)</u>	<u>\$ -</u>	<u>\$ (8,261,070)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business Type Activities:										
Sanitation	\$ 886,173	\$ 1,033,592	\$ -	\$ -	\$ -	\$ 147,419	\$ 147,419	\$ -	\$ -	\$ -
Morrow Center	401,315	194,894	-	-	-	(206,421)	(206,421)	-	-	-
Total Business-Type Activities	<u>\$ 1,287,488</u>	<u>\$ 1,228,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,002)</u>	<u>\$ (59,002)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 13,227,355</u>	<u>\$ 3,182,093</u>	<u>\$ 375,000</u>	<u>\$ 1,350,190</u>	<u>\$ (8,261,070)</u>	<u>\$ (59,002)</u>	<u>\$ (8,320,072)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Component Units:										
Downtown Development Authority	\$ 6,369,963	\$ 289,311	\$ -	\$ 125,430	\$ -	\$ -	\$ -	\$ (5,955,222)	\$ -	\$ -
Urban Redevelopment Agency	3,202,493	-	-	33,888	-	-	-	-	(3,168,605)	-
Morrow Housing Authority	20	-	-	-	-	-	-	-	-	(20)
Total Component Units	<u>\$ 9,572,476</u>	<u>\$ 289,311</u>	<u>\$ -</u>	<u>\$ 159,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,955,222)</u>	<u>\$ (3,168,605)</u>	<u>\$ (20)</u>
General Revenues:										
Property Taxes					\$ 2,323,174	\$ -	\$ 2,323,174	\$ -	\$ -	\$ -
Sales Taxes					1,697,378	-	1,697,378	-	-	-
Insurance Premium Tax					345,938	-	345,938	-	-	-
Alcoholic Beverage Taxes					137,883	-	137,883	-	-	-
Other Taxes					1,522,467	-	1,522,467	-	-	-
Miscellaneous					285,139	-	285,139	-	-	-
Franchise Taxes					650,166	-	650,166	-	-	-
Unrestricted Investment Earnings					5,163	-	5,163	30,241	20	-
Gain on Sale of Capital Assets					37,436	-	37,436	-	-	-
Special Item - Gain (Loss) On Sale of Capital Assets					-	(4,314,732)	(4,314,732)	(2,098,830)	-	-
Extraordinary Item - Loss of Fair Value on Real Estate					(238,038)	-	(238,038)	-	-	(14,000)
Transfers (Net)					128,362	(128,362)	-	-	-	-
Total General Revenues, Other Items and Transfers					<u>\$ 6,895,068</u>	<u>\$ (4,443,094)</u>	<u>\$ 2,451,974</u>	<u>\$ (2,068,589)</u>	<u>\$ 20</u>	<u>\$ (14,000)</u>
Change in Net Position					<u>\$ (1,366,002)</u>	<u>\$ (4,502,096)</u>	<u>\$ (5,868,098)</u>	<u>\$ (8,023,811)</u>	<u>\$ (3,168,585)</u>	<u>\$ (14,020)</u>
Net Position, Beginning of Year (As Restated)					<u>21,014,860</u>	<u>4,502,096</u>	<u>25,516,956</u>	<u>8,281,687</u>	<u>-</u>	<u>75,771</u>
Net Position, End of Year					<u>\$ 19,648,858</u>	<u>\$ -</u>	<u>\$ 19,648,858</u>	<u>\$ 257,876</u>	<u>\$ (3,168,585)</u>	<u>\$ 61,751</u>

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

City of Morrow, Georgia
Balance Sheet
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Special Purpose Local Option Sales Tax (SPLOST) 2008	2014	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,090,690	\$ 765,824	\$ -	\$ 150,940	\$ 2,007,454
Investments	1,983,704	-	-	-	1,983,704
Taxes Receivable (Net)	230,573	-	-	127,116	357,689
Accounts Receivable	28,898	-	-	19,770	48,668
Advance To Component Unit	3,453,352	-	-	-	3,453,352
Due From Other Governments	143,967	-	189,489	-	333,456
Due From Other Funds	107,728	-	131,289	93,378	332,395
Prepaid Items	258,064	-	-	-	258,064
Real Estate Held For Resale	103,619	-	-	-	103,619
Total Assets	\$ 7,400,595	\$ 765,824	\$ 320,778	\$ 391,204	\$ 8,878,401
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 271,867	\$ -	\$ -	\$ 716	\$ 272,583
Accrued Liabilities	116,190	-	-	10,319	126,509
Unearned Revenues	87,125	-	-	41,541	128,666
Due To Component Unit	18,826	-	-	-	18,826
Due To Other Funds	224,666	13,485	-	26,371	264,522
Total Liabilities	\$ 718,674	\$ 13,485	\$ -	\$ 78,947	\$ 811,106
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	\$ 128,468	\$ -	\$ -	\$ -	\$ 128,468
Total Deferred Inflows of Resources	\$ 128,468	\$ -	\$ -	\$ -	\$ 128,468
Fund Balances:					
Nonspendable:					
Prepaid Expenditures	\$ 258,064	\$ -	\$ -	\$ -	\$ 258,064
Advances To Component Units	3,453,352	-	-	-	3,453,352
Assets Held For Resale	103,619	-	-	-	103,619
Restricted For:					
Tourism	-	-	-	180,718	180,718
Product Development	-	-	-	32,706	32,706
Law Enforcement	-	-	-	98,833	98,833
Other Capital Projects	-	752,339	320,778	-	1,073,117
Unassigned	2,738,418	-	-	-	2,738,418
Total Fund Balances	\$ 6,553,453	\$ 752,339	\$ 320,778	\$ 312,257	\$ 7,938,827
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,400,595	\$ 765,824	\$ 320,778	\$ 391,204	

Amounts Reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	15,442,571
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	128,468
Pension related deferred inflows and outflows are not reported in the funds.	(283,036)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(3,577,972)

Net Position of Governmental Activities \$ 19,648,858

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, 2015

	General	Special Purpose Local Option Sales Tax (SPLOST)		Non-Major Governmental Funds	Total Governmental Funds
		2008	2014		
REVENUES:					
Property Taxes	\$ 2,300,764	\$ -	\$ -	\$ -	\$ 2,300,764
Other Taxes	3,055,078	-	-	902,649	3,957,727
Charges for Services	206,722	-	-	157,338	364,060
Licenses and Permits	344,094	-	-	-	344,094
Intergovernmental	493,626	766,724	535,130	-	1,795,480
Franchise Fees	650,166	-	-	-	650,166
Fines and Forfeitures	1,330,358	-	-	19,402	1,349,760
Interest Revenue	1,942	3,221	-	-	5,163
Rental Income	30,407	-	-	-	30,407
Other Revenues	80,129	-	-	-	80,129
Total Revenues	<u>\$ 8,493,286</u>	<u>\$ 769,945</u>	<u>\$ 535,130</u>	<u>\$ 1,079,389</u>	<u>\$ 10,877,750</u>
EXPENDITURES:					
Current:					
General Government	\$ 1,301,842	\$ -	\$ -	\$ -	\$ 1,301,842
Judicial	460,020	-	-	-	460,020
Public Safety	5,476,578	-	-	325,401	5,801,979
Public Works	1,143,615	-	-	-	1,143,615
Housing and Development	306,519	-	-	218,495	525,014
Capital Outlay	-	36,705	214,352	-	251,057
Debt Service:					
Principal	209,708	1,350,000	-	-	1,559,708
Interest	93,029	-	-	-	93,029
Total Expenditures	<u>\$ 8,991,311</u>	<u>\$ 1,386,705</u>	<u>\$ 214,352</u>	<u>\$ 543,896</u>	<u>\$ 11,136,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (498,025)</u>	<u>\$ (616,760)</u>	<u>\$ 320,778</u>	<u>\$ 535,493</u>	<u>\$ (258,514)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	\$ 618,149	\$ -	\$ -	\$ 190,045	\$ 808,194
Transfers Out	(176,396)	-	-	(503,436)	(679,832)
Proceeds From Sale of Capital Assets	37,436	-	-	-	37,436
Proceeds From Capital Lease	300,523	-	-	-	300,523
Total Other Financing Sources (Uses)	<u>\$ 779,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (313,391)</u>	<u>\$ 466,321</u>
EXTRAORDINARY ITEM:					
Loss of Fair Value of Real Estate	<u>\$ (238,038)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (238,038)</u>
Net Change in Fund Balance	\$ 43,649	\$ (616,760)	\$ 320,778	\$ 222,102	\$ (30,231)
Fund Balances, Beginning of Year	<u>6,509,804</u>	<u>1,369,099</u>	<u>-</u>	<u>90,155</u>	<u>7,969,058</u>
Fund Balances, End of Year	<u>\$ 6,553,453</u>	<u>\$ 752,339</u>	<u>\$ 320,778</u>	<u>\$ 312,257</u>	<u>\$ 7,938,827</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, 2015

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (30,231)
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 generally reported as Depreciation Expense. In some instances, the utility of certain capital assets is impacted by factors such as obsolescence and a loss is recognized for this impairment. This is the amount by which Depreciation Expense and the Loss on Impairment exceeded Capital Outlays in the current period.	(2,521,085)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as Revenues in the Funds.	(231,651)
The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of principal of the long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,259,185
Accrued pension related expenses for the fiscal year are recognized on the Statement of Activities but are not reported as expenditures in the Governmental Funds since they do not require the use of current financial resources.	104,869
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 the Governmental Funds.	<u>52,911</u>
Change in Net Position - Governmental Activities	<u>\$ (1,366,002)</u>

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

City of Morrow, Georgia
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES:			
Property Taxes	\$ 2,347,000	\$ 2,300,764	\$ (46,236)
Other Taxes	2,938,000	3,055,078	117,078
Charges For Services	274,510	206,722	(67,788)
Licenses and Permits	304,800	344,094	39,294
Intergovernmental	487,000	493,626	6,626
Franchise Fees	646,000	650,166	4,166
Fines and Forfeitures	2,035,000	1,330,358	(704,642)
Interest Revenue	1,400	1,942	542
Rental Income	33,000	30,407	(2,593)
Other Revenues	4,000	80,129	76,129
Total Revenues	<u>\$ 9,070,710</u>	<u>\$ 8,493,286</u>	<u>\$ (577,424)</u>
EXPENDITURES:			
Current:			
General Government:			
Mayor and Commission	\$ 249,182	\$ 202,167	\$ 47,015
Elections	-	1,655	(1,655)
General Administration	772,816	710,257	62,559
Finance	394,245	387,763	6,482
Total General Government	<u>\$ 1,416,243</u>	<u>\$ 1,301,842</u>	<u>\$ 114,401</u>
Judicial:			
Municipal Court	\$ 688,381	\$ 460,020	\$ 228,361
Total Judicial	<u>\$ 688,381</u>	<u>\$ 460,020</u>	<u>\$ 228,361</u>
Public Safety:			
Police	\$ 3,072,188	\$ 2,732,296	\$ 339,892
Fire	2,549,323	2,478,922	70,401
Capital Outlay	-	265,360	(265,360)
Total Public Safety	<u>\$ 5,621,511</u>	<u>\$ 5,476,578</u>	<u>\$ 144,933</u>
Public Works			
Administration	\$ 1,148,058	\$ 1,060,116	\$ 87,942
Capital Outlay	-	83,499	(83,499)
Total Public Works	<u>\$ 1,148,058</u>	<u>\$ 1,143,615</u>	<u>\$ 4,443</u>

(Continued)

City of Morrow, Georgia
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
EXPENDITURES: (continued)			
Current: (continued)			
Housing and Development			
Planning and Zoning	\$ 200,988	\$ 206,281	\$ (5,293)
Economic Development	97,274	100,238	(2,964)
Total Housing and Development	<u>\$ 298,262</u>	<u>\$ 306,519</u>	<u>\$ (8,257)</u>
Debt Service:			
Principal	\$ 264,295	\$ 209,708	\$ 54,587
Interest	91,372	93,029	(1,657)
Total Debt Service	<u>\$ 355,667</u>	<u>\$ 302,737</u>	<u>\$ 52,930</u>
Total Expenditures	<u>\$ 9,528,122</u>	<u>\$ 8,991,311</u>	<u>\$ 536,811</u>
Deficiency of Revenues Under Expenditures	<u>\$ (457,412)</u>	<u>\$ (498,025)</u>	<u>\$ (40,613)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	\$ 466,000	\$ 618,149	\$ 152,149
Transfers Out	(133,000)	(176,396)	(43,396)
Proceeds From Sale of Capital Assets	-	37,436	37,436
Proceeds From Capital Lease	<u>-</u>	<u>300,523</u>	<u>300,523</u>
Total Other Financing Sources (Uses)	<u>\$ 333,000</u>	<u>\$ 779,712</u>	<u>\$ 446,712</u>
EXTRAORDINARY ITEM:			
Loss of Fair Value of Real Estate	<u>\$ -</u>	<u>\$ (238,038)</u>	<u>\$ (238,038)</u>
Net Change in Fund Balance	<u>\$ (124,412)</u>	<u>\$ 43,649</u>	<u>\$ 168,061</u>
Fund Balance, Beginning of Year	<u>6,509,804</u>	<u>6,509,804</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 6,385,392</u></u>	<u><u>\$ 6,553,453</u></u>	<u><u>\$ 168,061</u></u>

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

City of Morrow, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 80,506	\$ 98,705	\$ 179,211
Accounts Receivable	<u>68,737</u>	<u>13,572</u>	<u>82,309</u>
Total Current Assets	<u>\$ 149,243</u>	<u>\$ 112,277</u>	<u>\$ 261,520</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	\$ 72,921	\$ 9,550	\$ 82,471
Accrued Liabilities	-	3,028	3,028
Customer Deposits Payable	3,072	12,275	15,347
Unearned Revenues	73,250	19,552	92,802
Due To Other Funds	<u>-</u>	<u>67,872</u>	<u>67,872</u>
Total Current Liabilities	<u>\$ 149,243</u>	<u>\$ 112,277</u>	<u>\$ 261,520</u>
NET POSITION			
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Net Position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

City of Morrow, Georgia
Statement of Revenues, Expenses And Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year June 30, 2015

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges For Services:			
Sanitation Fees	\$ 1,033,592	\$ -	\$ 1,033,592
Rental Income	-	194,894	194,894
Total Operating Revenues	<u>\$ 1,033,592</u>	<u>\$ 194,894</u>	<u>\$ 1,228,486</u>
 OPERATING EXPENSES:			
Personal Services and Employee Benefits	\$ -	\$ 100,594	\$ 100,594
Purchased or Contracted Services	886,173	172,154	1,058,327
Depreciation Expense	-	128,567	128,567
Total Operating Expenses	<u>\$ 886,173</u>	<u>\$ 401,315</u>	<u>\$ 1,287,488</u>
 Operating Income (Loss)	<u>\$ 147,419</u>	<u>\$ (206,421)</u>	<u>\$ (59,002)</u>
 NON-OPERATING EXPENSES:			
Loss on Disposal of Assets	<u>\$ -</u>	<u>\$ (4,314,732)</u>	<u>\$ (4,314,732)</u>
 Income (Loss) Before Transfers	<u>\$ 147,419</u>	<u>\$ (4,521,153)</u>	<u>\$ (4,373,734)</u>
 TRANSFERS:			
Transfers In	\$ -	\$ 19,057	\$ 19,057
Transfers Out	<u>(147,419)</u>	<u>-</u>	<u>(147,419)</u>
Total Transfers	<u>\$ (147,419)</u>	<u>\$ 19,057</u>	<u>\$ (128,362)</u>
 Change in Net Position	\$ -	\$ (4,502,096)	\$ (4,502,096)
 NET POSITION, BEGINNING OF YEAR	<u>-</u>	<u>4,502,096</u>	<u>4,502,096</u>
 NET POSITION, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

City of Morrow, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year June 30, 2015

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts From Customers and Users	\$ 1,082,680	\$ 186,353	\$ 1,269,033
Payments To Suppliers	(858,077)	(78,882)	(936,959)
Payments To Employees	-	(100,560)	(100,560)
Net Cash Provided By Operating Activities	<u>\$ 224,603</u>	<u>\$ 6,911</u>	<u>\$ 231,514</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers To Other Funds	\$ (147,419)	\$ -	\$ (147,419)
Transfers From Other Funds	<u>-</u>	<u>19,057</u>	<u>19,057</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (147,419)</u>	<u>\$ 19,057</u>	<u>\$ (128,362)</u>
Increase in Cash and Cash Equivalents	\$ 77,184	\$ 25,968	\$ 103,152
CASH AND CASH EQUIVALENTS:			
Beginning of Year	<u>3,322</u>	<u>72,737</u>	<u>76,059</u>
End of Year	<u><u>\$ 80,506</u></u>	<u><u>\$ 98,705</u></u>	<u><u>\$ 179,211</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Operating Income (Loss)	\$ 147,419	\$ (206,421)	\$ (59,002)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:			
Depreciation Expense	-	128,567	128,567
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	45,315	135	45,450
Decrease in Due From Other Funds	37,447	22,043	59,490
Increase (Decrease) in Accounts Payable	(9,351)	2,129	(7,222)
Increase in Accrued Liabilities	-	1,262	1,262
Increase (Decrease) in Customer Deposits Payable	3,072	(100)	2,972
Increase (Decrease) in Unearned Revenues	701	(8,576)	(7,875)
Increase in Due To Other Funds	<u>-</u>	<u>67,872</u>	<u>67,872</u>
Net Cash Provided By Operating Activities	<u><u>\$ 224,603</u></u>	<u><u>\$ 6,911</u></u>	<u><u>\$ 231,514</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

City of Morrow, Georgia
Notes to the Financial Statements
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

The City of Morrow was incorporated in 1943 and operates under an elected Council-Manager form of government. The City Manager is the head of the administrative branch of government. As such, she is responsible for the day-to-day operations of City government. The legislative branch of the City is vested in the Mayor and four Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire); highways and streets; sanitation; parks and recreation; community development; planning and zoning; and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units which are 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 Statements 39 and 61, it was determined that the City has the following discretely presented component units as of June 30, 2015. In terms of the comparability of the financial information, each of the component units identified below also has a fiscal year ending on June 30.

City of Morrow Downtown Development Authority: The City of Morrow Downtown Development Authority (DDA) was formed during the fiscal 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 resources that represent a substantial portion of the DDA's budget, maintains its accounting records and appoints a voting majority of its board.

Urban Redevelopment Agency of the City of Morrow, Georgia: The Urban Redevelopment Agency of the City of Morrow, Georgia (URA) was activated by a resolution adopted by the Mayor and Council of the City of Morrow on April 14, 2009. Its purpose is to exercise the City's "urban redevelopment project powers" under the Urban Redevelopment Law. The first financial activity of the URA took place in June of 2015. The City provides resources that represent a substantial portion of the URA's budget, maintains its accounting records and appoints a voting majority of its board.

Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. The Financial Reporting Entity (continued)

City of Morrow Housing Authority: The City of Morrow Housing Authority (Housing Authority) was formed during the fiscal year ended June 30, 2009 to provide affordable housing to the citizens of Morrow. The City provides a substantial portion of the Housing Authority's budget, maintains its accounting records and appoints a voting majority of its board.

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.

In prior fiscal years, the Morrow Business and Tourism Association (MBTA) had been reported as a component unit. Due to a change in relationship with the City, the MBTA no longer meets the requirements to be reported as a discretely presented component unit and was excluded from the City's June 30, 2015 financial statements.

B. Government-wide and Fund Financial Statements

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is 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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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.

Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The City reports the following major governmental funds:

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

The **2008 Special Purpose Local Option Sales Tax (SPLOST) Fund** is a capital projects fund used to account for the revenues and expenditures related to the 1% Special Purpose Local Option Sales Tax that was approved by the County's voters to begin in 2008.

The **2014 Special Purpose Local Option Sales Tax (SPLOST) Fund** is a capital projects fund used to account for the revenues and expenditures related to the 1% Special Purpose Local Option Sales Tax that was approved by the County's voters to begin in 2015.

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 The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the City reports the following fund types:

The **special revenue funds** account for the revenue sources that are legally restricted to expenditure for specific purposes. All of the various special revenue funds are considered to be nonmajor governmental funds.

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.

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 Council 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 Council 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 no supplemental budget appropriations during the year.

Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

6. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.
7. Budgets for the governmental funds 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.

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"). The investment in the Georgia Fund 1 represents the City's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value.

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.

Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

H. Short-Term Interfund Receivables / Payables

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

I. Grants From Other Governments

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

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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.

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, 2015, there was no capitalized interest.

Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets (continued)

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

Buildings, Grounds, and Improvements	15 - 40 Years
Machinery and Equipment	10 Years
Furniture and Fixtures	5 Years
Infrastructure	15 Years
Vehicles	5 - 10 Years
Computer software	5 Years
Park Facilities and Improvements	15 Years

K. Long-Term Liabilities

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

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

L. Deferred Outflows / Inflows of Resources

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City had one item that qualified for reporting in this category. Accordingly, the City's pension contributions subsequent to the measurement date represent a consumption of resources in a future period and will be recognized as an outflow at that time.

Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Deferred Outflows / Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance/net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items that qualify for reporting in this category. Unavailable revenue related to property taxes arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

Additionally, the City's net difference between projected and actual earnings related to the pension plan, the difference between expected and actual experience related to the pension plan, and the changes in actuarial assumptions related to the pension plan represent acquisitions of net position in future periods and will not be recognized as inflows of resources until that time.

M. Compensated Absences

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

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

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Fund. Encumbrances outstanding at year end are reported as committed or assigned fund balances since they do not constitute expenditures or liabilities.

Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Fund which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2015, there were no encumbrances outstanding.

Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Equity

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

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

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 Accounting Manager 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.

Notes To The Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Equity (continued)

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

P. Use of Estimates

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

Q. Pensions

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

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

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *Fund Balance – Total Governmental Funds* and *Net Position – Governmental Activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "certain liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$3,577,972 difference are as follows

Capital Leases	\$ 1,559,451
Compensated Absences	226,644
Net Pension Liability	1,783,043
Accrued Interest	<u>8,834</u>
Net Adjustment to Decrease <i>Fund Balance – Total Governmental Funds</i>	
To Arrive at <i>Net Position – Governmental Activities</i>	<u>\$ 3,577,972</u>

Notes To The Financial Statements

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

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *Net Changes in Fund Balances – Total Governmental Funds* and *Changes in Net Position of Governmental Activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and generally reported as depreciation expense. In some instances, the utility of certain capital assets is impacted by factors such as obsolescence and a loss is recognized for this impairment.” The details of this \$2,521,085 difference are as follows:

Capital Outlay	\$ 337,228
Loss on Impairment of Capital Assets	(1,529,427)
Depreciation Expense	<u>(1,328,886)</u>
Net Adjustment to Decrease <i>Net Changes in Fund Balances - Total Governmental Funds</i> to Arrive at <i>Changes in Net Position of Governmental Funds</i>	<u>\$ (2,521,085)</u>

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$1,259,185 difference are as follows:

Principal Retirement of Long-Term Debt	\$ 1,559,708
Proceeds From Capital Lease	<u>(300,523)</u>
Net Adjustment to Increase <i>Net Changes in Fund Balances - Total Governmental Funds</i> to Arrive at <i>Changes in Net Position of Governmental Activities</i>	<u>\$ 1,259,185</u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$52,911 difference are as follows:

Change in Accrued Interest	\$ 7,669
Change in Compensated Absences	<u>45,242</u>
Net Adjustment to Increase <i>Net Changes in Fund Balances - Total Governmental Funds</i> to Arrive at <i>Changes in Net Position of Governmental Activities</i>	<u>\$ 52,911</u>

Notes To The Financial Statements

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2015, are summarized as follows:

Amounts As Presented On the Entity-Wide Statement of Net Position:	
Cash and Cash Equivalents	\$2,186,665
Investments	1,983,704
Component Units – Cash and Cash Equivalents	<u>643,006</u>
Total	<u>\$4,813,375</u>
Cash On Hand	\$ 6,052
Cash Deposited With Financial Institutions	2,823,619
Cash Deposited With Georgia Fund 1	<u>1,983,704</u>
Total	<u>\$4,813,375</u>

Credit Risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. It is the City's policy to limit its investments to those allowed and authorized by state law. As of June 30, 2015, the City's investment in Georgia Fund 1 was rated AA+ by Standard & Poor's.

At June 30, 2015, the City had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	56 Day Weighted Average	<u>\$1,983,704</u>

Georgia Fund 1 was created by OCGA 36-83-8. The investment in the Georgia Fund 1 represents the City's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value.

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.

Notes To The Financial Statements

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2015, all of the City's and its discretely presented component units bank balances were covered by either federal depository insurance or by collateral held by the City's agent in the City's name.

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>2014 SPLOST</u>	<u>NonMajor Governmental</u>	<u>Sanitation</u>	<u>Morrow Center</u>	<u>Total</u>
Receivables:						
Taxes	\$ 241,144	\$ -	\$ 127,116	\$ -	\$ -	\$ 368,260
Accounts	28,898	-	19,770	68,737	13,572	130,977
Due From Other						
Governments	<u>143,967</u>	<u>189,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,456</u>
Gross Receivables	\$ 414,009	\$ 189,489	\$ 146,886	\$ 68,737	\$ 13,572	\$ 832,693
Less: Allowance For						
Uncollectible Accounts	<u>(10,571)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,571)</u>
Total Net Receivables	<u>\$ 403,438</u>	<u>\$ 189,489</u>	<u>\$ 146,886</u>	<u>\$ 68,737</u>	<u>\$ 13,572</u>	<u>\$ 822,122</u>

NOTE 5. PROPERTY TAXES

Property taxes were levied on August 15, 2014, (Levy Date) based upon property values assessed as of January 1, 2014. The billings were mailed on October 17, 2014, and payable on or before December 23, 2014, for the fiscal year 2015 tax. Taxes not paid within 30 days of the December 23th due date are subject to property tax liens on January 22, 2015. Property tax revenues are recognized when levied to the extent they result in current receivables.

The tax rate levied during fiscal year 2015 for the City's operations was 9.5 mills (mill equals \$1 per thousand dollars of assessed value).

Notes To The Financial Statements

NOTE 6. CAPITAL ASSETS

A. Primary Government

The capital asset activity for the Primary Government for the fiscal year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Impairment</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 5,013,235	\$ -	\$ -	\$ -	\$ 5,013,235
Infrastructure In Process	<u>201,653</u>	<u>36,705</u>	<u>-</u>	<u>-</u>	<u>238,358</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 5,214,888</u>	<u>\$ 36,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,251,593</u>
Capital Assets, Being Depreciated					
Buildings, Grounds and Improvements	\$ 4,654,175	\$ -	\$ -	\$ -	\$ 4,654,175
Machinery and Equipment	874,577	-	-	-	874,577
Furniture and Fixtures	230,876	-	-	-	230,876
Infrastructure	12,843,257	-	-	(1,529,427)	11,313,830
Vehicles	3,381,103	300,523	(249,355)	-	3,432,271
Computer Software	24,380	-	-	-	24,380
Park Facilities and Improvements	<u>1,051,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,051,080</u>
Total Capital Assets, Being Depreciated	<u>\$ 23,059,448</u>	<u>\$ 300,523</u>	<u>\$ (249,355)</u>	<u>\$ (1,529,427)</u>	<u>\$ 21,581,189</u>
Less Accumulated Depreciation For:					
Buildings, Grounds and Improvements	\$ (2,347,161)	\$ (131,958)	\$ -	\$ -	\$ (2,479,119)
Machinery and Equipment	(609,673)	(60,586)	-	-	(670,259)
Furniture and Fixtures	(230,876)	-	-	-	(230,876)
Infrastructure	(4,117,946)	(856,218)	-	-	(4,974,164)
Vehicles	(2,512,932)	(206,025)	249,355	-	(2,469,602)
Computer Software	(11,431)	(4,876)	-	-	(16,307)
Park Facilities and Improvements	<u>(480,661)</u>	<u>(69,223)</u>	<u>-</u>	<u>-</u>	<u>(549,884)</u>
Total Accumulated Depreciation	<u>\$ (10,310,680)</u>	<u>\$ (1,328,886)</u>	<u>\$ 249,355</u>	<u>\$ -</u>	<u>\$ (11,390,211)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 12,748,768</u>	<u>\$ (1,028,363)</u>	<u>\$ -</u>	<u>\$ (1,529,427)</u>	<u>\$ 10,190,978</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,963,656</u>	<u>\$ (991,658)</u>	<u>\$ -</u>	<u>\$ (1,529,427)</u>	<u>\$ 15,442,571</u>

Notes To The Financial Statements

NOTE 6. CAPITAL ASSETS (continued)

A. Primary Government (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities:					
Capital Assets, Being Depreciated:					
Buildings, Grounds and Improvements	\$ 4,998,021	\$ -	\$ (4,998,021)	\$ -	\$ -
Machinery and Equipment	8,752	-	(8,752)	-	-
Furniture and Fixtures	27,417	-	(27,417)	-	-
Total Capital Assets, Being Depreciated	<u>\$ 5,034,190</u>	<u>\$ -</u>	<u>\$ (5,034,190)</u>	<u>\$ -</u>	<u>\$ -</u>
Less Accumulated Depreciation For:					
Buildings, Grounds and Improvements	\$ (562,279)	\$ (124,950)	\$ 687,229	\$ -	\$ -
Machinery and Equipment	(3,938)	(875)	4,813	-	-
Furniture and Fixtures	(24,674)	(2,742)	27,416	-	-
Total Capital Assets, Being Depreciated	<u>\$ (590,891)</u>	<u>\$ (128,567)</u>	<u>\$ 719,458</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,443,299</u>	<u>\$ (128,567)</u>	<u>\$ (4,314,732)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Governmental Activities:	
General Government	\$31,162
Public Safety	281,455
Public Works	969,699
Housing and Development	<u>46,569</u>
Total Depreciation Expense – Governmental Activities	<u>\$1,328,885</u>

Business-Type Activities:	
Morrow Center	<u>\$128,567</u>
Total Depreciation Expense – Business-Type Activities	<u>\$128,567</u>

It was determined that the Olde Town Morrow project owned by the Downtown Development Authority was no longer economically viable due to the real estate market and the project was closed. As a result, certain infrastructure assets (i.e., roadway and bridge) paid for by the City and providing access to the project were also closed. During the 2015 fiscal year, the City's Governmental Funds recognized an impairment loss of \$1,529,427 due to the diminished utility of these capital assets. This impairment loss is included in the expenses of the Public Works function on the *Statement of Activities*.

Notes To The Financial Statements

NOTE 6. CAPITAL ASSETS (continued)

A. Primary Government (continued)

During the 2015 fiscal year, the Urban Redevelopment Agency acquired certain capital assets from the Downtown Development Authority. One of two projects purchased was the old Macy's building, which is also the site of certain building improvements known as the Morrow Conference Center. As a result of this transaction, ownership of the capital assets shown in the Morrow Center Enterprise Fund in prior fiscal years was transferred to the Urban Redevelopment Agency.

B. Discretely Presented Component Unit – Downtown Development Authority

The capital asset activity for the Downtown Development Authority for the fiscal year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Impairment</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated					
Land	\$ 7,594,671	\$ -	\$ (7,168,704)	\$ (133,948)	\$ 292,019
Total Capital Assets, Not Being Depreciated	\$ 7,594,671	\$ -	\$ (7,168,704)	\$ (133,948)	\$ 292,019
Capital Assets, Being Depreciated					
Buildings and Improvements	\$ 11,673,827	\$ 14,492	\$ (5,699,429)	\$ (2,763,122)	\$ 3,225,768
Land Improvements	688,583	-	(587,626)	(48,493)	52,464
Infrastructure	4,257,606	-	-	(2,370,430)	1,887,176
Furniture and Fixtures	110,998	-	(17,202)	-	93,796
Signs	53,130	-	(53,130)	-	-
Total Capital Assets, Being Depreciated	\$ 16,784,144	\$ 14,492	\$ (6,357,387)	\$ (5,182,045)	\$ 5,259,204
Less Accumulated Depreciation For:					
Buildings, Grounds and Improvements	\$ (3,344,049)	\$ (412,274)	\$ 2,570,837	\$ -	\$ (1,185,486)
Land Improvements	(330,541)	(46,344)	337,672	-	(39,213)
Infrastructure	(532,201)	(106,440)	-	-	(638,641)
Furniture and Fixtures	(110,998)	-	17,202	-	(93,796)
Signs	(27,136)	(3,542)	30,678	-	-
Total Accumulated Depreciation	\$ (4,344,925)	\$ (568,600)	\$ 2,956,389	\$ -	\$ (1,957,136)
Total Capital Assets, Being Depreciated, Net	\$ 12,439,219	\$ (554,108)	\$ (3,400,998)	\$ (5,182,045)	\$ 3,302,068
Total Capital Assets, Net	\$ 20,033,890	\$ (554,108)	\$ (10,569,702)	\$ (5,315,993)	\$ 3,594,087

Notes To The Financial Statements

NOTE 6. CAPITAL ASSETS (continued)

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

During the 2015 fiscal year, the Downtown Development Authority sold capital assets having a net book value of \$10,569,702 to the Urban Redevelopment Agency which is a separate component unit. The proceeds from that sale were used by the DDA to retire the outstanding debt on the capital assets being sold.

Also during the 2015 fiscal year, it was determined that the fair market value of certain land, buildings and improvements owned by the Downtown Development Authority (i.e., the Olde Town Morrow project) had declined significantly due to the current real estate market. Accordingly, the Downtown Development Authority recognized an impairment loss of \$5,315,993 when these capital assets were written down to the fair market value as determined by a professional appraiser. This impairment loss is included in the expenses of the Downtown Development Authority on the *Statement of Activities*.

C. Discretely Presented Component Unit – Urban Redevelopment Agency

The capital asset activity for the Urban Redevelopment Agency for the fiscal year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Impairments</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated					
Land	\$ -	\$ 4,079,241	\$ -	\$ (1,421,902)	\$ 2,657,339
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 4,079,241</u>	<u>\$ -</u>	<u>\$ (1,421,902)</u>	<u>\$ 2,657,339</u>
Capital Assets, Being Depreciated					
Buildings and Building Improvements	\$ -	\$ 4,239,294	\$ -	\$ (1,503,543)	\$ 2,735,751
Land Improvements	-	147,514	-	(46,636)	100,878
Machinery and Equipment	-	2,241	-	-	2,241
Total Capital Assets, Being Depreciated	<u>\$ -</u>	<u>\$ 4,389,049</u>	<u>\$ -</u>	<u>\$ (1,550,179)</u>	<u>\$ 2,838,870</u>
Less Accumulated Depreciation For:					
Buildings and Building Improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Land Improvements	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-
Total Accumulated Depreciation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ -</u>	<u>\$ 4,389,049</u>	<u>\$ -</u>	<u>\$ (1,550,179)</u>	<u>\$ 2,838,870</u>
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ 8,468,290</u>	<u>\$ -</u>	<u>\$ (2,972,081)</u>	<u>\$ 5,496,209</u>

Notes To The Financial Statements

NOTE 6. CAPITAL ASSETS (continued)

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

During the 2015 fiscal year, the Urban Redevelopment Agency issued \$9,165,000 in taxable revenue bonds. It used a portion of the debt proceeds to purchase \$8,468,290 in capital assets from the Downtown Development Authority. The two projects purchased were the old Macy's building, including the Morrow Conference Center, located at the South Lake Mall, and a professional office park located at 1115 Mt. Zion Road.

Also during the 2015 fiscal year, it was determined that the fair market value of certain land, buildings and improvements purchased by the Urban Redevelopment Agency (i.e., the Old Macy's building, including the Morrow Conference Center) had declined significantly due to the current real estate market. Accordingly, the Urban Redevelopment Agency recognized an impairment loss of \$2,972,081 when these capital assets were written down to the fair market value as determined by a professional appraiser. This impairment loss is included in the expenses of the Urban Redevelopment Agency on the *Statement of Activities*.

NOTE 7. LONG-TERM DEBT

A. Primary Government

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital Leases	\$ 1,468,636	\$ 300,523	\$ (209,708)	\$ 1,559,451	\$ 270,341
Bonds Payable	1,350,000	-	(1,350,000)	-	-
Compensated Absences	271,880	239,983	(285,219)	226,644	158,379
Net Pension Liability	<u>2,603,608</u>	<u>1,454,722</u>	<u>(2,275,287)</u>	<u>1,783,043</u>	<u>-</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 5,694,124</u>	<u>\$ 1,995,228</u>	<u>\$ (4,120,214)</u>	<u>\$ 3,569,138</u>	<u>\$ 428,720</u>

Compensated absences are substantially liquidated by the General Fund.

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

During August 2003, the Downtown Development Authority of the City of Morrow, a component unit of the City, issued bonds in the amount of \$1,500,000. The proceeds of these bonds were used to purchase the building from the County. Additionally, the Authority and the City executed a new capital lease agreement with an interest rate of 3.86% 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.

Notes To The Financial Statements

NOTE 7. LONG-TERM DEBT (continued)

A. Primary Government (continued)

In September 2012, the City entered into a lease agreement for a new fire truck. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). This lease has an annual interest rate of 2.45% and the gross amount of the fire truck under this capital lease is \$461,794.

In January 2014, the City entered into a lease agreement for nine police vehicles. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). This lease has an annual interest rate of 2.08% and the gross amount of the police vehicles under this capital lease is \$292,196.

In January 2015, the City entered into a lease agreement for nine vehicles. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). This lease has an annual interest rate of 2.48% and the gross amount of the police, fire and public works vehicles under this capital lease is \$300,523.

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, 2015:

Fiscal Year Ending June 30,	
2016	\$ 315,661
2017	315,661
2018	277,501
2019	219,554
2020	160,190
2021 – 2024	<u>448,833</u>
Total Minimum Lease Payments	\$1,737,400
Less: Amount Representing Interest	<u>(177,949)</u>
Present Value of Minimum Lease Payments	<u>\$1,559,451</u>

The City's capital leases had a total purchase price of \$2,829,425, current year depreciation expense of \$166,684, accumulated depreciation of \$854,440 and net book values of \$1,974,985 as of June 30, 2015.

Revenue Bonds. In June 2009, the City issued revenue bonds where the City pledged income derived from a 1% special purpose local options sales tax (SPLOST) levied by Clayton County to pay debt service. The remaining outstanding bonds in the amount of \$1,350,000 were redeemed during FY 2015.

Notes To The Financial Statements

NOTE 7. LONG-TERM DEBT (continued)

B. Discretely Presented Component Unit – Downtown Development Authority

The following is a summary of long-term debt activity for the Downtown Development Authority (DDA) for the fiscal year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Downtown Development Authority					
Bonds Payable	\$8,236,900	\$ --	\$(7,491,329)	\$745,571	\$80,357
Notes Payable	<u>1,000,137</u>	<u>--</u>	<u>(1,000,137)</u>	<u>--</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$9,237,037</u>	<u>\$ --</u>	<u>\$(8,491,466)</u>	<u>\$745,571</u>	<u>\$80,357</u>

Bonds Payable. The Downtown Development Authority of the City of Morrow, issued revenue bonds in the amount of \$1,500,000 in August 2003. The proceeds of these 2003 Series bonds were used to purchase the Morrow Welcome Center building from the County. The source of revenues pledged to pay off the debt is a lease purchase agreement with the City of Morrow.

In June 2007, the Authority issued revenue 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 of Morrow. In May 2008, the Authority issued new bonds (Series 2008) to refinance the Series 2007 bonds at a lower interest rate. During FY 2015, the DDA sold the Macy's building (including the Morrow Conference Center) to the Urban Redevelopment Agency and used the proceeds from that sale to retire the outstanding Series 2008 bonds.

Bonds payable at June 30, 2015 are as follows:

<u>Series</u>	<u>Purpose of Issue</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
2003	Welcome Center Building	3.86%	20 Years	2024	\$1,500,000	<u>\$745,571</u>

Debt service requirements to maturity on the 2003 Series Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2016	\$ 80,357	\$ 27,625	\$ 107,982
2017	83,504	24,478	107,982
2018	86,774	21,208	107,982
2019	90,173	17,810	107,983
2020	93,704	14,278	107,982
2021 - 2024	<u>311,059</u>	<u>20,307</u>	<u>331,366</u>
Total Debt Service	<u>\$ 745,571</u>	<u>\$ 125,706</u>	<u>\$ 871,277</u>

Notes To The Financial Statements

NOTE 7. LONG-TERM DEBT (continued)

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

Notes Payable. During September 2009, the Downtown Development Authority incurred debt in the amount of \$1,300,000 to finance the purchase of an office building complex. The notes payable had an interest rate of 5.91% with final installment being due in FY 2016. During FY 2015, the DDA sold the office building complex to the Urban Redevelopment Agency and the proceeds from that sale were used to pay off the outstanding notes payable.

C. Discretely Presented Component Unit – Urban Redevelopment Agency

Bond Payable. The Urban Redevelopment Agency of the City of Morrow, Georgia issued a taxable revenue bond in the amount of \$9,165,000 in June 2015. The majority of the proceeds from the 2015 Series bond were used to purchase the old Macy's building (including the Morrow Conference) located at Southlake Mall and a professional office complex from the Downtown Development Authority. As security for meeting the debt service requirements of the revenue bond, the City of Morrow has pledged its full faith and credit, and taxing power for such payment and performance.

The 2015 Series Bond was issued as a single, fully registered bond without coupons in the principal amount of \$9,165,000. The bond bears interest from its dated date on the outstanding principal amount at the rate of 4.93% per year, computed on the basis of 360-day year consisting of twelve 30-day months. The bond is payable in semi-annual installments of principal and interest on the 15th day of June and December of each year. All unpaid principal is due and payable on June 15, 2025.

Debt service requirements to maturity on the 2015 Series Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2016	\$ -	\$ 451,834	\$ 451,834
2017	-	451,835	451,835
2018	640,000	451,834	1,091,834
2019	660,000	420,283	1,080,283
2020	680,000	387,744	1,067,744
2021 - 2025	<u>7,185,000</u>	<u>1,412,692</u>	<u>8,597,692</u>
Total Debt Service	<u>\$ 9,165,000</u>	<u>\$ 3,576,222</u>	<u>\$ 12,741,222</u>

Notes To The Financial Statements

NOTE 8. 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.

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for full-time employees. Benefits are provided by the Plan whereby retirees receive 3% multiplied by their salary multiplied by the number of years of service. There is a 30 year cap on the service component of the computation. Employee benefits are fully vested after 10 years of service. Normal retirement age is 65 with 5 years of credited service.

With the City having opted out of Social Security, the City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the rate for the 2015 fiscal year is 11.54% 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.

Plan membership: At January 1, 2015, the date of the most recent actuarial valuation, there were 187 participants consisting of the following:

Retirees and Beneficiaries Currently Receiving Benefits	40
Vested Terminated Employees Not Yet Receiving Benefits	47
Active Employees	<u>100</u>
Total Participants	<u>187</u>

Contributions: The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. City contributions to the Plan were \$528,868 for the year ended June 30, 2015.

Notes To The Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability of the City

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

Actuarial assumptions. The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.50%, plus age and service based merit increases
Investment rate of return	7.75 %

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through June 30, 2009.

There are no cost of living adjustments included in the assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Notes To The Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability of the City (continued)

<u>Asset Class</u>	<u>Asset Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	50.00%	5.50%
International Equity	10.00%	5.50%
Fixed Income	35.00%	2.50%
Real Estate	5.00%	4.00%
Cash	0.00%	
Total	<u>100.00%</u>	

* Rates of return shown are net of the 3.5% assumed rate of inflation

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

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2015, were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A - B)</u>
Beginning Balance:	<u>\$ 13,085,674</u>	<u>\$ 10,482,066</u>	<u>\$ 2,603,608</u>
Changes For The Year:			
Service Cost	\$ 443,408	\$ -	\$ 443,408
Interest	996,071	-	996,071
Differences Between Expected and Actual Experience	(439,431)	-	(439,431)
Contributions - Employer	-	528,868	(528,868)
Net Investment Income	-	1,197,510	(1,197,510)
Benefit Payments	(466,299)	(466,299)	-
Administrative Expense	-	(15,243)	15,243
Other Changes	(109,478)	-	(109,478)
Net Changes	<u>\$ 424,271</u>	<u>\$ 1,244,836</u>	<u>\$ (820,565)</u>
Ending Balance	<u>\$ 13,509,945</u>	<u>\$ 11,726,902</u>	<u>\$ 1,783,043</u>

Notes To The Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability of the City (continued)

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

Sensitivity of the net pension liability to changes in the discount rate: The following tabular information presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	One Percent Decrease 6.75%	Current Discount Rate 7.75%	One Percent Increase 8.75%
City's Net Pension Liability	\$3,731,774	\$1,783,043	\$166,432

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee

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

For the year ended June 30, 2015, the City recognized pension expense of \$472,380. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 306,652
Differences Between Expected and Actual Experience	-	366,195
Changes in Actuarial Assumptions	-	91,230
City Contributions Subsequent to the Measurement Date	481,041	-
Total	<u>\$ 481,041</u>	<u>\$ 764,077</u>

City contributions subsequent to the measurement date of \$481,041 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Notes To The Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued)

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u> <u>Recognized</u>
2016	\$ (168,148)
2017	(168,148)
2018	(168,148)
2019	(168,148)
2020	(91,485)
Total	<u>\$ (764,077)</u>

NOTE 9. 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, 2015, the City contributed \$38,431 to the Plan.

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

NOTE 10. BUDGET COMPLIANCE AND DEFICIT FUND EQUITY

The City Charter requires that an ordinance be approved at two Council meetings to effect any changes in the original budget appropriations. During the 2015 fiscal year, the Council did not formally approve any changes to the original budget which resulted in a number of variances.

Notes To The Financial Statements

NOTE 10. BUDGET COMPLIANCE AND DEFICIT FUND EQUITY

A. Excess of Expenditures Over Appropriations

The following General Fund departments and Special Revenue Funds had actual expenditures in excess of appropriations for the fiscal year ended June 30, 2015:

General Fund:	
General Government – Elections	\$ 1,655
Public Safety – Capital Outlay	265,360
Public Works – Capital Outlay	83,499
Housing and Development – Planning and Zoning	5,293
Housing and Development – Economic Development	2,964
Emergency Communications Special Revenue Fund – Public Safety	48,677

In the General Fund, the unfavorable Capital Outlay variances in Public Safety and Public Works were offset by the proceeds from a capital lease for vehicles. The remaining expenditures variances totaling \$9,912 in the General Fund were funded from the prior year's fund balance.

The unfavorable expenditure variance occurring in the Emergency Communications Special Revenue Fund was funded from revenues which were greater than anticipated.

B. Deficit Fund Equity

The Urban Redevelopment Agency, which is a component unit of the City, had a deficit Net Position of \$3,168,585 as of June 30, 2015. The deficit will be reduced in future periods as the City pays down the outstanding bond obligation.

NOTE 11. HOTEL / MOTEL LODGING TAXES

Pursuant to certain provisions of State law, the City has levied an 8% lodging tax. For the fiscal year ended June 30, 2015, \$863,838 in hotel/motel taxes was collected. Of the total collected, over 50% was used for the promotion of tourism within the City.

Notes To The Financial Statements

NOTE 12. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2015, are as follows:

	Due From			
	General Fund	SPLOST Fund - Series 2014	NonMajor Governmental	Total
Due To				
General Fund	\$ -	\$ 131,289	\$ 93,378	\$ 224,667
SPLOST Fund - Series 2008	13,485	-	-	13,485
NonMajor Governmental	26,371	-	-	26,371
Morrow Center	67,872	-	-	67,872
Total	<u>\$ 107,728</u>	<u>\$ 131,289</u>	<u>\$ 93,378</u>	<u>\$ 332,395</u>

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

Interfund transfers for the fiscal year June 30, 2015, consisted of the following:

	Transfers To			
	General Fund	NonMajor Governmental	Morrow Center	Total
Transfers From				
General Fund	\$ -	\$ 157,339	\$ 19,057	\$ 176,396
NonMajor Governmental	470,730	32,706	-	503,436
Sanitation Fund	147,419	-	-	147,419
Total	<u>\$ 618,149</u>	<u>\$ 190,045</u>	<u>\$ 19,057</u>	<u>\$ 827,251</u>

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

Notes To The Financial Statements

NOTE 13. 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, 2015, 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 14. COMMITMENTS AND CONTIGENCIES

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

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

NOTE 15. RISK MANAGEMENT

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

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

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

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

Notes To The Financial Statements

NOTE 16. CHANGE IN ACCOUNTING PRINCIPLES

A. Pensions

The City has determined that a restatement to the July 1, 2014 beginning net position was required to recognize the change in the accounting principle for implementation of the Governmental Accounting Standards Board (GASB) Statement No. 68, *"Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27"*, as well as Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68"*. This restatement was needed to retroactively recognize certain transactions as of July 1, 2014, through which an accounting for pension plans and the related disclosure requirements were modified. This adjustment resulted in a change to the beginning net position of the Governmental Activities of the City as follows:

Beginning Net Position, July 1, 2014, as Previously Reported	\$23,185,808
Change in Accounting Principle Due to the Implementation of GASB Statement No. 68	<u>(2,170,948)</u>
Beginning Net Position, July 1, 2014, as Restated	<u>\$21,014,860</u>

B. Fair Value Measurements

During the 2015 fiscal year, the City also implemented the provisions of GASB Statement No. 72, *"Fair Value Measurement and Application"*. This new statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *"fair value"* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In implementing this new accounting standard during FY 2015, the City's General Fund recognized a loss of fair value on real estate held for resale in the amount of \$238,038. The Morrow Housing Authority, a component unit, recognized a loss of \$14,000 on real estate that it held. Because these items are infrequent in nature and not under the control of management, the losses are shown as an Extraordinary Item on the Statement of Activities.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Morrow, Georgia

**Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios**

	<u>2015</u>
Changes in Total Pension Liability for the Year:	
Service Cost	\$ 443,408
Interest on Total Pension Liability	996,071
Differences Between Expected and Actual Experience	(439,431)
Changes of Assumptions	(109,478)
Benefit Payments	<u>(466,299)</u>
Net Change in Total Pension Liability for the Year	\$ 424,271
Total Pension Liability - Beginning	<u>13,085,674</u>
Total Pension Liability - Ending (A)	<u><u>\$ 13,509,945</u></u>
Changes in Plan Fiduciary Net Position for the Year:	
Contributions - Employer	\$ 528,868
Net Investment Income	1,197,510
Benefit Payments	(466,299)
Administrative Expenses	<u>(15,243)</u>
Net Change in Plan Fiduciary Net Positions for the Year	\$ 1,244,836
Plan Fiduciary Net Position - Beginning	<u>10,482,066</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 11,726,902</u></u>
City's Net Pension Liability - Ending (A - B)	<u><u>\$ 1,783,043</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B / A)	86.80%
Covered Employee Payroll	\$ 4,423,020
Net Pension Liability as a Percentage of Covered Employee Payroll	40.31%

Notes to the Schedule:

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

City of Morrow, Georgia

**Required Supplementary Information
Schedule of City's Contributions to Pension Fund**

	<u>2015</u>
Actuarially Determined Contribution	\$ 577,249
Contributions in Relation to the Actuarially Determined Contribution	<u>577,249</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Employee Payroll	\$ 4,915,662
Contributions as a Percentage of Covered Employee Payroll	11.74%

Notes to the Schedule:

Valuation Date	January 1, 2014
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.5 % plus age and service based merit increases
Cost-of-Living Adjustment	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective amortization period of 10 years

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

COMBINING STATEMENTS AND SCHEDULES

City of Morrow, Georgia
NonMajor Governmental Funds

Special Revenue Funds

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

The **Emergency Communications Fund** accounts for the fee collection and operations of the Emergency 911 system within the City. An operating transfer is made from the General Fund to cover those expenditures greater than the telephone and cellphone surcharge revenues.

The **Hotel / Motel Tax Fund** accounts for the collection of the 8% lodging tax levied by the City and the subsequent distribution of those revenues. A portion of the tax is transferred to the General Fund to help pay for normal operating expenditures of the City and the balance of the funds are distributed for the promotion of tourism within the City.

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

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

The **Rental Car Excise Tax Fund** accounts for the collection of rental car fees that are required to be used to fund the Economic Development function of the City.

City of Morrow, Georgia
Combining Balance Sheet
NonMajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<u>Emergency Communications</u>	<u>Hotel / Motel Tax</u>	<u>Product Development</u>	<u>Confiscated Assets</u>	<u>Rental Car Excise Tax</u>	<u>Total NonMajor Governmental Funds</u>
ASSETS:						
Cash and Cash Equivalents	\$ 10,566	\$ -	\$ -	\$ 140,374	\$ -	\$ 150,940
Taxes Receivable	-	120,046	-	-	7,070	127,116
Accounts Receivable	19,770	-	-	-	-	19,770
Due From Other Funds	-	60,672	32,706	-	-	93,378
Total Assets	<u>\$ 30,336</u>	<u>\$ 180,718</u>	<u>\$ 32,706</u>	<u>\$ 140,374</u>	<u>\$ 7,070</u>	<u>\$ 391,204</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 716	\$ -	\$ -	\$ -	\$ -	\$ 716
Accrued Liabilities	10,319	-	-	-	-	10,319
Unearned Revenues	-	-	-	41,541	-	41,541
Due To Other Funds	19,301	-	-	-	7,070	26,371
Total Liabilities	<u>\$ 30,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,541</u>	<u>\$ 7,070</u>	<u>\$ 78,947</u>
Fund Balances:						
Restricted For:						
Tourism	\$ -	\$ 180,718	\$ -	\$ -	\$ -	\$ 180,718
Product Development	-	-	32,706	-	-	32,706
Law Enforcement	-	-	-	98,833	-	98,833
Total Fund Balances	<u>\$ -</u>	<u>\$ 180,718</u>	<u>\$ 32,706</u>	<u>\$ 98,833</u>	<u>\$ -</u>	<u>\$ 312,257</u>
Total Liabilities and Fund Balances	<u>\$ 30,336</u>	<u>\$ 180,718</u>	<u>\$ 32,706</u>	<u>\$ 140,374</u>	<u>\$ 7,070</u>	<u>\$ 391,204</u>

City of Morrow, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
NonMajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<u>Emergency Communications</u>	<u>Hotel / Motel Tax</u>	<u>Product Development</u>	<u>Confiscated Assets</u>	<u>Rental Car Excise Tax</u>	<u>Total NonMajor Governmental Funds</u>
REVENUES:						
Other Taxes	\$ -	\$ 863,838	\$ -	\$ -	\$ 38,811	\$ 902,649
Charges for Services	157,338	-	-	-	-	157,338
Fines and Forfeitures	-	-	-	19,402	-	19,402
Interest Revenue	-	-	-	-	-	-
Total Revenues	<u>\$ 157,338</u>	<u>\$ 863,838</u>	<u>\$ -</u>	<u>\$ 19,402</u>	<u>\$ 38,811</u>	<u>\$ 1,079,389</u>
EXPENDITURES:						
Public Safety	\$ 314,677	\$ -	\$ -	\$ 10,724	\$ -	\$ 325,401
Housing and Development	-	218,495	-	-	-	218,495
Total Expenditures	<u>\$ 314,677</u>	<u>\$ 218,495</u>	<u>\$ -</u>	<u>\$ 10,724</u>	<u>\$ -</u>	<u>\$ 543,896</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (157,339)</u>	<u>\$ 645,343</u>	<u>\$ -</u>	<u>\$ 8,678</u>	<u>\$ 38,811</u>	<u>\$ 535,493</u>
OTHER FINANCING SOURCES (USES):						
Transfers In	\$ 157,339	\$ -	\$ 32,706	\$ -	\$ -	\$ 190,045
Transfers Out	-	(464,625)	-	-	(38,811)	(503,436)
Total Other Financing Sources (Uses)	<u>\$ 157,339</u>	<u>\$ (464,625)</u>	<u>\$ 32,706</u>	<u>\$ -</u>	<u>\$ (38,811)</u>	<u>\$ (313,391)</u>
Net Change in Fund Balance	\$ -	\$ 180,718	\$ 32,706	\$ 8,678	\$ -	\$ 222,102
Fund Balance, Beginning of Year	-	-	-	90,155	-	90,155
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 180,718</u>	<u>\$ 32,706</u>	<u>\$ 98,833</u>	<u>\$ -</u>	<u>\$ 312,257</u>

City of Morrow, Georgia
Emergency Communications Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES:			
Charges for Services:			
False Alarms	\$ 3,000	\$ -	\$ (3,000)
E911 Phone Charges	<u>130,000</u>	<u>157,338</u>	<u>27,338</u>
Total Revenues	<u>\$ 133,000</u>	<u>\$ 157,338</u>	<u>\$ 24,338</u>
EXPENDITURES:			
Public Safety	\$ 266,000	\$ 314,677	\$ (48,677)
Total Expenditures	<u>\$ 266,000</u>	<u>\$ 314,677</u>	<u>\$ (48,677)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (133,000)</u>	<u>\$ (157,339)</u>	<u>\$ (24,339)</u>
OTHER FINANCING SOURCES:			
Transfers In	\$ 133,000	\$ 157,339	\$ 24,339
Total Other Financing Sources	<u>\$ 133,000</u>	<u>\$ 157,339</u>	<u>\$ 24,339</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning of Year		<u>-</u>	
Fund Balance, End of Year		<u>\$ -</u>	

City of Morrow, Georgia
Hotel / Motel Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES:			
Taxes:			
Other	\$ 700,000	\$ 863,838	\$ 163,838
Total Revenues	<u>\$ 700,000</u>	<u>\$ 863,838</u>	<u>\$ 163,838</u>
EXPENDITURES:			
Housing and Development	\$ 350,000	\$ 218,495	\$ 131,505
Total Expenditures	<u>\$ 350,000</u>	<u>\$ 218,495</u>	<u>\$ 131,505</u>
Excess of Revenues Over Expenditures	<u>\$ 350,000</u>	<u>\$ 645,343</u>	<u>\$ 295,343</u>
OTHER FINANCING USES:			
Transfers Out	\$ 350,000	\$ 464,625	\$ (114,625)
Total Other Financing Uses	<u>\$ 350,000</u>	<u>\$ 464,625</u>	<u>\$ (114,625)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 180,718</u>	<u>\$ 180,718</u>
Fund Balance, Beginning of Year		<u>-</u>	
Fund Balance, End of Year		<u>\$ 180,718</u>	

City of Morrow, Georgia
Product Development Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES:			
Taxes:			
Other	\$ -	\$ -	\$ -
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:			
Housing and Development	\$ -	\$ -	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES:			
Transfers In	\$ -	\$ 32,706	\$ 32,706
Total Other Financing Sources	<u>\$ -</u>	<u>\$ 32,706</u>	<u>\$ 32,706</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 32,706</u>	<u>\$ 32,706</u>
Fund Balance, Beginning of Year		<u>-</u>	
Fund Balance, End of Year		<u>\$ 32,706</u>	

City of Morrow, Georgia
Confiscated Assets Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES:			
Fines and Forfeitures	\$ 50,000	\$ 19,402	\$ (30,598)
Total Revenues	<u>\$ 50,000</u>	<u>\$ 19,402</u>	<u>\$ (30,598)</u>
 EXPENDITURES:			
Public Safety	\$ 50,000	\$ 10,724	\$ 39,276
Total Expenditures	<u>\$ 50,000</u>	<u>\$ 10,724</u>	<u>\$ 39,276</u>
 Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 8,678</u>	<u>\$ 8,678</u>
 Fund Balance, Beginning of Year		<u>90,155</u>	
 Fund Balance, End of Year		<u>\$ 98,833</u>	

City of Morrow, Georgia
Rental Car Excise Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES:			
Taxes:			
Other	\$ 30,000	\$ 38,811	\$ 8,811
Total Revenues	<u>\$ 30,000</u>	<u>\$ 38,811</u>	<u>\$ 8,811</u>
EXPENDITURES:			
Housing and Development	\$ -	\$ -	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues Over Expenditures	<u>\$ 30,000</u>	<u>\$ 38,811</u>	<u>\$ 8,811</u>
OTHER FINANCING USES:			
Transfers Out	\$ 30,000	\$ 38,811	\$ (8,811)
Total Other Financing Uses	<u>\$ 30,000</u>	<u>\$ 38,811</u>	<u>\$ (8,811)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning of Year		<u>-</u>	
Fund Balance, End of Year		<u>\$ -</u>	

City of Morrow, Georgia
Schedule of Expenditures of Special Purpose Local Option Sales Tax (SPLOST)
2008 Issue
For the Fiscal Year Ended June 30, 2015

<u>Description of Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>
Pedestrian Path System Phase I	\$ 139,448	\$ 139,448	\$ 139,950	\$ -	\$ 139,950
Pedestrian Path System Phase II	690,000	690,000	302,672	-	302,672
Pedestrian Path System Phase III	861,025	861,025	520,034	36,705	556,739
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	1,000,000	1,000,000	-	-	-
Totals	<u>\$ 9,860,000</u>	<u>\$ 9,860,000</u>	<u>\$ 7,884,580</u>	<u>\$ 36,705</u>	<u>\$ 7,921,285</u>

City of Morrow, Georgia
Schedule of Expenditures of Special Purpose Local Option Sales Tax (SPLOST)
2014 Issue
For the Fiscal Year Ended June 30, 2015

<u>Description of Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>
Communication and RMS Software	\$ 2,201,126	\$ 2,201,126	\$ -	\$ -	\$ -
Street Resurfacing and Road Improvements	1,559,694	1,559,694	-	58,896	58,896
Facilities Improvements	1,114,067	1,114,067	-	155,456	155,456
Vehicles	1,600,205	1,600,205	-	-	-
Equipment	249,821	249,821	-	-	-
Comprehensive Plan	27,008	27,008	-	-	-
Totals	<u><u>\$ 6,751,921</u></u>	<u><u>\$ 6,751,921</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 214,352</u></u>	<u><u>\$ 214,352</u></u>

City of Morrow, Georgia Component Units

Component Units are functions of the City that are legally separate entities. Because of certain interdependencies, these entities are in substance part of the City's operations and therefore financial data from these functions is presented alongside the City's financial statements. This presentation allows the reader to have a consolidated view of the overall operations and services being provided in the City of Morrow.

The **Downtown Development Authority (DDA)** is the City's redevelopment tool for commercial revitalization. The DDA is responsible for developing revitalization strategies which include property acquisition, renovation and demolition.

The **Urban Redevelopment Agency (URA)** was activated by a resolution adopted during the fiscal year ended June 30, 2009. Its purpose is to exercise the City's "urban redevelopment project powers" under the Urban Redevelopment Law.

The **City of Morrow Housing Authority** was formed during the fiscal year ended June 30, 2009 to develop strategies for providing affordable housing to the citizens of Morrow.

City of Morrow, Georgia
Statement of Cash Flows
Component Units
For the Fiscal Year Ended June 30, 2015

	<u>Downtown Development Authority</u>	<u>Urban Redevelopment Agency</u>	<u>Morrow Housing Authority</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts From Customers and Users	\$ 382,753	\$ -	\$ -	\$ 382,753
Payments To Suppliers	<u>(163,267)</u>	<u>(35)</u>	<u>(20)</u>	<u>(163,322)</u>
Net Cash Provided By (Used In)				
Operating Activities	<u>\$ 219,486</u>	<u>\$ (35)</u>	<u>\$ (20)</u>	<u>\$ 219,431</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Contributions From Primary Government	\$ 125,430	\$ 15,061	\$ -	\$ 140,491
Net Cash Provided By Noncapital				
Financing Activities	<u>\$ 125,430</u>	<u>\$ 15,061</u>	<u>\$ -</u>	<u>\$ 140,491</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of Property and Equipment	\$ (14,492)	\$ (8,468,290)	\$ -	\$ (8,482,782)
Proceeds From the Sale of Capital Assets	8,468,290	-	-	8,468,290
Principal Paid on Bonds	(7,491,329)	-	-	(7,491,329)
Principal Paid on Notes Payable	(1,000,137)	-	-	(1,000,137)
Proceeds From Issuance of Bonds	-	9,165,000	-	9,165,000
Bond Issuance Expenses	-	(196,400)	-	(196,400)
Interest Paid	<u>(317,264)</u>	<u>(15,061)</u>	<u>-</u>	<u>(332,325)</u>
Net Cash Provided By (Used in) Capital				
and Related Financing Activities	<u>\$ (354,932)</u>	<u>\$ 485,249</u>	<u>\$ -</u>	<u>\$ 130,317</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	\$ 23,046	\$ 21	\$ -	\$ 23,067
Net Cash Provided By Investing Activities	<u>\$ 23,046</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 23,067</u>
Change in Cash and Cash Equivalents	\$ 13,030	\$ 500,296	\$ (20)	\$ 513,306
Cash and Cash Equivalents:				
Beginning of Year	<u>128,929</u>	<u>-</u>	<u>771</u>	<u>129,700</u>
End of Year	<u>\$ 141,959</u>	<u>\$ 500,296</u>	<u>\$ 751</u>	<u>\$ 643,006</u>

City of Morrow, Georgia

Statistical Section

This component of the City of Morrow's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	66 – 72
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	73 – 77
<i>These schedules contain trend information to help the reader assess the City's most significant local revenue sources.</i>	
Debt Capacity.....	78 – 80
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	81 – 82
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	83 – 86
<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.

City of Morrow, Georgia

Net Position By Activity Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Governmental Activities:										
Net Investment in Capital Assets	\$ 7,095,827	\$ 9,908,611	\$ 19,813,630	\$ 23,866,983	\$ 12,155,243	\$ 12,553,494	\$ 12,922,300	\$ 14,388,529	\$ 15,145,014	\$ 13,883,120
Restricted	-	-	-	-	-	657,217	1,014,757	1,301,836	1,459,254	1,385,374
Unrestricted	<u>9,096,281</u>	<u>16,204,109</u>	<u>12,132,191</u>	<u>9,234,985</u>	<u>6,382,543</u>	<u>7,002,728</u>	<u>8,858,861</u>	<u>7,253,161</u>	<u>4,410,592</u>	<u>4,380,364</u>
Total Governmental Activities Net Position	<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>	<u>\$ 22,943,526</u>	<u>\$ 21,014,860</u>	<u>\$ 19,648,858</u>
Business-Type Activities:										
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 4,968,535	\$ 4,837,226	\$ 4,705,917	\$ 4,574,608	\$ 4,443,299	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,062</u>	<u>58,798</u>	<u>58,797</u>	<u>58,797</u>	<u>58,797</u>	<u>-</u>
Total Business-Type Activities Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,985,597</u>	<u>\$ 4,896,024</u>	<u>\$ 4,764,714</u>	<u>\$ 4,633,405</u>	<u>\$ 4,502,096</u>	<u>\$ -</u>
Primary Government:										
Net Investment in Capital Assets	\$ 7,095,827	\$ 9,908,611	\$ 19,813,630	\$ 23,866,983	\$ 17,123,778	\$ 17,390,720	\$ 17,628,217	\$ 18,963,137	\$ 19,588,313	\$ 13,883,120
Restricted	-	-	-	-	-	657,217	1,014,757	1,301,836	1,459,254	1,385,374
Unrestricted	<u>9,096,281</u>	<u>16,204,109</u>	<u>12,132,191</u>	<u>9,234,985</u>	<u>6,399,605</u>	<u>7,061,526</u>	<u>8,917,658</u>	<u>7,311,958</u>	<u>4,469,389</u>	<u>4,380,364</u>
Total Primary Government Net Position	<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>	<u>\$ 27,576,931</u>	<u>\$ 25,516,956</u>	<u>\$ 19,648,858</u>

Note: The Unrestricted Net Position for Governmental Activities was restated by \$(2,170,948) for FY 2014 due to the implementation of GASB Statement No. 68 on pension reporting.

City of Morrow, Georgia

Changes in Net Position Last Ten Fiscal Years

Expenses:	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Primary Government:										
Governmental Activities:										
General Government	\$ 1,685,149	\$ 2,693,482	\$ 1,916,132	\$ 1,692,191	\$ 12,908,230	\$ 2,572,899	\$ 2,219,595	\$ 2,330,884	\$ 2,659,889	\$ 1,309,864
Judicial	174,165	190,486	312,561	388,218	353,217	384,023	414,825	299,269	207,361	461,246
Public Safety	4,570,661	5,117,869	6,179,546	6,759,090	6,460,751	6,741,610	6,129,433	5,837,934	6,063,898	5,826,054
Public Works	1,024,683	570,783	1,286,678	1,546,931	1,775,873	1,775,668	2,094,630	2,250,389	2,012,159	3,691,972
Housing and Development	163,076	241,854	187,103	163,313	161,156	275,328	307,398	295,928	319,228	565,371
Interest and Fiscal Charges	52,728	50,289	48,488	73,201	250,977	250,639	243,719	171,835	130,073	85,360
Total Governmental Activities Expenses	<u>\$ 7,670,462</u>	<u>\$ 8,864,763</u>	<u>\$ 9,930,508</u>	<u>\$ 10,622,944</u>	<u>\$ 21,910,204</u>	<u>\$ 12,000,167</u>	<u>\$ 11,409,600</u>	<u>\$ 11,186,239</u>	<u>\$ 11,392,608</u>	<u>\$ 11,939,867</u>
Business-Type Activities:										
Sanitation	\$ 975,755	\$ 1,175,632	\$ 1,081,972	\$ 1,001,787	\$ 923,938	\$ 836,005	\$ 833,225	\$ 837,610	\$ 891,957	\$ 886,173
Morrow Center	-	-	-	-	168,345	411,954	419,601	411,498	390,376	401,316
Total Business-Type Activities Expenses	<u>\$ 975,755</u>	<u>\$ 1,175,632</u>	<u>\$ 1,081,972</u>	<u>\$ 1,001,787</u>	<u>\$ 1,092,283</u>	<u>\$ 1,247,959</u>	<u>\$ 1,252,826</u>	<u>\$ 1,249,108</u>	<u>\$ 1,282,333</u>	<u>\$ 1,287,489</u>
Total Primary Government Expenses	<u>\$ 8,646,217</u>	<u>\$ 10,040,395</u>	<u>\$ 11,012,480</u>	<u>\$ 11,624,731</u>	<u>\$ 23,002,487</u>	<u>\$ 13,248,126</u>	<u>\$ 12,662,426</u>	<u>\$ 12,435,347</u>	<u>\$ 12,674,941</u>	<u>\$ 13,227,356</u>
Program Revenues:										
Primary Government:										
Governmental Activities:										
Charges for Services:										
General Government	\$ 1,351,249	\$ 1,285,924	\$ 1,312,562	\$ 1,036,261	\$ 1,081,785	\$ 1,108,890	\$ 1,084,186	\$ 1,058,252	\$ 1,087,830	\$ 17,061
Public Safety	2,600,898	3,531,926	4,357,563	4,705,219	4,432,995	4,694,366	5,045,952	2,990,715	2,677,990	1,699,591
Housing and Development	-	-	-	-	-	-	-	-	-	236,955
Operating Grants and Contributions	25,403	201,476	-	-	147,717	1,721,689	884,916	215,044	257,600	375,000
Capital Grants and Contributions	-	-	3,143,132	576,188	1,568,989	1,507,511	1,583,609	1,615,952	1,445,656	1,350,190
Total Governmental Activities Program Revenues	<u>\$ 3,977,550</u>	<u>\$ 5,019,326</u>	<u>\$ 8,813,257</u>	<u>\$ 6,317,668</u>	<u>\$ 7,231,486</u>	<u>\$ 9,032,456</u>	<u>\$ 8,598,663</u>	<u>\$ 5,879,963</u>	<u>\$ 5,469,076</u>	<u>\$ 3,678,797</u>
Business-Type Activities:										
Charges for Services:										
Sanitation	\$ 1,118,367	\$ 1,372,292	\$ 1,240,150	\$ 1,167,594	\$ 1,065,842	\$ 968,431	\$ 920,189	\$ 956,336	\$ 1,029,827	\$ 1,033,592
Morrow Center	-	-	-	-	55,544	209,177	253,367	160,788	164,441	194,894
Total Business-Type Activities Program Revenues	<u>\$ 1,118,367</u>	<u>\$ 1,372,292</u>	<u>\$ 1,240,150</u>	<u>\$ 1,167,594</u>	<u>\$ 1,121,386</u>	<u>\$ 1,177,608</u>	<u>\$ 1,173,556</u>	<u>\$ 1,117,124</u>	<u>\$ 1,194,268</u>	<u>\$ 1,228,486</u>
Total Primary Government Program Revenues	<u>\$ 5,095,917</u>	<u>\$ 6,391,618</u>	<u>\$ 10,053,407</u>	<u>\$ 7,485,262</u>	<u>\$ 8,352,872</u>	<u>\$ 10,210,064</u>	<u>\$ 9,772,219</u>	<u>\$ 6,997,087</u>	<u>\$ 6,663,344</u>	<u>\$ 4,907,283</u>

(continued)

City of Morrow, Georgia

Changes in Net Position Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Net (Expenses) Revenues:										
Primary Government:										
Governmental Activities	\$ (3,692,912)	\$ (3,845,437)	\$ (1,117,251)	\$ (4,305,276)	\$ (14,678,718)	\$ (2,967,711)	\$ (2,810,937)	\$ (5,306,276)	\$ (5,923,532)	\$ (8,261,070)
Business-Type Activities	<u>142,612</u>	<u>196,660</u>	<u>158,178</u>	<u>165,807</u>	<u>29,103</u>	<u>(70,351)</u>	<u>(79,270)</u>	<u>(131,984)</u>	<u>(88,065)</u>	<u>(59,003)</u>
Total Primary Government										
Net (Expenses) Revenues	<u>\$ (3,550,300)</u>	<u>\$ (3,648,777)</u>	<u>\$ (959,073)</u>	<u>\$ (4,139,469)</u>	<u>\$ (14,649,615)</u>	<u>\$ (3,038,062)</u>	<u>\$ (2,890,207)</u>	<u>\$ (5,438,260)</u>	<u>\$ (6,011,597)</u>	<u>\$ (8,320,073)</u>
 General Revenues and Other Changes										
in Net Position:										
Primary Government:										
Governmental Activities:										
Property Taxes	\$ 1,131,554	\$ 1,501,023	\$ 1,597,665	\$ 1,618,013	\$ 1,769,748	\$ 1,634,577	\$ 1,896,885	\$ 1,926,089	\$ 2,431,997	\$ 2,323,174
Sales Taxes	1,849,293	1,825,740	1,827,986	1,687,170	1,652,727	1,603,352	1,654,007	1,707,532	1,609,741	1,697,378
Insurance Premium Tax	244,508	255,839	266,845	273,237	270,673	262,807	302,298	321,091	332,459	345,938
Alcoholic Beverage Taxes	188,499	147,614	139,404	132,601	125,279	125,564	124,532	94,882	99,894	137,883
Other Taxes	552,144	607,527	600,742	573,511	492,323	515,502	551,195	629,398	930,692	1,522,468
Miscellaneous	130,220	141,607	348,283	222,254	70,887	32,911	73,732	140,608	77,997	285,139
Franchise Fees	592,557	620,378	686,643	712,704	664,498	690,517	715,923	659,513	636,838	650,166
Investment Earnings	1,289,491	254,551	417,152	76,126	13,558	1,830	3,086	3,589	2,952	5,163
Gain on Sale of Assets	24,953	8,215,110	907,454	-	11,337	298	19,718	17,273	-	37,435
Special Item	-	-	-	-	-	(243,216)	-	-	-	-
Extraordinary Item	-	-	-	-	-	-	-	-	-	(238,038)
Transfers (Net)	<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>	<u>(675)</u>	<u>43,244</u>	<u>128,362</u>
Total Governmental Activities										
General Revenues and Other										
Changes in Net Position	<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>	<u>\$ 5,499,300</u>	<u>\$ 6,165,814</u>	<u>\$ 6,895,068</u>
Business-Type Activities:										
Special Item	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,314,731)
Transfers (Net)	<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>	<u>675</u>	<u>(43,244)</u>	<u>(128,362)</u>
Total Business-Type Activities										
General Revenues and Other										
Changes in Net Position	<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>	<u>\$ 675</u>	<u>\$ (43,244)</u>	<u>\$ (4,443,093)</u>
Total Primary Government										
General Revenues and Other										
Changes in Net Position	<u>\$ 6,003,219</u>	<u>\$ 13,569,389</u>	<u>\$ 6,792,174</u>	<u>\$ 5,295,616</u>	<u>\$ 5,071,030</u>	<u>\$ 4,624,142</u>	<u>\$ 5,341,376</u>	<u>\$ 5,499,975</u>	<u>\$ 6,122,570</u>	<u>\$ 2,451,975</u>

(continued)

City of Morrow, Georgia

Changes in Net Position Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Change in Net Position:										
Governmental Activities	\$ 2,447,042	\$ 9,920,612	\$ 5,833,101	\$ 1,156,147	\$ (14,564,182)	\$ 1,675,653	\$ 2,582,479	\$ 193,024	\$ 242,282	\$ (1,366,002)
Business-Type Activities	<u>5,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,985,597</u>	<u>(89,573)</u>	<u>(131,310)</u>	<u>(131,309)</u>	<u>(131,309)</u>	<u>(4,502,096)</u>
Total Primary Government										
Change in Net Position	<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>	<u>\$ 61,715</u>	<u>\$ 110,973</u>	<u>\$ (5,868,098)</u>

Notes: The Gain on Sale of Fixed Assets shown in FY 2007 was due to the purchase and resale of the Macy's retail shopping center during the year.
The Transfer in Governmental Activities in FY 2010 represents the transfer of the Morrow Center capital assets to an enterprise fund.
The Change in Net Position in FY 2014 for Governmental Activities does not reflect the prior period adjustment of \$(2,170,948) due to the implementation of GASB No. 68.
The Special Item in Business Activities for FY 2015 represents the sale of the Morrow Center to the Urban Redevelopment Agency.
The Extraordinary Item in Governmental Activities for FY 2015 represents the write-down of real estate held by the City for resale to its fair value.

City of Morrow, Georgia

Fund Balances, Governmental Funds Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
General Fund:										
Reserved	\$ 1,792,221	\$ 2,854,931	\$ 5,638,783	\$ 6,121,142	\$ 5,178,830	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,325,715	13,113,113	6,672,617	3,188,578	2,224,129	-	-	-	-	-
NonSpendable	-	-	-	-	-	5,232,214	5,244,168	5,343,048	4,001,623	3,815,035
Restricted	-	-	-	-	-	19,613	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	1,903,908	2,764,662	2,146,121	2,508,181	2,738,418
Total General Fund	<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>	<u>\$ 7,489,169</u>	<u>\$ 6,509,804</u>	<u>\$ 6,553,453</u>
All Other Governmental Funds:										
Reserved, Reported in:										
Special Revenue Funds	\$ 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:										
Capital Projects Funds	-	-	-	-	-	35,858	73,561	43,201	90,155	312,257
Special Revenue Funds	-	-	-	-	-	601,746	941,196	1,258,635	1,369,099	1,073,117
Total All Other Governmental Funds	<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>	<u>\$ 1,301,836</u>	<u>\$ 1,459,254</u>	<u>\$ 1,385,374</u>
Total Governmental Funds	<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>	<u>\$ 8,791,005</u>	<u>\$ 7,969,058</u>	<u>\$ 7,938,827</u>

Notes: GASB 54 which changed the classifications of fund balance was implemented during the 2011 fiscal year.

City of Morrow, Georgia

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Revenues:										
Property Taxes	\$ 1,143,803	\$ 1,471,921	\$ 1,614,117	\$ 1,597,308	\$ 1,743,042	\$ 1,629,148	\$ 1,970,306	\$ 1,898,449	\$ 2,399,459	\$ 2,300,764
Other Taxes	2,834,444	2,836,720	2,834,977	2,620,688	2,541,002	2,546,385	2,632,032	2,752,903	2,718,725	3,957,727
Charges for Services	416,297	487,370	545,391	905,867	1,130,955	962,317	951,049	399,451	472,063	364,060
Licenses and Permits	1,344,715	1,274,733	1,296,436	1,025,873	1,071,343	1,093,682	1,058,978	1,040,023	1,070,238	344,094
Intergovernmental	435,338	614,313	3,591,339	983,580	2,161,847	3,677,076	2,916,220	2,277,065	2,163,577	1,795,480
Franchise Fees	592,557	620,378	686,643	712,704	664,498	690,517	715,923	659,513	636,838	650,166
Fines, Forfeitures and Fees	1,781,200	2,642,910	3,380,091	3,358,552	2,864,622	3,300,393	3,670,521	2,161,060	1,760,000	1,349,760
Interest Revenues	1,289,491	254,551	417,152	76,126	16,277	2,583	4,981	5,953	6,150	5,163
Rental Income	35,235	34,181	165,203	187,210	22,500	16,879	53,554	26,593	55,237	30,407
Other Revenues	94,985	107,426	183,080	35,044	48,387	16,032	20,178	114,015	22,760	80,129
Total Revenues	\$ 9,968,065	\$ 10,344,503	\$ 14,714,429	\$ 11,502,952	\$ 12,264,473	\$ 13,935,012	\$ 13,993,742	\$ 11,335,025	\$ 11,305,047	\$ 10,877,750
Expenditures:										
Current:										
General Government	\$ 2,878,566	\$ 3,530,666	\$ 5,806,429	\$ 4,922,354	\$ 4,393,190	\$ 2,483,815	\$ 2,206,955	\$ 2,281,432	\$ 2,984,872	\$ 1,301,842
Judicial	171,912	191,225	312,959	387,621	354,340	383,501	414,464	300,913	206,317	460,020
Public Safety	4,531,343	5,541,628	6,407,506	6,576,604	6,205,103	6,579,175	6,263,698	6,111,366	6,081,918	5,801,979
Public Works	1,710,955	2,015,363	7,070,038	2,442,896	1,321,775	2,439,957	2,115,167	1,515,636	1,242,745	1,143,615
Housing and Development	170,495	188,404	186,358	163,952	155,168	271,736	300,129	304,814	321,708	525,014
Capital Outlay	-	-	-	1,112,583	6,535,456	10,127	24,159	38,513	30,192	251,057
Debt Service:										
Principal	54,726	57,004	59,096	61,410	63,815	66,328	1,288,911	1,362,469	1,456,661	1,559,708
Interest and Fiscal Charges	53,256	50,978	48,887	46,572	220,321	221,674	221,769	179,345	138,021	93,029
Bond Issuance Costs	-	-	-	133,550	-	-	-	-	-	-
Total Expenditures	\$ 9,571,253	\$ 11,575,268	\$ 19,891,273	\$ 15,847,542	\$ 19,249,168	\$ 12,456,313	\$ 12,835,252	\$ 12,094,488	\$ 12,462,434	\$ 11,136,264
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 396,812	\$ (1,230,765)	\$ (5,176,844)	\$ (4,344,590)	\$ (6,984,695)	\$ 1,478,699	\$ 1,158,490	\$ (759,463)	\$ (1,157,387)	\$ (258,514)

(continued)

City of Morrow, Georgia

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Other Financing Sources (Uses):										
Proceeds from Bond Issuance	\$ -	\$ -	\$ -	\$ 5,135,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Capital Leases	-	-	-	-	-	-	-	461,794	292,196	300,523
Proceeds from the Sale of Capital Assets	38,600	8,215,110	909,718	1,105	11,337	102,624	19,718	65,762	-	37,436
Transfers In	934,247	1,256,117	1,213,746	1,178,487	1,119,721	570,240	464,850	575,660	632,705	808,194
Transfers Out	(797,512)	(1,059,457)	(1,055,568)	(1,012,680)	(1,050,777)	(551,018)	(412,810)	(576,335)	(589,461)	(679,832)
Total Revenues	<u>\$ 175,335</u>	<u>\$ 8,411,770</u>	<u>\$ 1,067,896</u>	<u>\$ 5,301,912</u>	<u>\$ 80,281</u>	<u>\$ 121,846</u>	<u>\$ 71,758</u>	<u>\$ 526,881</u>	<u>\$ 335,440</u>	<u>\$ 466,321</u>
Special And Extraordinary Items:										
Special Item - Loss on Fair Value of Contributed Real Estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (243,216)	\$ -	\$ -	\$ -	\$ -
Extraordinary Item - Loss of Fair Value of Real Estate Held for Resale	-	-	-	-	-	-	-	-	-	(238,038)
Total Special and Extraordinary Items	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (243,216)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (238,038)</u>
Net Change in Fund Balances	<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>	<u>\$ (232,582)</u>	<u>\$ (821,947)</u>	<u>\$ (30,231)</u>
Debt Service as a Percentage of Non-Capital Expenditures	<u>1.13%</u>	<u>0.93%</u>	<u>0.54%</u>	<u>1.64%</u>	<u>2.23%</u>	<u>2.31%</u>	<u>11.79%</u>	<u>12.79%</u>	<u>12.83%</u>	<u>15.18%</u>

Notes: Capital Outlay expenditures were identified by function beginning in fiscal year 2005.
Property Taxes were not levied by the City of Morrow until fiscal year 2005.
Increase in General Governmental expenditures during fiscal year 2006 was due substantially to the planned purchase of capita assets (primarily land).
The bond proceeds shown in fiscal year 2009 were for SPLOST Capital Projects Fund revenue bonds.
During the 2013, 2014 and 2015, the City lease purchased certain vehicles.
Intergovernmental revenues have fluctuated significantly from fiscal year to fiscal year depending on the availability of grants for projects.
Beginning in fiscal year 2015, the Planning & Zoning and Economic Development departments are shown in the Housing and Development function rather than General Government.

City of Morrow, Georgia

Assessed Value and Estimated Actual Value of Taxable Property Last Ten Tax Digest Years

Tax Digest Year							(In Mills)	Estimated	Assessed	
	Real Property			Motor	Less: Tax	Total Taxable	Total	Actual Fair	Value as a	
	Residential	Commercial	Industrial	Vehicles	Other	Exempt Real Property	Assessed Value	Direct Tax Rate	Market Value	Percentage of Fair Market Value
2005	\$ 67,187,097	\$ 227,682,973	\$ -	\$ 11,916,590	\$ 42,299,241	\$ (49,223,686)	\$ 299,862,215	4.00	\$ 749,655,538	40.00%
2006	74,472,627	238,603,261	-	11,499,110	45,188,601	(51,408,070)	318,355,529	5.00	795,888,823	40.00%
2007	86,063,353	240,437,907	-	12,361,360	46,887,405	(53,401,350)	332,348,675	5.00	830,871,688	40.00%
2008	91,255,372	247,037,731	-	13,200,010	45,340,561	(57,525,739)	339,307,935	5.00	848,269,838	40.00%
2009	84,532,382	231,618,951	-	13,611,450	46,431,470	(55,095,856)	321,098,397	6.00	802,745,993	40.00%
2010	73,773,415	213,382,165	38,481,864	11,652,700	6,895,931	(47,720,016)	296,466,059	6.00	741,165,148	40.00%
2011	68,703,167	198,097,906	38,413,448	10,356,060	6,836,301	(44,879,588)	277,527,294	7.50	693,818,235	40.00%
2012	56,899,909	192,386,084	37,453,869	11,191,190	7,843,262	(38,960,597)	266,813,717	7.50	667,034,293	40.00%
2013	52,123,787	188,010,464	35,671,276	11,729,050	7,985,572	(34,441,315)	261,078,834	9.50	652,697,085	40.00%
2014	54,158,547	199,470,602	24,108,758	9,200,580	7,985,572	(33,829,376)	261,094,683	9.50	652,736,708	40.00%

Source: Clayton County Tax Commissioner

Notes: Beginning with the 2010 Tax Digest Year, the "Industrial" component of the digest was separated out of the "Other" category.
Beginning with the 2009 Tax Digest Year, the fair market values of property has declined as a result of the recession and the housing bubble.

City of Morrow, Georgia

Property Tax Rates Last Ten Tax Digest Years

Tax Digest Year	City of Morrow		State of Georgia	Clayton County	School District	Total Millage Rate
	Operating Millage	Total Direct Rate				
2005	4.000	4.000	0.250	7.781	18.916	30.947
2006	5.000	5.000	0.250	8.764	20.000	34.014
2007	5.000	5.000	0.250	8.535	19.836	33.621
2008	5.000	5.000	0.250	11.436	19.836	36.522
2009	6.000	6.000	0.250	11.436	20.000	37.686
2010	6.000	6.000	0.250	11.436	20.000	37.686
2011	7.500	7.500	0.250	15.813	20.000	43.563
2012	7.500	7.500	0.200	14.912	20.000	42.612
2013	9.500	9.500	0.150	14.661	20.000	44.311
2014	9.500	9.500	0.100	14.869	19.804	44.273

Source: Clayton County Tax Commissioner

Notes: The City of Morrow did not start collecting property taxes until 2004.
The City has a homestead exemption of \$60,000 as it relates to assessed values.

City of Morrow, Georgia

Principal Property Taxpayers Current Year and Nine Years Ago

	2014 Tax Digest Year			2005 Tax Digest Year		
	Taxable Assessed Value	2014 Ranking	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	2005 Ranking	Percent of Total City Taxable Assessed Value
<u>Taxpayer Name</u>						
USPG Portfolio Five LLC	\$ 26,821,243	1	10.27%			
U. S. Bank National Assoc	16,560,000	2	6.34%			
WalMart	9,381,381	3	3.59%			
Paccar Inc	8,183,396	4	3.13%	\$ 8,989,786	3	3.00%
Comcast of Georgia, Inc.	7,894,444	5	3.02%			
Southlake Atlanta LLC	7,593,320	6	2.91%			
Realty Income Properties	7,363,400	7	2.82%			
Costco Wholesale Corp	7,039,551	8	2.70%	7,521,001	4	2.51%
Sherwin Williams Co.	6,817,448	9	2.61%	6,821,630	5	2.27%
Glenwood Morrow Co. LLC	5,728,098	10	2.19%			
Southlake Mall LLC				29,243,122	1	9.75%
Inland Southeast				16,023,200	2	5.34%
Inland Southeast Southlake				6,085,000	6	2.03%
Scott H. Lee as Trustee				5,759,000	7	1.92%
OLP Southlake				5,640,000	8	1.88%
Secured Prop Investors				5,364,741	9	1.79%
Rich's Real Estate, Inc.				4,792,810	10	1.60%
 All Other Taxpayers	 <u>157,712,402</u>		 <u>60.40%</u>	 <u>203,621,925</u>		 <u>67.91%</u>
 Total	 <u>\$ 261,094,683</u>		 <u>100.00%</u>	 <u>\$ 299,862,215</u>		 <u>100.00%</u>

Source: Clayton County Tax Commissioner

City of Morrow, Georgia

Property Tax Levies and Collections Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Errors, Releases or Adjustments</u>	<u>Adjusted Tax Levy</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Fiscal Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
2006	\$ 1,066,274	\$ 1,984	\$ 1,068,258	\$ 1,051,898	98.47%	\$ 16,360	\$ 1,068,258	100.00%
2007	1,366,192	14,787	1,380,979	1,344,975	97.39%	36,004	1,380,979	100.00%
2008	1,520,933	(19,307)	1,501,626	1,483,899	98.82%	17,727	1,501,626	100.00%
2009	1,550,823	(11,614)	1,539,209	1,497,633	97.30%	41,576	1,539,209	100.00%
2010	1,697,259	21,699	1,718,958	1,636,993	95.23%	75,236	1,712,229	99.61%
2011	1,567,965	(11,688)	1,556,277	1,501,774	96.50%	47,109	1,548,883	99.52%
2012	1,869,436	(18,422)	1,851,014	1,805,744	97.55%	36,126	1,841,870	99.51%
2013	1,765,760	(56,992)	1,708,768	1,698,692	99.41%	31,494	1,730,186	101.25%
2014	2,174,364	(64,012)	2,110,352	2,051,663	97.22%	-	2,051,663	97.22%
2015	2,198,674	(100,933)	2,097,741	2,049,433	97.70%	-	2,049,433	97.70%

Source: City tax records

Notes: The City of Morrow did not levy property taxes prior to the 2005 fiscal year

City of Morrow, Georgia

Local Option Sales Tax (LOST) History Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Month Tax Collected:										
July	\$ 148,824	\$ 147,778	\$ 148,490	\$ 179,390	\$ 136,062	\$ 127,269	\$ 143,029	\$ 139,725	\$ 126,722	\$ 143,804
August	154,530	149,708	137,592	147,924	164,788	129,785	136,777	135,122	130,710	137,577
September	146,804	181,762	137,362	184,280	145,208	124,262	106,970	128,209	127,527	144,185
October	176,290	170,091	127,180	175,408	138,145	121,287	113,109	128,652	128,524	130,772
November	156,849	194,440	143,040	120,291	135,900	117,782	119,476	123,224	123,010	137,443
December	150,803	113,268	171,375	162,189	143,843	181,375	146,152	156,521	150,179	152,221
January	125,776	143,592	142,258	127,109	125,081	138,284	167,229	149,536	122,314	137,326
February	173,497	168,296	153,206	100,307	128,428	145,420	130,783	155,432	129,671	139,256
March	153,052	128,364	135,482	80,860	142,603	146,243	142,107	130,398	144,497	140,455
April	84,146	127,969	142,195	94,804	134,106	136,481	165,511	205,995	137,342	150,589
May	210,912	150,267	139,954	135,404	127,869	140,156	143,600	124,907	143,660	143,967
June	166,573	163,590	184,664	142,468	121,396	134,166	138,410	129,216	134,285	139,410
Adjustments	<u>7,103</u>	<u>7,327</u>	<u>3,008</u>	<u>-</u>	<u>10,792</u>	<u>-</u>	<u>854</u>	<u>596</u>	<u>11,300</u>	<u>372</u>
Total Receipts	<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>	<u>\$ 1,707,533</u>	<u>\$ 1,609,741</u>	<u>\$ 1,697,377</u>
Change from Prior Fiscal Year:										
Amount	\$	(8,707)	\$ (80,646)	\$ (115,372)	\$ 3,787	\$ (11,711)	\$ 11,497	\$ 53,526	\$ (97,792)	\$ 87,636
Percent		-0.47%	-4.37%	-6.53%	0.23%	-0.71%	0.70%	3.24%	-5.73%	5.44%

Source: City's Accounting Records

City of Morrow, Georgia

Ratios of Outstanding Debt By Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Total Debt Primary Government	Total Debt as a Percentage of the Total Assessed Value of Taxable Property		Total Debt as a Percentage of Total Personal Income (Thousands of Dollars)		Total Debt Divided By The Total Population Of The City	
	Revenue Bonds	Capital Leases		Assessed Value of Taxable Property	Applicable Percentage	Personal Income	Applicable Percentage	City's Population	Debt Per Capita
2006	\$ -	\$ 1,345,340	\$ 1,345,340	\$ 299,862,215	0.45%	\$ 85,650	1.57%	4,882	\$ 275.57
2007	-	1,288,336	1,288,336	318,355,529	0.40%	85,650	1.50%	4,882	263.90
2008	-	1,229,240	1,229,240	332,348,675	0.37%	85,650	1.44%	4,882	251.79
2009	5,135,000	1,167,830	6,302,830	339,307,935	1.86%	85,650	7.36%	4,882	1,291.03
2010	5,135,000	1,104,015	6,239,015	321,098,397	1.94%	85,650	7.28%	4,882	1,277.96
2011	5,135,000	1,037,687	6,172,687	296,466,059	2.08%	123,905	4.98%	6,445	957.75
2012	3,915,000	968,776	4,883,776	277,527,294	1.76%	126,614	3.86%	6,495	751.93
2013	2,655,000	1,328,101	3,983,101	266,813,717	1.49%	132,475	3.01%	6,859	580.71
2014	1,350,000	1,468,363	2,818,363	261,078,834	1.08%	132,615	2.13%	6,715	419.71
2015	-	1,559,451	1,559,451	261,094,683	0.60%	132,615	1.18%	6,715	232.23

Source: City's Accounting Records

Notes: Details regarding the City's long-term debt can be found in the Notes to the Financial Statements

City of Morrow, Georgia

Legal Debt Margin Information Last Ten Fiscal Years

Fiscal Year	Assessed Value of Taxable Property	(A) (10% of Assessed Value of Taxable Property) Debt Limit	(B) Amount of Outstanding Debt Applicable to Debt Limit	(A - B) Calculation of Legal Debt Margin	(B / A) Outstanding Debt As a Percentage of the Debt Limit
2006	\$299,862,215	\$ 29,986,222	\$ 1,345,340	\$ 28,640,882	4.49%
2007	318,355,529	31,835,553	1,288,336	30,547,217	4.05%
2008	332,348,675	33,234,868	1,229,240	32,005,628	3.70%
2009	339,307,935	33,930,794	6,302,830	27,627,964	18.58%
2010	321,098,397	32,109,840	6,239,015	25,870,825	19.43%
2011	296,466,059	29,646,606	6,172,687	23,473,919	20.82%
2012	277,527,294	27,752,729	4,883,776	22,868,953	17.60%
2013	266,813,717	26,681,372	3,983,101	22,698,271	14.93%
2014	261,078,834	26,107,883	2,818,636	23,289,247	10.80%
2015	261,094,683	26,109,468	1,559,451	24,550,017	5.97%

Sources: City's Accounting Records
City's Tax Records

Notes: The increase in outstanding debt in the 2009 fiscal year represented SPLOST revenue bonds.
The assessed value of taxable property decreased 23% from FY 2009 to FY 2014 due to the recession.

City of Morrow, Georgia

Direct and Overlapping Governmental Activities Debt As of June 30, 2015

<u>Jurisdictions Issuing Debt</u>	<u>Amount of Debt Outstanding</u>	<u>Percentage Applicable to the City of Morrow</u>	<u>Debt Amount Applicable to the City of Morrow</u>
Clayton County, Georgia:			
Overlapping Debt:			
Capital Leases Payable	\$ 7,184,906	4.43%	\$ 318,233
Revenue Bonds Payable	38,210,000	4.43%	1,692,393
General Obligation Bonds Payable	75,000,000	4.43%	<u>3,321,891</u>
Subtotal Overlapping Debt			\$ 5,332,517
City of Morrow, Georgia:			
Direct Debt:			
Capital Leases Payable	\$ 1,559,451	100.00%	<u>1,559,451</u>
Total Direct and Overlapping Debt			<u>\$ 6,891,968</u>

Sources: Assessed value data was obtained from Clayton County Tax Commissioner.
Outstanding debt amounts were obtained from Clayton County Finance Department.

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 a burden on the residents and businesses of the City of Morrow. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire tax burden borne by the residents and businesses should be taken into account.

Calculation of Percentage of Debt Applicable to City of Morrow:

Assessed Property Values for 2014 Tax Digest		
City of Morrow	\$ 261,094,683	4.43%
Clayton County	5,894,865,880	

City of Morrow, Georgia

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population		Personal		Per Capita		Median		Unemployment		School	
			Income		Personal Income		Age		Rate (4)		Enrollment (5)	
2006	4,882	(1)	\$	85,649,808	(1)	\$	17,544	(1)	30.5	(1)	5.40%	1,312
2007	4,882	(1)		85,649,808	(1)		17,544	(1)	30.5	(1)	5.40%	1,312
2008	4,882	(1)		85,649,808	(1)		17,544	(1)	30.5	(1)	5.80%	1,312
2009	4,882	(1)		85,649,808	(1)		17,544	(1)	30.5	(1)	10.00%	1,313
2010	4,882	(1)		85,649,808	(1)		17,544	(1)	30.5	(1)	10.00%	1,313
2011	6,445	(2)		123,905,125	(2)		19,225	(2)	31.1	(2)	10.40%	1,214
2012	6,495	(3)		126,613,530	(3)		19,494	(3)	31.1	(3)	8.80%	1,214
2013	6,859	(3)		132,474,726	(3)		19,314	(3)	31.1	(3)	8.80%	1,339
2014	6,715	(3)		132,614,535	(3)		19,749	(3)	33.9	(3)	8.60%	1,339
2015	6,715	(3)		141,541,083	(3)		19,749	(3)	33.9	(3)	7.90%	1,339

- Sources:**
- (1) U. S. Census Bureau - 2000 Census
 - (2) U. S. Census Bureau - 2010 Census
 - (3) Morrow QuickFacts From U. S. Census Bureau
 - (4) U. S. Department of Labor Statistics
 - (5) Clayton County Board of Education

City of Morrow, Georgia

Ten Largest Employers in Morrow Current Year and Nine Years Ago

<u>Business Name</u>	<u>2015</u>			<u>2006</u>		
	<u>Number of Employees</u>	<u>2015 Ranking</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>2006 Ranking</u>	<u>Percentage of Total City Employment</u>
Chime Solutions	1,120	1	15.41%			
Clayton State University	659	2	9.07%			
Wal-Mart Super Center	319	3	4.39%	477	1	6.12%
Macy's	220	4	3.03%	141	4	1.81%
Costco	123	5	1.69%	115	6	1.48%
Cracker Barrel	102	6	1.40%	110	7	1.41%
Sears	90	7	1.24%	134	5	1.72%
Berry Plastics	90	8	1.24%			
Olive Garden	80	9	1.10%			
TGI Friday's	75	10	1.03%			
Sherwin Williams				325	2	4.17%
J C Penney				213	3	2.73%
Best Buy				107	8	1.37%
Burlington Coat Factory				60	9	0.77%
Barnes and Noble				59	10	0.76%
All Other Employers	<u>4,390</u>		<u>60.40%</u>	<u>6,053</u>		<u>77.66%</u>
Total City Employment	<u>7,268</u>		<u>100.00%</u>	<u>7,794</u>		<u>100.00%</u>

Source: City's records

City of Morrow, Georgia

Full-Time Equivalent City Employees by Department Last Ten Fiscal Years

Fiscal Year	General Government	Police Department	Fire Department	Inspections	Emergency Communications	Total Number Of Employees
2006	27	39	29	1	12	108
2007	33	37	34	1	12	117
2008	40	39	37	1	15	132
2009	31	36	38	1	14	120
2010	25	35	33	1	12	106
2011	26	34	40	1	12	113
2012	27	32	33	1	11	104
2013	26	32	33	1	11	103
2014	25	32	33	1	11	102
2015	25	35	33	-	10	103

Sources: City's Accounting Records

City of Morrow, Georgia

Public Safety Operating Indicators by Function Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<u>Public Safety Function</u>										
Police Department:										
Activity Statistics:										
Citations Issued	10,352	14,055	22,185	22,096	13,561	15,468	8,478	7,124	5,673	5,312
DUI Citations Issued	76	124	260	109	122	94	43	50	34	26
Warnings Issued	3,638	3,880	770	8,577	10,220	12,455	8,521	5,293	1,350	1,162
Crime Statistics:										
Aggravated Assault	8	13	8	9	14	10	3	1	7	14
Auto Theft	98	64	68	65	57	49	56	45	46	39
Murder	1	1	-	-	-	-	-	-	-	-
Rape	-	-	4	2	-	2	2	1	1	2
Robbery	33	33	24	21	13	21	12	27	20	24
Burglary	51	45	65	74	57	66	64	56	31	47
Theft	762	766	970	814	683	710	867	889	502	390
Fire Department:										
Activity Statistics:										
Incident Responses	1,978	2,100	2,000	1,963	2,120	2,213	2,008	1,937	2,030	-
Public Safety										
Education Events	113	115	115	112	113	114	111	106	115	-
Persons Contacted	16,621	17,115	17,425	16,498	17,915	15,975	15,032	14,998	15,490	-

Source: City's Police and Fire Department Records

Note: The Fire Department failed to provide its activity statistics for FY 2015.

City of Morrow, Georgia
Capital Asset Statistics by Function
Last Ten Fiscal Years

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<u>Function / Program</u>										
Police Department:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	1	1	1	1	1	1	1	1	1	1
Patrol Units	35	43	43	43	43	43	43	43	43	43
Fire Department										
Number of Stations	1	2	2	2	2	2	2	2	2	2
Public Works:										
Streets (in Miles)	31	34	34	34	34	34	34	34	34	34
Streetlights	768	861	861	861	861	861	861	861	861	861
Parks and Recreation:										
Acreage	85	125	125	125	125	125	125	125	125	125
Playgrounds	8	11	11	11	11	11	11	11	11	11

Source: City's Records from various departments

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

City of Morrow, Georgia

Construction Activity Last Ten Fiscal Years

Fiscal Year Ended June 30,	Number of Residential Permits Issued	Estimated Residential Value	Number of Commercial Permits Issued	Estimated Commercial Value
2006	109	\$ 14,787,746	42	\$ 8,675,754
2007	49	7,554,925	44	5,657,668
2008	31	4,210,993	32	3,472,189
2009	13	148,762	17	2,015,804
2010	39	155,689	291	6,169,072
2011	51	114,354	195	3,137,092
2012	96	257,644	204	2,913,384
2013	218	5,091,743	236	8,528,004
2014	253	13,798,230	348	6,783,923
2015	216	12,007,372	249	13,713,698

Sources: City's Planning and Zoning Department

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2015. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Macon, Georgia
December 29, 2015

Mauldin & Jenkins, LLC

CITY OF MORROW, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ yes X no

Reportable conditions identified not considered
to be material weaknesses?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

There was no audit of major federal award programs as of June 30, 2015 due to the total amount of federal expenditures being less than \$500,000 during the fiscal year 2015.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III STATUS OF PRIOR YEAR FINDINGS

None reported.