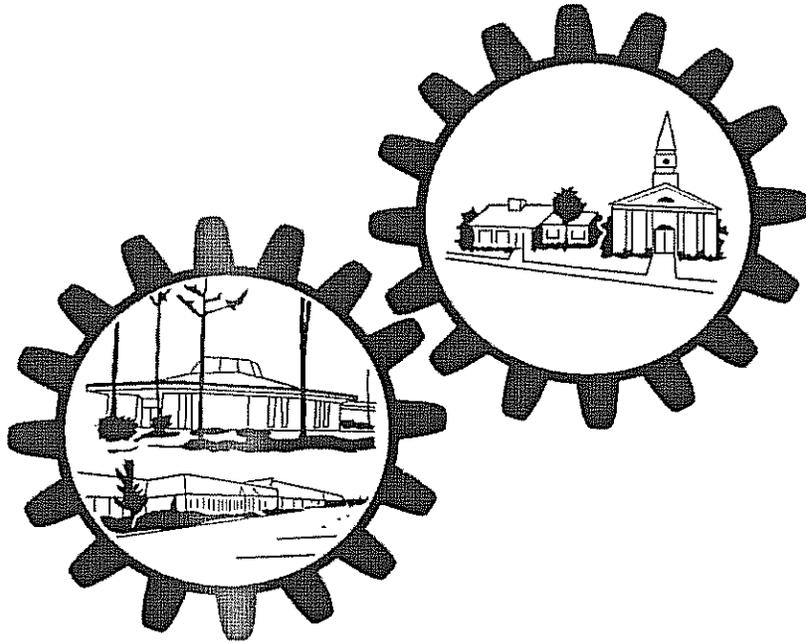


CITY OF MORROW, GEORGIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDING
JUNE 30, 2004

CITY OF MORROW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2004

PREPARED BY:
DEPARTMENT OF FINANCE

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CITY OF MORROW, GEORGIA

Financial Statements
June 30, 2004

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June 30, 2004

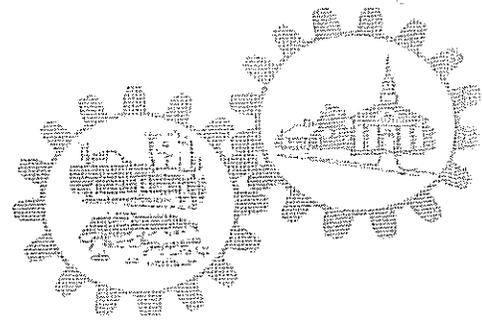
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Introductory Section

The Introductory Section includes a transmittal letter for the City Manager, a general government organization chart and a list of principal officials. The transmittal letter is intended to provide users with summarized financial information of the City, an analysis of the past operations, the City's current and future economic picture, as well as its major initiatives and financial accomplishments.



LETTER OF TRANSMITTAL

January 5, 2005

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

Dear Ladies and Gentlemen:

It is a pleasure to hereby submit the Comprehensive Annual Financial Report of the City of Morrow, Georgia, for the fiscal year ended June 30, 2004. 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 of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

1) INTRODUCTORY SECTION

This introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, a listing of the City's principal officials, and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2002-2003.

2) FINANCIAL SECTION

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

3) STATISTICAL SECTION

The statistical section includes pertinent financial and economic data indicating trends for comparative ten-year periods.

The City of Morrow is not required to undergo an annual Single Audit in conformity with the provisions 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." The City does not receive federal funding at a level which requires single audit presentation; therefore, a single audit is not included in this report.

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

THE REPORTING ENTITY

The City of Morrow is located in Clayton County, approximately 10 miles south of Atlanta. The City, incorporated in 1943, has a residential population of a little over 5,000, and Clayton County has a population of 236,517, 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/manager form of government. The City's organization includes five departments: administration, emergency communication, fire, police, and public works. The City Manager is appointed by the Mayor and Council to directly supervise these departments. The City provides many services to Morrow's residents and visitors, including police and fire protection, emergency medical service, emergency communications, code enforcement, and economic development.

Another entity, the Morrow Tourist Center, meets the current guidelines of the Governmental Accounting Standards Board (GASB) – Statement 14, and is therefore included in the CAFR as part of the City of Morrow' reporting entity. Morrow's Tourist Center provides residents and visitors alike with information about upcoming events, hotels, attractions, restaurants, and many other tourist related activities.

The citizens of the City of Morrow have numerous places to go and things to do within the city's four square miles. They can walk through 162 acres of Reynolds Nature Preserve, listen to world-renowned musicians in Spivey Hall, shop at our regional mall anchored by major department stores like Rich's, J.C. Penney, and Sears, or relax in one of our six neighborhood parks. They are kept informed of these activities and other city news via quarterly color newsletters and twice-monthly mayor/council meetings. The City's web page is fully operational and provides typical information on the various city departments, upcoming events, contact information, court schedules, hours of operation, and minutes of the most recent mayor/council meetings. The City's web site points new residents and businesses to an address where they can learn about and even download city codes and ordinances.

The City provides and supports for its citizens such programs as the P.R.O.U.D. program, Citizen Police Academies, Drug Awareness Resistance Education (D.A.R.E.), "certified Mentors" who become role models by building self esteem and assisting children with school work, and the Fire Safety Education programs. Last year we were pleased to produce the first deployable Community Emergency Response Team (CERT) in Georgia. It represents our continued commitment to homeland security and local preparation for disaster relief and recovery.

ECONOMIC CONDITION AND OUTLOOK

The City of Morrow is 60% finished with its second residential subdivision (Central Park) in thirty years and has issued permits for two new subdivisions. The homes are averaging \$195,000 in value and combined will represent a 36% increase in the number of single family detached homes in Morrow. This proves a healthy demand for quality homes exists in the City and that our beautification efforts are providing tangible results.

Gateway Village continues as a successful redevelopment project. The Georgia Archives opened last year and the National Archives will open in the spring of 2005. A second phase of the College Dorms has been finished and a new University Learning Center is open to the students of Clayton State University. The LCI (Livable Center Initiative) district has completed construction plans for the new town square and a parking deck is under design. The hotel/conference center designs are close to being finished and the County will issue project bonds in December of 2004.

Our retail base has remained strong despite the downturn in the economy and major corporations still consider the Mt. Zion corridor as the best physical location in Clayton County.

The City continues to stabilize our revenue stream after the significant reduction in our share of the Local Option Sales Tax (LOST). The reduction was possible because the City did not have any leverage in the final decision. In 1994, the City of Morrow was able to leverage a municipal resolution requirement into a favorable share. Unfortunately, all future LOST renegotiations are based on a majority decision of the municipal governments that represent a combined total of 50% or more of the total citizens in all municipalities. The end result is that the two largest cities in Clayton County can control the formula distribution, at the expense of the remaining cities. Unfortunately, we experienced this process first hand and our revenue from LOST was reduced on July 1, 2003.

The City of Morrow parallels the State of Georgia's economic outlook. We have experienced anemic growth, a decline of the airline industry after September 11, a drop in tourism, and the lingering effects of the technology crash. This coupled with the explosive retail growth of Henry County continues to provide short term and long term revenue challenges.

The City of Morrow has traditionally produced a conservative budget and this has been extremely beneficial in the current economic market. We believe Georgia and the City of Morrow are seeing a positive shift in our economies and that a reasonable recovery is well under way.

MAJOR INITIATIVES

The Morrow Tourist Center has been open for a little over two years and our tourism experience continues to improve. The City refinanced the bonds on the building and reduced our interest rate from 5.25% to 3.86% with a twenty year guarantee. This provided a substantial savings to the City and has allowed us to expand our tourism efforts. The tourist center bonds are paid with hotel tax revenue and this debt is not a general fund obligation.

The Georgia Archives moved from Atlanta to Morrow and occupies a new building located at the entrance to Clayton State University. The Federal Archives is under construction on the adjacent property and is scheduled for completion in the spring of 2005. The second phase of the dorms is complete and will add 385 students to the area. This will bring the total number of students to 900 and they will become a core constituency for our Livable Centers Project (Gateway Village).

The City partnered with the Clayton County Water Authority (CCWA) to reclaim Jester's Creek and improve water quality through stream bank and habitat restorations. A four year restoration program has started with a total projected cost of \$4 Million. The majority of this funding will come from federal grants administered through the CCWA. However, the City of Morrow has pledged a moderate matching portion to offset the cost to the CCWA. Through these commitments, the CCWA and the City of Morrow were designated as 'WaterFirst' communities in Georgia. The WaterFirst program was launched in March of 2003 to encourage communities to better protect and manage water resources. The program is administered by the Georgia Department of Community Affairs (DCA)

The goal of providing all of Morrow's neighborhoods with pocket parks has made remarkable progress. The Shirley and Wendell Watterson neighborhood park, the John Robert passive park, and the Belfort Hills property have created new recreational/green space in our current subdivisions. The City has increased our green space from nine acres in 1998 to over 120 acres today.

A new City of Morrow pedestrian trail system is under design by Jordan, Jones, and Goulding. This will provide Morrow with a significant recreational development opportunity and offers an alternative transportation system to our citizens. The City was awarded \$650,000 to construct the first phase of the path system and will follow the construction phases of the Jester's Creek reclamation.

The City invested \$170,000 in mobile data, court software, and paperless citations in 2003. This is the first time in the nation that all facets of the technology have been combined. The efficiencies have allowed us to phase out one administrative position, increase police officer productivity, reduce response times to non emergency calls, and allow management to track an officer's location. The combined effect created an opportunity to increase police visibility and therefore reduce crime. In November of 2004, this concept earned the City of Morrow an "Innovative Use of Technology" award in the public safety sector by the Government Technology Conference.

The largest task pursued by the City of Morrow was the in-house production of our state mandated "Ten Year Comprehensive Plan". New land use maps, zoning regulations, regional cooperation, and service delivery requirements were submitted by the staff and approved by the City Council, the Atlanta Regional Commission, and the Georgia Department of Community Affairs. The City saved approximately \$100,000 by using our current staff and will benefit from the retained knowledge and understanding of the new plans.

FINANCIAL INFORMATION

Single Audit

The City is not the recipient of federal or state financial assistance to the extent that a Single Audit is required or recommended.

Accounting System Internal Controls

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

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

Budgetary Controls

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

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

Pension Benefit Plan

The City contributes to the Georgia Municipal Employees Benefit System, an agent/multiple employer public employee retirement system administered by the Georgia Municipal Association. The City of Morrow Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. All full-time City employees and all City officials are eligible to participate in the system. The employee becomes fully vested after ten years of service. The participation by the City's employees is noncontributory; however, the city is subject to the minimum funding standards for the Public Retirement Systems Standard Law. The policy set by the City for contributing the annual pension expenses exceeds the minimum requirements of this law. The Georgia Municipal Employees Benefit System is actuarially sound with all indications that this will continue.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plan participation is optional to City employees and the City has no fiduciary responsibility for the plan.

Debt Administration

The City's general obligation bonded debt legal limit was \$28,733,147, which is equal to 10% of the Assessed Valuation of property within the city limits of the City. The City had \$1,452,729 of outstanding long-term debt at June 30, 2004. The long-term debt represents the balance of a 20-year lease between the City of Morrow and the Morrow Downtown Development Redevelopment Authority with the proceeds being used for the re-financing of the Morrow Welcome Center.

Cash Management

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

Risk Management

The City of Morrow is a member of the Georgia Interlocal Risk Management Agency or GIRMA. GIRMA is the risk management pool of local governments in Georgia that funds insurance losses in excess of \$5,000 for auto liability, general liability, errors and omissions, property damage/loss, and other lines of insurance. The City has \$1 million worth of coverage on each of these lines with the exception of property, which is covered at 100% of the value of the City's holdings.

Worker's Compensation Insurance is provided through the Georgia Workers' Compensation Self-Insurance Fund, which like GIRMA, is a pooled workers' compensation fund consisting of local governments in Georgia. Both GIRMA and the Georgia Workers' Compensation Self-Insurance Fund are financially healthy and actuarially sound.

INDEPENDENT AUDIT

Georgia statutes and law require cities to have an audit performed annually by an independent certified public accountant. The firm of Cherry, Bekaert & Holland, LLP, was selected to perform the audit. The auditors' report on General Purpose Financial Statements, Individual Fund Statements, and schedules, as well as their unqualified opinion are included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Morrow, Georgia, for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last ten fiscal years (1994-2003). We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this report to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

This report was produced through the dedication of the City's Finance Officer, Mr. Dan Defnall. I would like to thank him, the City's department heads, and other staff members for their efforts and cooperation. Finally, I would like to thank the Morrow Mayor and Council for their continued support and vision. They have set the example for excellence and we encourage our peers to follow their leadership.

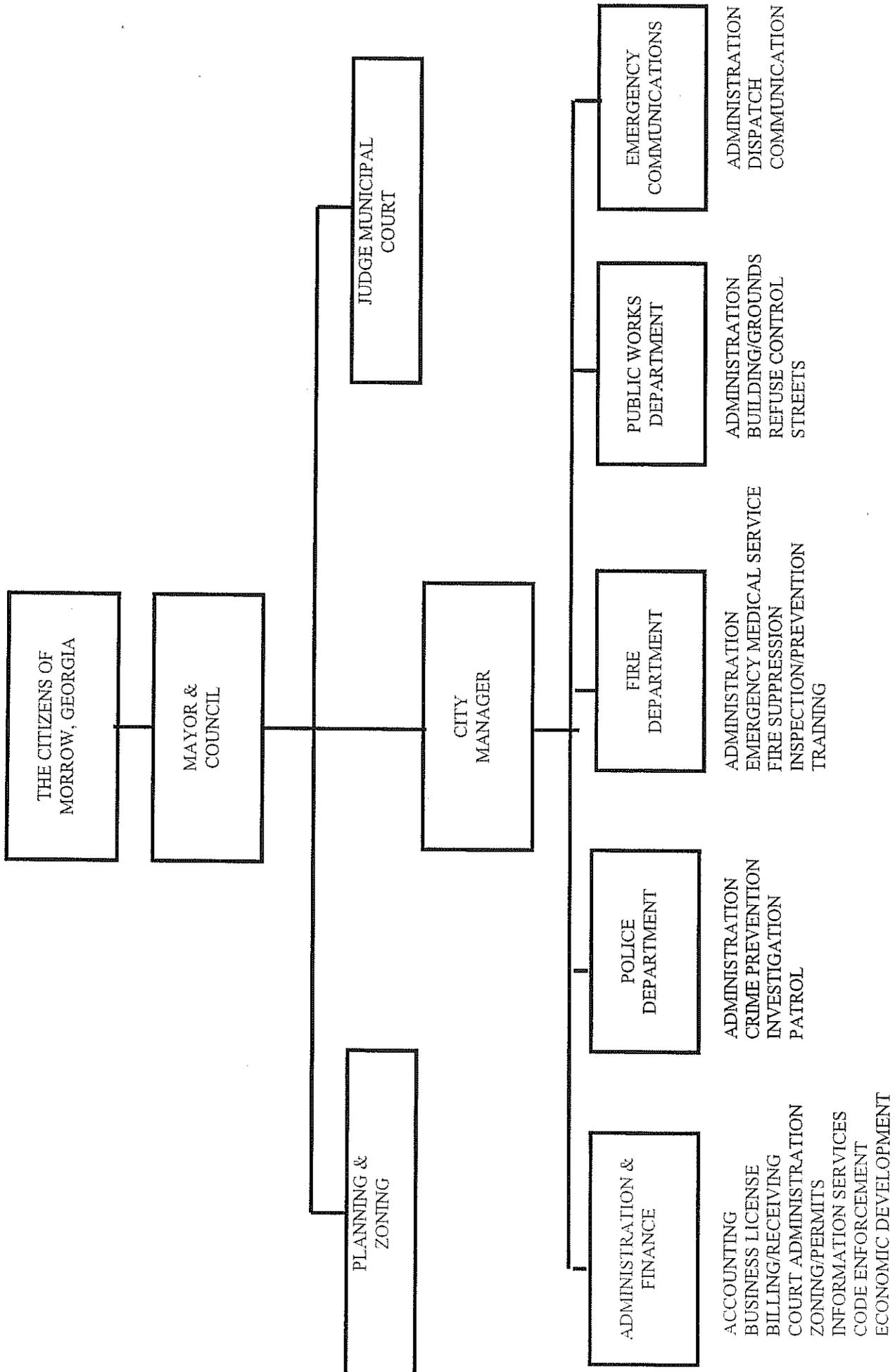
Please see the Management Discussion and Analysis for further information.

Respectfully submitted,



John J. Lampl, II
City Manager

CITY OF MORROW, GEORGIA
ORGANIZATIONAL CHART



CITY OF MORROW, GEORGIA

Principal Officials
June 30, 2004

ELECTED OFFICIALS

JAMES H. MILLIRONS, SR.
CHARLES R. HUIE
CHARLES O. SORROW
THOMAS J. LAPORTE
VIRLYN SLATON

MAYOR
COUNCIL MEMBER
COUNCIL MEMBER
COUNCIL MEMBER
COUNCIL MEMBER

APPOINTED OFFICIALS

JOHN J. LAMPL, II
DAN DEFNALL
RENEE MURPHY
ANDREW J. WHALEN, III
FROST A. WARD
CHARLIE SEWELL
JOHN BROOME
JEFFREY A. EADY
KATHERINE CAPPS
GRANT WAINSCOTT

CITY MANAGER
FINANCE OFFICER
CITY CLERK
CITY ATTORNEY
MUNICIPAL COURT JUDGE
POLICE CHIEF
INTERIM FIRE CHIEF
PUBLIC WORKS DIRECTOR
EMERGENCY COMMUNICATIONS
ECONOMIC DEVELOPMENT
DIRECTOR

PLANNING & ZONING BOARD

MELVIN NEWMAN
SHIRLEY WATTERSON
DEWEY L. (BUCK) SHIRLEY
CLYDE JEFFREYS
JOHN MANER

CHAIRMAN
VICE-CHAIRMAN
SECRETARY
BOARD MEMBER
BOARD MEMBER

INDEPENDENT AUDITORS

CHERRY, BEKAERT & HOLLAND, L.L.P.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Morrow,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



Nancy L. Zielle

President

Jeffrey R. Emmer

Executive Director

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Financial Section

The Financial Section includes the audited financial statements and schedules of the City. The general purpose financial statements present an overview of the City's entire financial operations. Combining and individual fund statements present each of the separate funds and account groups of the City, while schedules provide other information and additional details.



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each discretely presented component unit, 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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the City of Morrow, Georgia adopted Governmental Accounting Standards Board (GASB) Statement No. 34 during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 5, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City. The introductory section, combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Beckett & Holland, L.L.P.

Atlanta, Georgia
January 5, 2005

Management's Discussion and Analysis

As management of the City of Morrow, we offer readers of the City of Morrow's financial statements this narrative overview and analysis of the financial activities of the City of Morrow for the fiscal year ended June 30, 2004. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

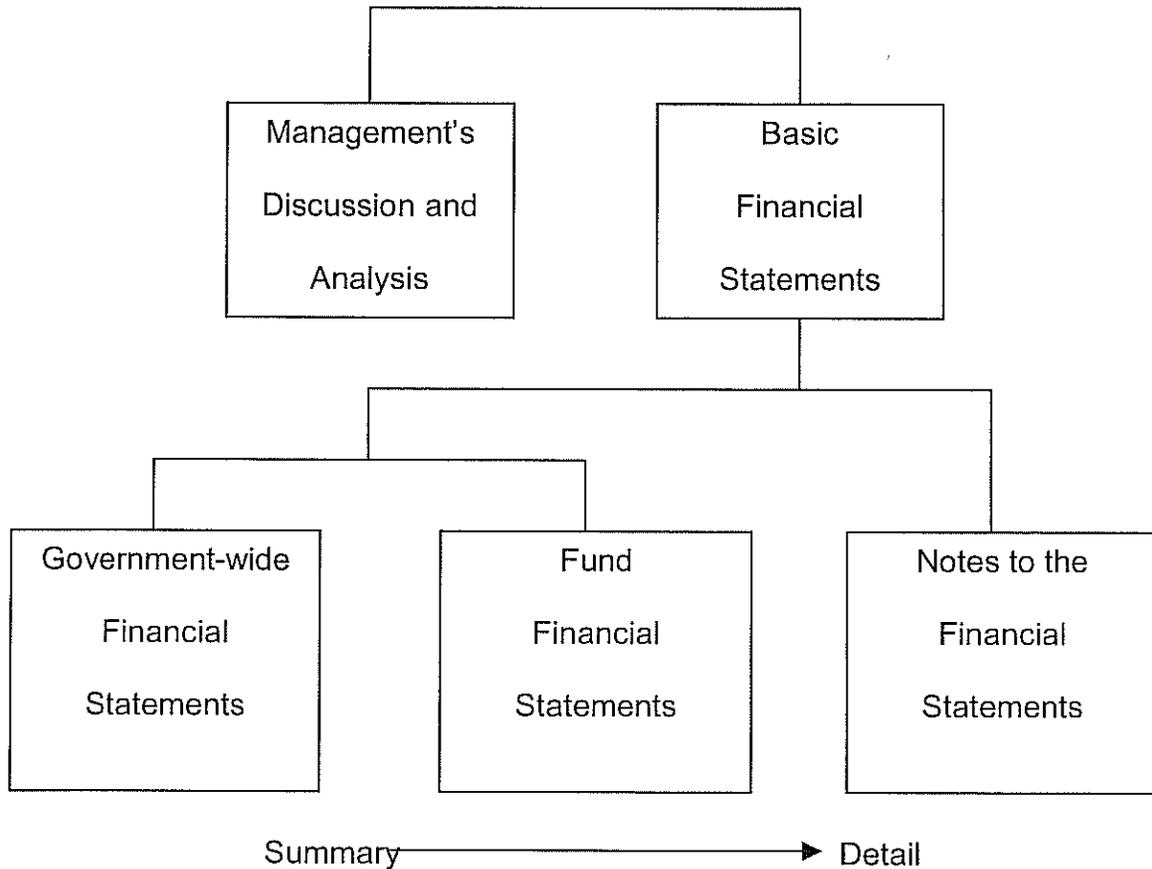
- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by \$11,953,258 (*net assets*).
- The government's total net assets decreased by \$51,858, primarily due to decreases in the governmental activities net assets.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of \$7,050,964, a decrease of \$166,645 in comparison with the prior year. Approximately 98 percent of this total amount, or \$6,922,415, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,770,133, or 113% percent of total general fund expenditures for the fiscal year.
- The City of Morrow's total debt increased by \$80,117 (6%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Morrow's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Morrow.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 15 and 16) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 17 through 24) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gage the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the sanitation services offered by the City of Morrow. The final category is the component units. Although legally separate from the City, the Morrow Business and Tourism Association (MBTA) is a vital economic partner for the City of Morrow. Tourism contracts between the MBTA and the City provide economies of scale, resource efficiencies, and employee benefit packages that neither party would be able to achieve on their own.

The Downtown Development Authority (DDA) was formed to become the City's redevelopment tool for commercial revitalization. Property acquisition, renovation, and demolition are only a few priorities for the DDA.

The government-wide financial statements are on pages 15 and 16 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. 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 of Morrow, like all other governmental entities in Georgia, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Morrow can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds – 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. City of Morrow uses enterprise funds to account for its sanitation activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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 are on pages 25 through 39 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2004 are the beginning of a new era in financial reporting for the City of Morrow, and many other units of government across the United States. Prior to this year, the City of Morrow maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Morrow. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Morrow's financial reports as well as those of many other units of government. The City of Morrow was required to implement these changes for the fiscal year ended June 30, 2004.

Because of the new reporting model, comparative data for all facets of this report are not available. When comparative numbers are accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

The City of Morrow's Net Assets

Figure 2

	Governmental	Business-Type	Total
	Activities	Activities	
	2004	2004	2004
Current and other assets	\$ 7,524,666	\$ 132,966	\$ 7,657,632
Capital assets	6,536,725		6,536,725
Total assets	14,061,391	132,966	14,194,357
Long-term liabilities outstanding	1,662,569		1,662,569
Other liabilities	445,564	132,966	578,530
Total liabilities	2,108,133	132,966	2,241,099
Net assets:			
Invested in capital assets, net of related debt	4,874,156		4,874,156
Restricted	-		-
Unrestricted	7,079,102		7,079,102
Total net assets	\$ 11,953,258	\$ -	\$ 11,953,258

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Morrow exceeded liabilities by \$11,953,258 as of June 30, 2004. The City's net assets decreased by \$51,858 for the fiscal year ended June 30, 2004. The City of Morrow uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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. The remaining balance of unrestricted net assets of \$7,079,102 may be used to meet the government's ongoing obligations to citizens and creditors.

City of Morrow Changes in Net Assets
Figure 3

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for services	\$ 132,625	\$ 1,163,091	\$ 1,295,716
Operating grants and contributions	168,777		168,777
Capital grants and contributions			-
General revenues:			
Taxes	2,440,738		2,440,738
Licenses, fees, and permits	1,136,040		1,136,040
Franchises	553,174		553,174
Fines and forfeitures	1,199,536		1,199,536
Interest	198,932		198,932
MBTA lease	7,275		7,275
Lake City contract	366,778		366,778
Miscellaneous	190,521		190,521
Condemnations/forfeitures	61,118		61,118
Total revenues	<u>6,455,514</u>	<u>1,163,091</u>	<u>7,618,605</u>
Expenses:			
General and administrative	1,321,684		1,321,684
Police department	2,070,347		2,070,347
Fire department	1,717,346		1,717,346
Public works	722,379		722,379
Condemnations/forfeitures	56,042		56,042
Emergency communications	657,026		657,026
Sanitation		972,091	972,091
Total expenses	<u>6,544,824</u>	<u>972,091</u>	<u>7,516,915</u>
Increase (decrease) in net assets before transfers	(89,310)	191,000	101,690
Transfers	2,838	(156,386)	(153,548)
Increase (decrease) in net assets	(86,472)	34,614	(51,858)
Net assets, July 1	<u>12,039,730</u>	<u>(34,614)</u>	<u>12,005,116</u>
Net assets, June 30	<u>\$ 11,953,258</u>	<u>\$ -</u>	<u>\$ 11,953,258</u>

Governmental activities. Governmental activities decreased the City's net assets by \$86,472.

Business-type activities. Business type activities increased the net assets of the City of Morrow by \$36,614.

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.

The general fund is the chief operating fund of the City of Morrow. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,770,133, while total fund balance reached \$6,898,682. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 112 percent of total General Fund expenditures, while total fund balance represents 115 percent of that same amount.

At June 30, 2004, the governmental funds of City of Morrow reported a combined fund balance of \$7,050,964, a 2.3 percent decrease from last year. Included in this change in fund balance are increases in fund balance in both the General and Capital Projects Funds.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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. Unrestricted net assets of the Sanitation Fund at the end of the fiscal year amounted to \$0. Other factors concerning the finances of this fund has already been addressed in the discussion of the City of Morrow's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Morrow's investment in capital assets for its governmental and business-type activities as of June 30, 2004, totals \$6,536,725 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Purchase of Land for future development of \$133,374
- Land Improvements along Jester's Creek of \$50,000
- No major demolitions were recorded this year.

City of Morrow's Capital Assets

Figure 4

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
Land	\$ 2,468,276		\$ 2,468,276
Buildings	3,868,443		3,868,443
Equipment	415,960		415,960
Furniture and fixtures	185,083		185,083
Vehicles	2,146,176		2,146,176
Computer software	243,553		243,553
Infrastructure	193,922		193,922
Park facilities and improvements	136,545		136,545
Total	\$ 9,657,958	\$ -	\$ 9,657,958

Additional information on the City's capital assets can be found in note 4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2004, the City of Morrow had debt outstanding of \$1,662,569. This amount consists of a \$1,452,729 capital lease with the Downtown Development Authority, a component unit of the City, related to the Welcome Center Building. Compensated absence liabilities of \$209,840 are also included in the long-term debt classification.

**City of Morrow's Outstanding Debt
Capital Leases**

Figure 5

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Capital leases	\$ 1,452,729	\$ -	\$ 1,452,729
Total	\$ 1,452,729	\$ -	\$ 1,452,729

The City of Morrow's total debt increased by \$80,117 (6%) during the past fiscal year, primarily due to the refinancing of the debt and current principal payments.

Georgia general statutes limit the amount of general obligation debt that a unit of government can issue to 10 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Morrow is \$28,733,147. The City has no general obligation debt in bonds authorized but un-issued at June 30, 2004.

On August 28, 2003, the Downtown Development Authority, a component unit of the City, refinanced revenue bonds related for the construction of the Morrow Welcome Center to take advantage of historically low interest rates. An agreement with the City requires the City to pay principal and interest on this bond in the form of a capital lease. The refinance will reduce interest costs of the City in the future.

Additional information regarding the City of Morrow's long-term debt can be found in note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- The City of Morrow is 60% finished with its second residential subdivision (Central Park) in thirty years and has issued permits for two new subdivisions. The homes are averaging \$195,000 in value and combined will represent a 36% increase in the number of single family detached homes in Morrow. Low unemployment.
- The Georgia Archives opened last year and the National Archives will open in the spring of 2005. A second phase of the College Dorms has been finished and a new University Learning Center is open to the students of Clayton State University.
- The City of Morrow parallels the State of Georgia's economic outlook. We have experienced anemic growth, a decline of the airline industry after September 11, a drop in tourism, and the lingering effects of the technology crash. This coupled with the explosive retail growth of Henry County continues to provide short term and long term revenue challenges.

Budget Highlights for the Fiscal Year Ending June 30, 2005

Governmental Activities: Budgeted revenues increased by 17% primarily due to budgeted assessments for new property taxes. The City will assess real estate property taxes in 2004. This new revenue offsets the substantial loss of revenue experienced in FY 2003 when the City's share of Local Option Sales Tax was significantly reduced. The City will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise 18% to \$7,501,135. The largest increments are in employee compensation, including funding compensation and benefits adjustments.

Business – type Activities: The sanitation rates in the City will increase slightly in 2005 to offset increased costs in contracted garbage collection services.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Morrow, 1500 Morrow Rd, Morrow, GA 30260.

BASIC FINANCIAL STATEMENTS

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CITY OF MORROW, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business Type Activities	Total Primary Government	Downtown Development Authority	Morrow Business and Tourism Association	Total Reporting Unit
Assets						
Cash and cash equivalents	\$ 1,181,862	\$ 61,322	\$ 1,243,184	\$ -	\$ 54,117	\$ 1,297,301
Investments	5,564,168	-	5,564,168	-	-	5,564,168
Accounts receivable	95,182	71,644	166,826	1,466,470	-	1,633,296
Taxes receivable	333,604	-	333,604	-	-	333,604
Other assets	349,850	-	349,850	-	-	349,850
Due from primary government	-	-	-	-	153,714	153,714
Capital assets - nondepreciable	2,627,077	-	2,627,077	-	-	2,627,077
Capital assets - depreciable, net	3,909,648	-	3,909,648	-	-	3,909,648
Total assets	14,061,391	132,966	14,194,357	1,466,470	207,831	15,868,658
Liabilities						
Accounts payable	113,864	92,172	206,036	-	259	206,295
Accrued interest	14,019	-	14,019	14,016	-	28,035
Unearned revenue	-	40,794	40,794	-	-	40,794
Accrued payroll and payroll taxes	163,967	-	163,967	-	1,633	165,600
Due to component unit	153,714	-	153,714	-	-	153,714
Long-term liabilities						
Due in less than one year	87,791	-	87,791	-	-	87,791
Due in more than one year	1,574,778	-	1,574,778	1,452,454	-	3,027,232
Total liabilities	2,108,133	132,966	2,241,099	1,466,470	1,892	3,709,461
Net assets						
Capital assets, net of related debt	5,083,996	-	5,083,996	-	-	5,083,996
Unrestricted	6,869,262	-	6,869,262	-	205,939	7,075,201
Total net assets	\$ 11,953,258	\$ -	\$ 11,953,258	\$ -	\$ 205,939	\$ 12,159,197

The notes to the financial statements are an integral part of this statement.

CITY OF MORROW, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:								
Governmental activities:								
General and administrative	\$ 1,321,684	\$ -	\$ 168,777	\$ -	\$ (1,152,907)	\$ -	\$ (1,152,907)	\$ -
Police department	2,070,347	-	-	-	(2,070,347)	-	(2,070,347)	-
Fire department	1,717,346	-	-	-	(1,717,346)	-	(1,717,346)	-
Public works	722,379	-	-	-	(722,379)	-	(722,379)	-
Condemnation/forfeitures	56,042	-	-	-	(56,042)	-	(56,042)	-
Emergency communications	657,026	132,625	-	-	(524,401)	-	(524,401)	-
Total governmental activities	<u>6,544,824</u>	<u>132,625</u>	<u>168,777</u>	-	<u>(6,243,422)</u>	-	<u>(6,243,422)</u>	-
Business-type activities:								
Sanitation	972,091	1,163,091	-	-	-	191,000	191,000	191,000
Total business-type activities	<u>972,091</u>	<u>1,163,091</u>	-	-	-	<u>191,000</u>	<u>191,000</u>	<u>191,000</u>
Total primary government	<u>\$ 7,516,915</u>	<u>\$ 1,295,716</u>	<u>\$ 168,777</u>	<u>\$ -</u>	<u>(6,243,422)</u>	<u>191,000</u>	<u>(6,052,422)</u>	<u>(6,052,422)</u>
Component units:								
Morrow Business and Tourism Association	\$ 165,365	\$ -	\$ -	\$ -	-	-	(165,365)	(165,365)
Downtown Development Authority	1,547,457	1,547,457	-	-	-	-	-	-
Total component units	<u>\$ 1,712,822</u>	<u>\$ 1,547,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(165,365)</u>	<u>(165,365)</u>
General revenues:								
Taxes					2,440,738	-	2,440,738	2,472,402
Licenses, fees, and permits					1,136,040	-	1,136,040	1,136,040
Franchises					553,174	-	553,174	553,174
Fines and forfeitures					1,199,536	-	1,199,536	1,199,536
Interest					198,932	-	198,932	198,932
MBTA lease					7,275	-	7,275	7,275
Lake City contract					366,778	-	366,778	366,778
Miscellaneous					190,521	-	190,521	190,521
Condemnation/forfeitures					61,118	-	61,118	61,118
Transfers					2,838	(156,386)	(153,548)	-
Total general revenues and transfers					<u>6,156,950</u>	<u>(156,386)</u>	<u>6,000,564</u>	<u>6,185,776</u>
Change in net assets					(86,472)	34,614	(51,858)	(32,011)
Net assets - beginning					12,039,730	(34,614)	12,005,116	12,191,208
Net assets - ending					<u>\$ 11,953,258</u>	<u>\$ -</u>	<u>\$ 11,953,258</u>	<u>\$ 12,159,197</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MORROW, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,040,627	\$ 141,235	\$ 1,181,862
Investments	5,480,138	84,030	5,564,168
Accounts receivable	95,182	-	95,182
Taxes receivable	291,056	42,548	333,604
Other assets	349,850	-	349,850
Total assets	\$ 7,256,853	\$ 267,813	\$ 7,524,666
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 95,817	\$ 18,047	\$ 113,864
Accrued interest	14,019	-	14,019
Deferred revenue	28,138	-	28,138
Accrued payroll and payroll taxes	149,581	14,386	163,967
Due to component unit	70,616	83,098	153,714
Total liabilities	358,171	115,531	473,702
Fund balances:			
Reserved for encumbrances	128,549	-	128,549
Unreserved, undesignated	6,770,133	-	6,770,133
Unreserved, reported in nonmajor:			
Special revenue	-	152,282	152,282
Total fund balances	6,898,682	152,282	7,050,964
Total liabilities and fund balances	\$ 7,256,853	\$ 267,813	\$ 7,524,666

The notes to the financial statements are an integral part of this statement.

CITY OF MORROW, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2004

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

Ending fund balance - governmental funds	\$	7,050,964
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,536,725
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		28,138
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,662,569)</u>
Net assets of governmental activities	\$	<u>11,953,258</u>

CITY OF MORROW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,992,344	\$ 448,394	\$ 2,440,738
Licenses, fees, and permits	1,136,040	-	1,136,040
Franchises	553,174	-	553,174
Fines and forfeitures	1,199,536	-	1,199,536
Interest	197,941	991	198,932
MBTA lease	7,275	-	7,275
Lake City contract	366,778	-	366,778
Miscellaneous	178,064	12,457	190,521
Intergovernmental	168,777	-	168,777
Condemnations/forfeitures	-	61,118	61,118
Emergency communications	-	132,625	132,625
Total revenues	<u>5,799,929</u>	<u>655,585</u>	<u>6,455,514</u>
Expenditures			
Current:			
General and administrative	1,216,145	-	1,216,145
Police department	1,924,917	-	1,924,917
Fire department	1,579,470	-	1,579,470
Public works	676,665	-	676,665
Condemnations/forfeitures	-	56,042	56,042
Emergency communications	-	637,568	637,568
Capital outlay	400,451	65,198	465,649
Debt service:			
Debt service	195,929	-	195,929
Total expenditures	<u>5,993,577</u>	<u>758,808</u>	<u>6,752,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(193,648)</u>	<u>(103,223)</u>	<u>(296,871)</u>
Other financing sources (uses)			
Transfers in	476,404	514,971	991,375
Transfers out	(514,971)	(473,566)	(988,537)
Debt proceeds	127,388	-	127,388
Total other financing sources (uses)	<u>88,821</u>	<u>41,405</u>	<u>130,226</u>
Net change in fund balances	(104,827)	(61,818)	(166,645)
Fund balance - beginning	<u>7,003,509</u>	<u>214,100</u>	<u>7,217,609</u>
Fund balance - ending	<u>\$ 6,898,682</u>	<u>\$ 152,282</u>	<u>\$ 7,050,964</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MORROW, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

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

Net change in fund balances - total governmental funds	\$ (166,645)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	148,181
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	820
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	<u>(68,828)</u>
Change in net assets of governmental activities	<u>\$ (86,472)</u>

CITY OF MORROW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Taxes	\$ 2,272,406	\$ 2,284,452	\$ 1,992,344	\$ (292,108)
Licenses, fees, and permits	1,176,787	1,127,824	1,136,040	8,216
Franchises	551,000	554,417	553,174	(1,243)
Fines and forfeitures	1,242,000	1,199,503	1,199,536	33
Interest	180,000	180,000	197,941	17,941
MBTA lease	50,822	10,280	7,275	(3,005)
Lake City contract	363,652	364,652	366,778	2,126
Miscellaneous	253,138	178,032	178,064	32
Intergovernmental	30,000	169,038	168,777	(261)
Total revenues	<u>6,119,805</u>	<u>6,068,198</u>	<u>5,799,929</u>	<u>(268,269)</u>
EXPENDITURES				
Current:				
General and administrative	1,337,457	1,264,547	1,216,145	48,402
Police department	1,821,969	1,925,301	1,924,917	384
Fire department	1,577,450	1,586,237	1,579,470	6,767
Public works	665,083	676,903	676,665	238
Capital outlay	416,783	249,716	-	249,716
Debt service:				
Debt service	-	150,000	195,929	(45,929)
Total expenditures	<u>5,818,742</u>	<u>5,852,704</u>	<u>5,593,126</u>	<u>259,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>301,063</u>	<u>215,494</u>	<u>206,803</u>	<u>(8,691)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	204,200	145,623	476,404	330,781
Transfers out	(505,263)	(489,117)	(514,971)	(25,854)
Debt proceeds	-	128,000	127,388	(612)
Total other financing sources (uses)	<u>(301,063)</u>	<u>(215,494)</u>	<u>88,821</u>	<u>304,315</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	295,624	<u>\$ 295,624</u>
Budgetary basis differences and encumbrances			(400,451)	
FUND BALANCE - BEGINNING			<u>7,003,509</u>	
FUND BALANCE - ENDING			<u>\$ 6,898,682</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF MORROW, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	Enterprise Funds
	Sanitation Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 61,322
Accounts receivable	71,644
Total current assets	132,966
Noncurrent assets	
Total assets	132,966
Liabilities	
Current liabilities	
Accounts payable	92,172
Deferred revenue	40,794
Total current liabilities	132,966
Noncurrent liabilities	
Total liabilities	132,966
Net assets	
Unrestricted	-
Total net assets	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF MORROW, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2004

	Enterprise Funds
	Sanitation Fund
Operating revenues	
Charges for services	\$ 1,163,091
Total operating revenues	1,163,091
Operating expenses	
Costs of services	972,091
Total operating expenses	972,091
Operating income	191,000
Income before transfers	191,000
Transfers out	(156,386)
Change in net assets	34,614
Total net assets - beginning	(34,614)
Total net assets - ending	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF MORROW, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	Enterprise Funds Sanitation Fund
Operating activities	
Cash received from customers and users	\$ 1,171,627
Cash paid to suppliers	(953,919)
Net cash provided by operating activities	<u>217,708</u>
Noncapital financing activities	
Transfers	<u>(156,386)</u>
Cash and cash equivalents/investments	
Beginning of year	<u>-</u>
End of year	<u>\$ 61,322</u>
Reconciliation of operating income	
to net cash provided by (used in) operating activities	
Operating income	<u>\$ 191,000</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities	
Decrease in accounts receivable	8,536
Increase in accounts payable	12,217
Increase in deferred revenue	5,955
Total adjustments	<u>26,708</u>
Net cash provided by operating activities	<u>\$ 217,708</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The City of Morrow, Georgia (the "City") was incorporated in 1943, under the provisions of the State of Georgia. The City operates under an elected Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, parks and recreation, community development, planning and zoning, and general administrative services. The City's comprehensive annual financial report includes the accounts of all City operations.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could vary from the estimates that were used. The following notes to the financial statements are an integral part of the City's basic financial statements.

The City has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This new standard provides for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

This summary of the City's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. The Reporting Entity

The City of Morrow, Georgia is a municipal corporation governed by a Mayor and a four member Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its' component units, legally-separate entities for which the City is financially accountable. GASB Statement Number 14 as amended by GASB Statement Number 39, defines component units as legally separate organization for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government.

This statement provides two methods for reporting component units in the financial statements of the primary government: discrete presentation and blending. Discrete presentation means that data will be presented in on or more separate columns to the right of the primary government data columns. Blending means that the component unit's financial data is reported as though the unit is part of the primary government. If the units provide services or benefits exclusively, or almost exclusively, to the primary government, or if the component units and the primary government have "substantively identical boards," the legally separate component units should be incorporated by blending. If the units do not meet these criteria, their data should be incorporated by discrete presentation.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Based on evaluating the characteristics, the following is a brief review of the component unit in the City's reporting entity:

Discretely Presented Component Unit

Although legally separate from the City, the Morrow Business and Tourism Association, Inc. (MBTA) is a vital economic partner for the City of Morrow. Tourism contracts between the MBTA and the City provide economies of scale, resource efficiencies, and employee benefit packages that neither party would be able to achieve on their own.

The Downtown Development Authority (DDA) was formed in the year ended June 30, 2004 to become the City's redevelopment tool for commercial revitalization. Property acquisition, renovation, and demolition are only a few priorities for the DDA.

These units are reported in separate columns in the City's government-wide financial statements to emphasize that they are legally separate from the City. The MBTA and the Downtown Development Authority are presented as component units of the City because the City appoints the voting majority of the Boards and is in a financial relationship with them. Also, these component units are fiscally dependent upon the City and the City's financial statements would be misleading if the data from the MBTA and Downtown Development Authority were not included.

Separate financial statements for the both the Morrow Business and Tourism Association and the Downtown Development Authority of the City of Morrow, Georgia may be obtained from the finance department at Morrow City Hall, located at 1500 Morrow Road in Morrow, Georgia, 30260.

B. Basis of Presentation – Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reverse for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 1 - Summary of Significant Accounting Policies (continued)**B. Basis of Presentation – Basis of Accounting (continued)****Basis of Presentation (continued)**

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

Sanitation Fund – This fund is established to account for the operations of commercial and residential waste removal within the City.

C. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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, including special assessments. 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 City enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 1 - Summary of Significant Accounting Policies (continued)**C. Basis of Accounting (continued)**

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual are local option sales taxes, interest revenue and charges for services. Sales taxes collected by the State at year-end on behalf of the City are also recognized as revenue. Fines, permits and other revenues are not susceptible to accrual because they are generally not measurable until received in cash.

A one-year availability period is used for revenue recognition for all other governmental fund revenues.

All governmental and business-type activities and the proprietary fund of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgets and Budgetary Accounting

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

1. Prior to July 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. During June, the budget is legally enacted through passage of an ordinance by the mayor and council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Fund.
5. Budgets for the General Fund, Special Revenue Funds, and Capital Projects Fund are adopted on a budgetary basis as explained below. The legal level of control (the level at which the City Council must approve expenditures in excess of appropriations) for each legally adopted annual operating budget is at the department level, and the City Manager can transfer budgeted amounts within a department without the prior approval of City Council.
6. Budget amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations, which were amended.
7. Appropriations, except for encumbrances, lapse at year-end.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

E. **Budgetary Reporting Basis**

The financial statements prepared on the budgetary basis differs from the GAAP basis statements in that appropriations in the governmental funds are charged for encumbrances when commitments are made. Certain debt service expenditures are budgeted in other program budgets. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. A reservation of the fund balance is provided for outstanding encumbrances at year-end and serves as authorization for expenditures in the subsequent year. All budgets are adopted as explained in Note 1 (D) except those encumbrances are treated as budgeted expenditures when the commitment to purchase is made. Budgetary comparisons in the financial statements are presented in this budgetary basis. For the year ended June 30, 2004, management of the City elected not to record any encumbrances. Adjustments necessary to reconcile the expenditures at the end of the year on the budgetary basis to the modified accrual basis are as follows:

Budgetary basis expenditures	\$ 5,593,126
Add: Prior-year encumbrances outstanding as of June 30, 2003	529,000
Less: Current-year encumbrances outstanding as of June 30, 2004	<u>(128,549)</u>
Modified accrual basis expenditures	<u>\$ 5,993,577</u>

F. **Cash and Cash Equivalents**

Cash and cash equivalents shown on the balance sheet represent demand deposits. All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

G. **Investments**

The statutes of the State of Georgia authorize the City to invest in U.S. Government obligations; U.S. Government agency obligations; State of Georgia obligations; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "A" or better by Moody's Investors Service, Inc.; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; repurchase agreements when collateralized by U.S. Government or agency obligations; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds. Investments are stated at fair value.

H. **Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

I. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are \$5,000 for all asset categories. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the City are depreciated on a straight –line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	15-40
Furniture and fixtures	5
Machinery and Equipment	10
Infrastructure	15
Vehicles	5-10
Computer software	5
Park facilities and improvements	15

J. Long-term Obligations

In the government-wide financial statements and in the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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. Premiums received on debt issuances are 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.

K. Compensated Absences

The vacation policy of the City allows employees to accumulate a maximum of 160 hours of unused vacation, with the exception of the Fire Department shift employees. The shift employees are allowed to accumulate up to 217 hours of unused vacation. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded within those funds as earned leave.

The sick leave policy of the City provides up to 480 hours (600 hours for shift employees) of unused sick time. Unused sick leave is not paid upon termination, but will be paid only upon illness while employed by the City. Since none of the entities has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component unit.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 1 - Summary of Significant Accounting Policies (continued)**L. Net Assets/Fund Balances****Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for encumbrances – portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Unreserved

Undesignated – portion of total fund balance available for appropriation that is uncommitted at year-end.

Note 2 - Deposits and Investments

Deposits: At year-end, the carrying amount of the City's deposits was \$1,243,184 and the bank balance was \$1,378,082. The amount of the total bank balance is classified into three categories of credit risk: 1) insured or collateralized with securities held by the City or by its agent in the City's name; 2) collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the City's name.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 2 - Deposits and Investments (continued)

The City's deposit risks are classified as follows at June 30, 2004:

1	Category		3	Bank Balance
	2			
\$ -	\$ 1,243,184		\$ -	\$ 1,378,082

The City has a zero balance maintenance arrangement with its primary financial institution whereby the bank accounts of the General, Special Revenue and Capital Projects Funds are funded on a daily basis for checks presented for payment. The funding is provided by the City's Concentration Account, in which balances are generally invested in overnight instruments.

Investments: The City's investments are categorized as either (1) insured or registered or securities held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the financial institution's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the financial institution's trust department or agent but not in the City's name. Included in the City's investments are certificates of deposit totaling \$2,954,147 and having an original maturity of more than three months.

	1	Category		3	Carrying Amount	Fair Value
		2				
Securities	\$ 2,202,475	\$ -	\$ -		\$ 2,202,475	\$ 2,202,475
Certificates of Deposit	2,954,147				2,954,147	\$ 2,954,147
Local Government Investment Pool	407,546	-	-		407,546	407,546
Total investments	\$ 5,564,168	\$ -	\$ -		\$ 5,564,168	\$ 5,564,168

The Local Government Investment Pool is administered by the State of Georgia and is registered with the Securities Exchange Commission. The fair value of the City's position in the investment pool is the same as the value of the pool shares.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 3 – Receivables

Receivables consisted of the following at June 30, 2004:

	General	Nonmajor Funds	Sanitation	Total
Receivables:				
Sales taxes	\$ 291,056	\$ -	\$ -	\$ 291,056
Hotel/ Motel sales taxes	-	42,548	-	42,548
Accounts	79,321	-	71,644	150,965
Interest	15,861	-	-	15,861
Total receivables	<u>\$ 386,238</u>	<u>\$ 42,548</u>	<u>\$ 71,644</u>	<u>\$ 500,430</u>

Note 4 – Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2004 was as follows:

	As Previously Reported	Reclassifications/ Adjustments	Beginning Balances	Purchases	Disposals	Ending Balances
Governmental activities:						
Capital assets not being depreciated						
Land	\$ 2,334,902	\$ -	\$ 2,334,902	\$ 133,374	\$ -	\$ 2,468,276
Infrastructure in process	-	-	-	158,801	-	158,801
Total capital assets not being depreciated	<u>2,334,902</u>	<u>-</u>	<u>2,334,902</u>	<u>292,175</u>	<u>-</u>	<u>2,627,077</u>
Capital assets being depreciated:						
Buildings, grounds, and improvements	4,291,829	(496,546)	3,795,283	73,160	-	3,868,443
Equipment	2,055,935	(1,704,511)	351,424	64,536	-	415,960
Furniture and fixtures	-	185,083	185,083	-	-	185,083
Infrastructure	-	-	-	35,121	-	35,121
Vehicles	2,511,878	(433,334)	2,078,544	67,632	-	2,146,176
Computer software	104,469	70,639	175,108	68,445	-	243,553
Park facilities and improvements	189,357	(52,812)	136,545	-	-	136,545
Total capital assets being depreciated	<u>9,153,468</u>	<u>(2,431,481)</u>	<u>6,721,987</u>	<u>308,894</u>	<u>-</u>	<u>7,030,881</u>
Less accumulated depreciation for:						
Buildings, Grounds, and improvements	1,401,247	(496,546)	904,701	114,213	-	1,018,914
Equipment	1,698,387	(1,597,798)	100,589	36,277	-	136,866
Furniture and fixtures	-	149,009	149,009	16,042	-	165,051
Infrastructure	-	-	-	1,171	-	1,171
Vehicles	1,865,669	(433,334)	1,432,335	242,449	-	1,674,784
Computer software	62,716	-	62,716	33,633	-	96,349
Park facilities and improvements	71,807	(52,812)	18,995	9,103	-	28,098
Total accumulated depreciation	<u>5,099,826</u>	<u>\$ (2,431,481)</u>	<u>2,668,345</u>	<u>\$ 452,888</u>	<u>\$ -</u>	<u>3,121,233</u>
Total capital assets being depreciated, net	<u>4,053,642</u>		<u>4,053,642</u>			<u>3,909,648</u>
Governmental activity capital assets, net	<u>\$ 6,388,544</u>		<u>\$ 6,388,544</u>			<u>\$ 6,536,725</u>

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 4 – Capital assets (continued)

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

General and administrative	\$ 104,409
Police department	145,430
Fire department	137,875
Public works	45,719
Emergency communications	<u>19,455</u>
Total depreciation expense	<u>\$ 452,888</u>

During the fiscal year ended June 30, 2004, management determined that several parcels of land were owned by the City but were not recorded in the City's financial statements. As a result, land in the amount of \$221,677 was recorded in the City's financial statements. Management estimated the historical cost of the land based on the current assessed value of the land.

Note 5 - Defined Benefit Pension Plan

Plan Description - The City contributes to the Georgia Municipal Employees Benefit System (the System), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The City of Morrow Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigns the authority 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.

Funding Policy - The City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the current rate is 8.0% 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.

Annual Pension Cost - The City's pension cost of \$271,262 was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 5.0% for inflation and 0.5% for merit or seniority. The actuarial value of the Plan's assets was determined using a roll forward of prior year's actuarial value with contributions, disbursements and expected return on investments, plus 10% of investment gain (losses) during 10 prior years. The plan's period for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The amortization periods, if applicable, are open for this plan year.

To minimize the effect of random variations in financial market values on the recommended contribution, the Board of Trustees adopted GASB Statement No. 27, which provides for the use of an asset valuation method for use in the calculation. The method of determining the actuarial value of assets is part of the GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

of 8%, which is the valuation's investment return assumption.

Note 5 - Defined Benefit Pension Plan (continued)

The actuarial value of assets was restated at market value of assets as of January 1, 2004 under the asset valuation method change.

Trend Information - Trend information for the Annual Pension Cost (APC) is presented below:

Fiscal Year Funding	APC	% of APC Contributed	Net Pension Obligation
7/1/00	200,047	100	0
1/1/01	189,540	100	0
1/1/02	199,932	100	0
1/1/03	333,046	100	0
1/1/04	271,262	100	0

Supplementary Information - The schedule of funding progress for the Plan is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/00	4,935,639	4,340,174	(595,465)	113.7	3,118,332	(19.1%)
1/1/01	5,188,847	4,568,034	(620,813)	113.6	3,144,758	(19.7%)
1/1/02	5,593,447	4,983,506	(609,941)	112.2	3,395,048	(18.0%)
1/1/03	5,292,883	5,629,397	336,514	94.0	3,643,957	9.2%
1/1/04	5,838,768	5,855,794	17,026	99.7	3,386,039	0.5%

Note 6 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all eligible employees at their option requires the City to contribute an amount equal to 50% of the employees' deferrals up to a maximum of 2% of annual compensation. Employers' contributions are fully vested after the participant completes 5 full years of service. The City's contribution to the Plan approximated \$35,000 for the year ended June 30, 2004.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 7 – Deferred/Unearned Revenue

The balance of deferred revenues in the fund financial statements (includes both the deferred and unearned amounts disclosed below) and unearned revenues in the government-wide financial statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Lake City Contract-General Fund	\$ 28,138	\$ -
Accounts receivable billed in advance-Proprietary Fund	-	40,794
	<u>\$ 28,138</u>	<u>\$ 40,794</u>

Note 8 - Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employee; 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 (GIRMA) and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity-risk pool currently operating as a common risk management and insurance program 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 pool's 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 pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds. The City pays an annual premium to GIRMA for its general insurance and has coverage of \$1,000,000 for the risks discussed above, except for buildings, which are covered at 100% of the value of the City's holdings. The City's coverage for worker's compensation claims is \$1,000,000.

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

The City continues to carry commercial insurance for other risks of loss, employee health and accident insurance. Settled claims in the past three years have not exceeded the commercial insurance coverage.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 9 – Long-term Obligations

At June 30, 2003, the City was obligated under one 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 (the Authority), a new component unit of the City, issued bonds in the amount of \$1,500,000. The proceeds of this bond were used to purchase the building from the County. Additionally, the Authority and the City executed a new capital lease agreement covering the building. The gross amount of the building recorded on the City's books as a capital asset under this capital lease was \$1,500,000.

Long-term obligation activity

	Balance		Balance		Current Portion
	June 30, 2003	Additions	Payments	June 30, 2004	of Long-term
					Liabilities
Governmental activities:					
Compensated absences	\$ 221,129	\$ -	\$ 11,289	\$ 209,840	35,350
Capital lease obligations	1,372,612	1,500,000	1,419,883	1,452,729	52,441
Total governmental activities	\$ 1,593,741	\$ 1,500,000	\$1,431,172	\$ 1,662,569	\$ 87,791

The following summarized the annual debt service requirement to maturity for the City (excluding accrued vacation):

	Capital Leases Payable	
	Principal	Interest
Governmental activities:		
2005	\$ 52,441	\$ 55,542
2006	54,501	53,481
2007	56,643	51,340
2008	58,868	49,114
2009	61,181	46,801
2010-2014	343,908	196,004
2015-2019	416,991	122,921
2020-2024	408,196	35,386
2025-2029		
	<u>\$ 1,452,729</u>	<u>\$ 610,589</u>

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 10 – Interfund Balances and Activity

Transfers to/from Other Funds

Transfers in (out) for the year ended June 30, 2004 are summarized below:

	Transfer in:			Total
	General Fund	Nonmajor Governmental	Component Units	
Transfer out:				
General Fund	\$ -	\$ 514,971	\$ -	\$ 514,971
Nonmajor Governmental	320,018	-	153,548	473,566
Sanitation Fund	156,386	-	-	156,386
Total transfers out	<u>\$ 476,404</u>	<u>\$ 514,971</u>	<u>\$ 153,548</u>	<u>\$ 1,144,923</u>

Transfers between the major funds and other nonmajor funds were primarily related to the transfers related to collection of taxes in Special Revenue Funds. Transfers were also made to assist the other funds in meeting operating needs for the year ended June 30, 2004.

Note 11 - Litigation

The City is involved in various claims and matters of litigation resulting from normal operations, which, in the opinion of the City's management, the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Note 12 - Excess Expenditures Over Appropriations

The Emergency Communication Fund and Confiscated Assets Fund had excess expenditures over revenues. The major source of revenue for the Emergency Communications Fund is a transfer from the General Fund. The City's policy is to transfer sufficient funds so that the fund does not operate at a deficit and this policy was adhered to this year since the fund did not have a deficit for the year. The Confiscated Assets Fund used accumulations of fund balance to cover current year excess expenditures since this fund also did not have a deficit fund balance for the year.

No governmental or business type funds had a deficit fund balance at June 30, 2004.

Note 13 – Joint Venture

Under Georgia law, the City in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in an ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. The ARC 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 ARC. Separate financial statements may be obtained from the Atlanta Regional Commission, 3715 Northside Parkway, 200 North Creek Suite 300, Atlanta, Georgia 30327.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2004 (continued)

Note 14 – Hotel / Motel Taxes

Under the provisions of the Official Code of Georgia Annotated (OCGA) Section 48-13-51, the City has imposed and collected hotel/motel taxes. The Code section requires that the City expend a percentage of the taxes collected for the purpose of promoting tourism, conventions, trade shows etc, and promoting the City and business therein. During the year ended June 30, 2004 the City expended for promotional purposes approximately 33% such taxes collected. The following is a summary of the collections and expenditures for the year ended June 30, 2004:

Total Collected	\$ 442,270
Amounts required to be expended	147,423
Amounts expended for promotional purposes	147,423

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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MAJOR FUNDS-GOVERNMENTAL

The **General Fund** accounts for resources traditionally associated with government, which are not required legally or by financial management to be accounted for in another fund.

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CITY OF MORROW, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Taxes:			
Insurance premium taxes	\$ 209,706	\$ 209,707	\$ 1
Alcohol sales and excise taxes	148,152	150,469	2,317
Alcohol sales mixed drink tax	42,835	44,562	1,727
Real estate transfer tax	3,200	-	(3,200)
Local option sales tax	1,880,559	1,587,606	(292,953)
Total taxes	<u>2,284,452</u>	<u>1,992,344</u>	<u>(292,108)</u>
Licenses, fees, and permits:			
Alcohol beverage licenses and permits	118,281	119,887	1,606
Business licenses	917,253	919,909	2,656
Building permits	60,000	63,107	3,107
Plumbing permits	3,000	3,748	748
Heating and air conditioning permits	3,000	2,932	(68)
Electrical permits	4,900	4,598	(302)
Rezoning permits	1,790	2,630	840
Fire Marshall Inspections	10,000	9,041	(959)
Community room fees & deposits	1,700	1,900	200
Delinquency fees	-	-	-
Accident report fees	6,000	6,288	288
False alarm fees	-	-	-
Other	1,900	2,000	100
Total licenses, fees and permits	<u>1,127,824</u>	<u>1,136,040</u>	<u>8,216</u>
Franchises:			
Electrical franchise	373,602	373,602	-
Gas franchise	42,981	54,551	11,570
Telephone franchise	105,279	92,466	(12,813)
Cable television franchise	32,555	32,555	-
Total franchises	<u>554,417</u>	<u>553,174</u>	<u>(1,243)</u>
Other revenues:			
Fines and forfeitures	1,199,503	1,199,536	33
Interest income	180,000	197,941	17,941
Lake City contract	364,652	366,778	2,126
Intergovernmental	169,038	168,777	(261)
MBTA lease payments	10,280	7,275	(3,005)
Miscellaneous	178,032	178,064	32
Total other revenues	<u>2,101,505</u>	<u>2,118,371</u>	<u>16,866</u>
Total revenues	<u>\$ 6,068,198</u>	<u>\$ 5,799,929</u>	<u>\$ (268,269)</u>

CITY OF MORROW, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Positive (Negative)
<u>General and Administrative:</u>			
Current:			
Mayor and council salaries	\$ 138,586	\$ 127,192	\$ 11,394
Salaries and wages	443,153	474,386	(31,233)
City attorney fees	12,000	13,713	(1,713)
Advertising and public relations	2,000	3,013	(1,013)
Equipment service contracts	8,104	4,227	3,877
Gas and oil	1,200	1,210	(10)
Utilities	62,149	86,991	(24,842)
Travel	-	5,905	(5,905)
Insurance	113,976	36,203	77,773
Supplies	8,000	17,694	(9,694)
Miscellaneous	42,214	69,986	(27,772)
Equipment rental	1,687	1,282	405
Conventions, meetings and training	13,490	3,787	9,703
Municipal court expense	20,453	17,045	3,408
Professional services	63,700	91,502	(27,802)
Codification	3,500	3,852	(352)
Employee benefits	65,788	44,414	21,374
Inspector's fees	35,250	33,280	1,970
Clayton county	90,000	73,313	16,687
Peace officer A and B fund	39,000	34,629	4,371
Printing and postage	20,000	18,702	1,298
Employee betterment program	4,297	3,482	815
Maintenance	3,000	6,678	(3,678)
Legal advertising	1,500	1,418	82
Small equipment	1,500	3,395	(1,895)
Grant expenditures	30,000	3,306	26,694
Governmental	40,000	35,540	4,460
	<u>1,264,547</u>	<u>1,216,145</u>	<u>48,402</u>
Total general and administrative expenditures			
<u>Police Department:</u>			
Current:			
Salaries and wages	1,385,377	1,351,065	34,312
Equipment service contracts	8,747	15,247	(6,500)
Gas and oil	44,588	43,742	846
Telephone	19,827	25,349	(5,522)
Travel	298	1,848	(1,550)
Insurance	189,632	176,601	13,031
Supplies	12,480	15,436	(2,956)
Miscellaneous	10,054	10,054	-

CITY OF MORROW, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2004
(CONTINUED)

	Budget	Actual	Variance Positive (Negative)
<u>Police Department (continued):</u>			
Current (continued):			
Equipment rental	\$ 5,500	\$ 3,526	\$ 1,974
Professional services	2,500	33,618	(31,118)
Employee benefits	153,566	144,589	8,977
Printing and postage	8,432	4,259	4,173
Maintenance	48,500	44,108	4,392
Uniforms	23,700	18,483	5,217
Small equipment	12,100	27,552	(15,452)
Grant expenditures	-	9,440	(9,440)
	<u>1,925,301</u>	<u>1,924,917</u>	<u>384</u>
Total police department expenditures			
<u>Fire Department:</u>			
Current:			
Salaries and wages	1,188,900	1,165,020	\$ 23,880
Utilities	11,715	5,198	6,517
Travel	2,000	1,603	397
Insurance	138,599	145,402	(6,803)
Supplies	18,520	24,755	(6,235)
Miscellaneous	9,917	6,356	3,561
Conventions, meetings, and training	3,000	3,328	(328)
Professional services	3,584	3,689	(105)
Employee benefits	161,702	151,053	10,649
Maintenance	18,100	25,634	(7,534)
Uniforms	15,000	13,500	1,500
Small equipment	400	21,671	(21,271)
Gas and oil	7,000	8,396	(1,396)
Grant expenditures	7,800	3,865	3,935
	<u>1,586,237</u>	<u>1,579,470</u>	<u>6,767</u>
Total fire department expenditures			
<u>Public Works:</u>			
Current:			
Salaries and wages	273,500	279,081	\$ (5,581)
Equipment service contracts	9,185	8,664	521
Utilities	3,500	2,842	658
Travel	-	124	(124)
Insurance	51,392	44,396	6,996
Supplies	14,714	15,198	(484)
Miscellaneous	54,118	40,883	13,235

CITY OF MORROW, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2004
(CONTINUED)

	Budget	Actual	Variance Positive (Negative)
<u>Public Works (continued):</u>			
Current:			
Equipment rental	\$ 2,500	\$ 1,539	961
Professional services	2,050	890	1,160
Employee benefits	39,424	43,867	(4,443)
Printing and postage	2,830	844	1,986
Maintenance	113,989	122,531	(8,542)
Uniforms	2,150	2,098	52
Landfill use	5,000	3,092	1,908
Small equipment	1,954	11,404	(9,450)
Street lights	100,597	99,212	1,385
Total public works expenditures	<u>676,903</u>	<u>676,665</u>	<u>238</u>
Capital Outlays	<u>249,716</u>	<u>-</u>	<u>249,716</u>
Debt Service	<u>150,000</u>	<u>195,929</u>	<u>(45,929)</u>
Total expenditures (budgetary basis)	5,852,704	5,593,126	259,578
Less budgetary basis differences and encumbrances	<u> </u>	<u>400,451</u>	<u>(400,451)</u>
Total expenditures	<u>\$ 5,852,704</u>	<u>\$ 5,993,577</u>	<u>\$ (140,873)</u>

NONMAJOR FUNDS-GOVERNMENTAL

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital assets.

INDIVIDUAL FUND DESCRIPTION:

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

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

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

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

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CITY OF MORROW, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Emergency Communication Fund	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Excise Tax Fund	Total Nonmajor Funds
Assets					
Cash and cash equivalents	\$ 32,433	\$ -	\$ 108,802	\$ -	\$ 141,235
Investments	-	-	84,030	-	84,030
Taxes receivable	-	42,548	-	-	42,548
Total assets	\$ 32,433	\$ 42,548	\$ 192,832	\$ -	\$ 267,813
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 18,047	\$ -	\$ -	\$ -	\$ 18,047
Accrued payroll and payroll taxes	14,386	-	-	-	14,386
Due to component unit	-	42,548	40,550	-	83,098
Total liabilities	32,433	42,548	40,550	-	115,531
Fund balances:					
Unreserved, undesignated	-	-	152,282	-	152,282
Total fund balances	-	-	152,282	-	152,282
Total liabilities and fund balances	\$ 32,433	\$ 42,548	\$ 192,832	\$ -	\$ 267,813

CITY OF MORROW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Emergency Communication Fund	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Excise Tax Fund	Total Nonmajor Funds
Revenues					
Taxes	\$ -	\$ 442,270	\$ -	\$ 6,124	\$ 448,394
Interest	-	-	991	-	991
Miscellaneous	12,457	-	-	-	12,457
Condemnations/forfeitures	-	-	61,118	-	61,118
Emergency communications	132,625	-	-	-	132,625
Total revenues	<u>145,082</u>	<u>442,270</u>	<u>62,109</u>	<u>6,124</u>	<u>655,585</u>
Expenditures					
Current:					
Condemnations/forfeitures	-	-	56,042	-	56,042
Emergency communications	637,568	-	-	-	637,568
Capital outlay	22,485	-	42,713	-	65,198
Total expenditures	<u>660,053</u>	<u>-</u>	<u>98,755</u>	<u>-</u>	<u>758,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(514,971)</u>	<u>442,270</u>	<u>(36,646)</u>	<u>6,124</u>	<u>(103,223)</u>
Other financing sources (uses)					
Transfers in	514,971	-	-	-	514,971
Transfers out	-	(467,442)	-	(6,124)	(473,566)
Total other financing sources (uses)	<u>514,971</u>	<u>(467,442)</u>	<u>-</u>	<u>(6,124)</u>	<u>41,405</u>
Net change in fund balances	-	(25,172)	(36,646)	-	(61,818)
Fund balance - beginning	-	25,172	188,928	-	214,100
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,282</u>	<u>\$ -</u>	<u>\$ 152,282</u>

CITY OF MORROW, GEORGIA
 EMERGENCY COMMUNICATIONS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>				
Emergency 911 land charges	\$ 84,000	\$ 84,614	\$ 85,010	\$ 396
Emergency 911 wireless charges	80,000	48,000	47,615	(385)
Grants	-	12,457	12,457	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	164,000	145,071	145,082	11
<u>Expenditures:</u>				
Salaries and wages	436,087	423,243	451,948	(28,705)
Equipment service contracts	45,428	40,027	42,469	(2,442)
Retirement contributions	47,095	36,990	37,702	(712)
FICA expense	845	899	1,111	(212)
Dues and subscriptions	405	565	198	367
Miscellaneous	600	1,175	1,298	(123)
Supplies	2,000	1,891	1,833	58
Conventions, meetings, & training	2,955	2,955	1,647	1,308
Equipment rental	6,846	5,000	5,797	(797)
Maintenance	3,000	3,321	4,015	(694)
Gas	-	-	753	(753)
Small equipment	2,500	25,512	8,531	16,981
Employee benefits	15,964	11,169	9,831	1,338
Insurance	67,108	42,376	55,510	(13,134)
Tuition reimbursement	-	669	669	-
Postage and printing	250	197	184	13
Utilities	11,700	12,186	9,480	2,706
Wireless fees	8,580	3,000	2,707	293
Safety program	200	-	1,885	(1,885)
	<hr/>	<hr/>	<hr/>	<hr/>
Total current expenditures	651,563	611,175	637,568	(26,393)
Capital Outlays	17,700	23,013	22,485	528
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	669,263	634,188	660,053	(25,865)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of revenues under expenditures	(505,263)	(489,117)	(514,971)	(25,854)
<u>Other financing sources:</u>				
Transfers in				
General fund	505,263	489,117	514,971	25,854
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	505,263	489,117	514,971	25,854
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ -	\$ -	-	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, June 30, 2003			-	
			<hr/>	
Fund balances, June 30, 2004			\$ -	
			<hr/>	

CITY OF MORROW, GEORGIA
HOTEL/ MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>				
Hotel/ motel taxes	\$ 466,914	\$ 439,338	\$ 442,270	\$ 2,932
 Other financing sources:				
Transfers (out)				
General fund	(311,276)	(292,892)	(320,018)	(27,126)
Component Unit	(155,638)	(146,446)	(147,424)	(978)
Total other financing sources	(466,914)	(439,338)	(467,442)	(28,104)
 Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(25,172)	<u>\$ (25,172)</u>
 Fund balances, June 30, 2003			<u>25,172</u>	
 Fund balances, June 30, 2004			<u>\$ -</u>	

CITY OF MORROW, GEORGIA
 CONFISCATED ASSETS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Condemnation/ Forfeiture revenue	\$ 50,000	\$ 131,317	\$ 62,109	\$ (69,208)
Condemnation/ Forfeiture expense	-	-	56,042	(56,042)
Capital Outlays	-	-	42,713	(42,713)
Excess (deficiency) of revenues over (under) expenditures	50,000	131,317	(36,646)	(167,963)
Other financing sources:				
Transfers (out)				
General fund	(50,000)	(131,317)	-	131,317
Total operating transfers	(50,000)	(131,317)	-	131,317
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ -	\$ -	(36,646)	\$ (36,646)
Fund balances, June 30, 2003			188,928	
Fund balances, June 30, 2004			\$ 152,282	

CITY OF MORROW, GEORGIA
 EXCISE TAX SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ -	\$ 6,124	\$ 6,124
Other financing sources:			
Transfers (out)			
Component Unit	-	(6,124)	(6,124)
Total other financing sources	-	(6,124)	(6,124)
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ -	-	\$ -
Fund balances, June 30, 2003		-	
Fund balances, June 30, 2004		\$ -	

Statistical Section

The Statistical Section includes selected financial and general information presented on multi-year comparative basis. The statistics are used to provide detailed data on the physical, economic, social and political characteristics of the City government. They are intended to provide financial report users with a broader and more complete understanding of the government and its financial affairs than is possible from the basic financial statement.

CITY OF MORROW, GEORGIA

General Governmental Revenues by Source (1)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Interest	Miscellaneous	Emergency Communications	Total Revenues
1995	\$ 3,841,989 (2)	\$ 1,038,142 (2)	\$ 30,706	\$ 208,848	\$ 421,507	\$ 136,319	\$ 172,060	\$ 64,981	\$ 5,914,552
1996	3,270,152 (2)	1,020,856	75,460	181,184	436,546	238,034	206,301	68,915	5,497,448
1997	3,365,718 (2)	962,437	121,587	173,969	495,603	239,951	179,681	72,282	5,611,228
1998	3,614,389 (2)	1,221,603	39,996	183,746	545,195	332,519	209,974	77,303	6,224,725
1999	3,211,123 (2)	1,168,266	105,729	213,013	709,449	336,271	960,486	98,865	6,803,202
2000	3,519,062 (2)	1,138,509	111,175	521,040	1,091,086	348,544	1,078,754	123,119	7,931,289
2001	3,463,420 (2)	1,145,428	92,997	1,152,061	1,019,355	480,073	610,537	116,049	8,079,920
2002	3,466,543 (2)	1,128,779	108,505	930,001	1,115,460	229,624	94,356	203,515	7,276,763
2003	3,003,604 (2)	1,347,699	156,411	1,181,393	1,105,502	126,311	58,735	154,576	7,134,231
2004	2,440,738 (2)	1,136,040	168,777	988,345	1,199,536	198,932	190,521	132,625	6,455,514

Notes:
(1) Includes General and Special Revenue Funds
(2) Includes Local Option Sales Tax Revenue

CITY OF MORROW, GEORGIA

General Governmental Expenditures by Function (1)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Administration	Police Department	Emergency Communications	Fire Department	Public Works	Debt Service	Capital Outlay	Total Expenditures
1995	\$ 299,687	\$ 824,646	\$ 147,692	\$ 868,961	\$ 305,401	\$ 62,475	\$ 459,114	\$ 3,967,976
1996	1,307,623	892,386	185,365	912,828	380,959	58,435	655,331	4,392,927
1997	1,386,829	971,692	262,110	997,180	362,874	234,337	1,450,471	5,665,493
1998	1,537,412	1,050,012	382,849	1,060,127	403,540	233,115	967,545	5,634,600
1999	1,711,179	1,216,272	458,162	1,157,587	413,949	88,188	1,525,175	6,570,512
2000	2,260,040	1,362,097	459,058	1,193,752	483,017	449,607	1,596,641	7,804,212
2001	1,772,266	1,400,084	529,349	1,270,151	1,175,519	280,104	1,994,171	8,421,644
2002	1,997,270	1,463,839	482,810	1,280,464	572,970	176,729	2,609,182	8,583,264
2003	2,118,193	1,500,805	558,075	1,378,065	592,554	137,878	681,948	6,967,518
2004	1,216,145	1,980,959	637,568	1,579,470	676,665	195,929	465,649	6,752,385

Notes:
(1) Includes General, Special Revenue and Capital Projects Funds.

CITY OF MORROW, GEORGIA

Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Tax Year	Total Tax Levy (2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes To Tax Levy
1995	1994	\$ 1,065,726	\$ 1,059,844	99.45%	\$ 32,398	\$ 1,092,242	102.49%	\$ 18,377	1.72%
1996	1995	182,361	178,176	97.71%	5,292	183,468	100.61%	1,539	0.84%
1997	1996	-	-	N/A	2,307	2,307	N/A	-	N/A
1998	1997	-	-	N/A	-	-	N/A	-	N/A
1999	1998	-	-	N/A	-	-	N/A	-	N/A
2000	1999	-	-	N/A	-	-	N/A	-	N/A
2001	2000	-	-	N/A	-	-	N/A	-	N/A
2002	2001	-	-	N/A	-	-	N/A	-	N/A
2003	2002	-	-	N/A	-	-	N/A	-	N/A
2004	2003	-	-	N/A	-	-	N/A	-	N/A

Notes:

- (1) After write-off of taxes.
- (2) No millage rate after sales tax rollback.

CITY OF MORROW, GEORGIA

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Tax Year	Fiscal Year	Assessed Tax Value	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
1994	1995	\$ 237,108,667	\$ 592,771,668	40%
1995	1996	222,431,067	556,077,668	40%
1996	1997	240,818,203	602,045,508	40%
1997	1998	262,421,522	656,053,805	40%
1998	1999	277,619,981	694,049,952	40%
1999	2000	284,235,510	710,588,775	40%
2000	2001	291,943,223	729,858,058	40%
2001	2002	293,788,978	734,472,445	40%
2002	2003	274,613,462	686,533,611	40%
2003	2004	287,331,471	718,328,735	40%

Source: Clayton County Tax Commissioner

CITY OF MORROW, GEORGIA

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Direct		Overlapping				Total
	City	School District	County	State	State	County	
							Per \$1,000 of Net Assessed Value (1)
1995	5.0	19.84	9.35	0.25	0.25	9.35	34.44
1996	0.91	19.84	9.10	0.25	0.25	9.10	30.10
1997	0.0	19.84	4.88	0.25	0.25	4.88	24.97
1998	0.0	18.34	4.65	0.25	0.25	4.65	23.24
1999	0.0	18.34	4.11	0.25	0.25	4.11	22.70
2000	0.0	17.916	3.913	0.25	0.25	3.913	22.079
2001	0.0	17.916	4.047	0.25	0.25	4.047	22.213
2002	0.0	17.916	5.882	0.25	0.25	5.882	24.048
2003	0.0	18.916	5.154	0.25	0.25	5.154	24.320
2004	0.0	18.916	6.882	0.25	0.25	6.882	26.048

Notes:
(1) Net assessed value is assessed value less exemptions.

Source: Clayton County Tax Commissioner

CITY OF MORROW, GEORGIA

Computation of Legal Debt Margin
 June 30, 2004
 (Unaudited)

Approximated Assessed Valuation (1)	<u>\$ 287,331,471</u>
Debt Limit: 10% of assessed value (2)	\$ 28,733,147
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 28,733,147</u>

Notes:
 (1) Source - Clayton County Tax Commissioner
 (2) State of Georgia Constitutional Limit

CITY OF MORROW, GEORGIA

Ratio of Net General Bonded Debt
to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (%)	Net Bonded Debt Per Capita
1994	5,424	\$ 224,032,172	\$ 155,000	\$ -	\$ 155,000	0.07%	\$ 29
1995	5,424	237,108,667	105,000	-	105,000	0.04%	19
1996	5,424	222,431,067	55,000	-	55,000	0.02%	10
1997	5,424	240,818,203	-	-	-	0.00%	-
1998	5,424	262,421,522	-	-	-	0.00%	-
1999	5,206	277,619,981	-	-	-	0.00%	-
2000	4,882	284,235,510	-	-	-	0.00%	-
2001	4,882	291,943,323	-	-	-	0.00%	-
2002	4,882	293,788,978	-	-	-	0.00%	-
2003	4,882	274,613,462	-	-	-	0.00%	-
2004	4,882	287,331,471	-	-	-	0.00%	-

Notes:

- (1) Source - U.S. Census Bureau
- (2) Source - Clayton County Tax Commissioner
- (3) General Obligation Bonds

CITY OF MORROW, GEORGIA

Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal	Interest Charges	Total Debt Service	Total General Governmental Expenditures (1)	Percentage of Debt Service To General Expenditures
1995	\$ 50,000	\$ 12,475	\$ 62,475	\$ 3,967,976	1.57%
1996	50,000	8,435	58,435	4,392,927	1.33%
1997	55,000	4,345	59,345	5,665,493	1.05%
1998	-	-	-	5,634,600	0.00%
1999	-	-	-	6,570,514	0.00%
2000	-	-	-	7,788,217	0.00%
2001	-	-	-	7,748,746	0.00%
2002	-	-	-	8,583,264	0.00%
2003	-	-	-	6,967,521	0.00%
2004	-	-	-	6,752,385	0.00%

Note:

(1) Includes General, Special Revenues, and Capital Projects Funds

CITY OF MORROW, GEORGIA

Computation of Direct and Overlapping Debt
 June 30, 2004
 (Unaudited)

Jurisdiction	Net Bonded Debt Outstanding	Percent Applicable To The City of Morrow	Amount Applicable To The City of Morrow
Direct:			
Overlapping:			
Clayton County Board of Education (1)	\$ -	-	\$ -
Total direct and overlapping general obligation debt	\$ -	-	\$ -

Sources:
 (1) Clayton County Accounting Office

CITY OF MORROW, GEORGIA

Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(1) Commercial Construction		(1) Residential Construction		(2) Commercial Bank Deposits	(3) Property Value		(3) Tax Exempt
	Number of Permits	Value	Number of Permits	Value		Commercial	Residential	
1995	42	\$ 7,154,195	5	\$ 62,300	\$ 408,084,000	\$ 299,142,135	\$ 83,695,380	\$ 30,019,125
1996	61	15,775,194	10	46,400	436,999,000	295,063,935	86,476,280	81,367,960
1997	50	4,078,466	8	42,265	446,157,000	316,407,635	86,599,083	83,436,920
1998	75	11,606,524	8	71,270	488,695,000	513,595,208	92,292,993	72,743,105
1999	65	14,656,031	14	4,734,676	516,455,000	544,423,250	92,568,935	17,719,453
2000	64	6,241,006	7	58,240	N/A	562,835,503	92,643,848	17,543,878
2001	58	10,663,655	7	204,898	481,569,000	573,915,653	106,518,033	24,023,810
2002	65	34,373,056	37	2,777,300	492,058,000	566,992,223	120,588,345	32,384,753
2003	59	14,354,051	88	9,536,670	501,960,000	522,701,014	114,739,240	49,093,350
2004	54	5,809,390	32	3,730,650	501,319,000	663,244,965	148,674,395	65,569,271

Sources:

- (1) City of Morrow Zoning Department
- (2) Federal Deposit Insurance Corporation - 1998 figures not yet available
- (3) Clayton County Tax Commissioner

CITY OF MORROW, GEORGIA

Principal Taxpayers

June 30, 2004

(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Percent of Assessed Value</u>	<u>Total Assessed Value</u>
Southlake Mall, LLC	Regional Mall Owner	40%	\$ 27,909,600
Inland Southeast Morrow, LLC	Shopping Center Owner	40%	16,137,200
Costco Wholesale Corporation	Warehouse/Retail	40%	7,362,696
Rich's Real Estate, Inc.	Retail/Property Management/Leasing	40%	7,041,200
Sherwin Williams Company	Manufacturing	40%	6,147,494
Inland Southeast Southlake	Shopping Center Owner	40%	6,085,000
Scott H Lee Jr. as Trustee	Shopping Center Owner	40%	6,073,621
OLP Southlake, LLC	Shopping Center Owner	40%	5,640,000
Paccar Parts Division	Warehouse/Retail	40%	5,471,115
Secured Properties Investors XI, LP	Shopping Center Owner	40%	5,373,183
Clayton Place, LLC	College Dormitory	40%	4,520,000
Sears Roebuck & Co.	Retail	40%	4,167,200
Macy's East, Inc.	Retail	40%	4,015,000
Secured Properties Investors	Shopping Center Owner	40%	3,720,000
Glenwood Morrow Co. LLC	Shopping Center Owner	40%	3,435,800
Wal-Mart Stores, LP #1047	Shopping Center Owner	40%	3,380,199
All others	VARIOUS	40%	26,773,365
Total			\$ 143,252,673

Source: Clayton County Tax Commissioner

CITY OF MORROW, GEORGIA

Miscellaneous Statistical Facts
June 30, 2004
(Unaudited)

Date of Incorporation	1943
Form of Government	Council/Manager
City Limits Area	4.0 Square Miles
Miles of Streets	29 Miles
Number of Street Lights	630
Education: (1)	
Attendance Centers	2
Number of Classrooms	81
Number of Modular Classrooms	23
Number of Teachers	98
Number of Students	1,290
Building Permits Issued	86
Recreation and Culture:	
Number of Parks	6
Community Center	1
Employees:	
Full-Time	93
Part-Time	6
Elected Officials	5
Appointed Officials	10

Source:

(1) Clayton County Board of Education

CITY OF MORROW, GEORGIA

Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(1) Population	(1) Per Capita Income	(2) Median Age	(3) School Enrollment	(4) Unemployment Rate
1995	5,424	\$ 15,716	32.4	1,371	5.00%
1996	5,424	15,716	32.4	1,373	3.30%
1997	5,206	15,716	32.4	1,535	3.20%
1998	5,206	15,716	32.4	1,303	2.80%
1999 (5)	5,133	15,716 (7)	32.2	1,629	3.60% (6)
2000	4,882 (9)	15,716 (7)	32.2	1,709	3.90%
2001	4,882 (9)	15,716 (7)	30.5 (9)	1,558	4.20% (6)(8)
2002	4,882 (9)	17,544 (9)	30.5 (9)	1,316	6.60% (6)
2003	4,882 (9)	17,544 (9)	30.5 (9)	1,374	4.40%
2004	4,882 (9)	17,544 (9)	30.5 (9)	1,290	4.10%

Sources:

- (1) U. S. Census Bureau
- (2) U. S. Census Bureau
- (3) Clayton County Board of Education
- (4) Georgia Department of Labor - * figures revised per Georgia Department of Labor
- (5) U. S. Census Bureau
- (6) Clayton County - N/A for cities under 10,000 population
- (7) Calculated at census - 1990
- (8) As of September 30, 2001
- (9) Calculated at last census - 2000

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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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each discretely presented component unit, 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting and its operation that we have reported to management of the City in a separate letter dated January 5, 2005.

Compliance and Other Matters

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

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

Cherry, Berkert & Holland L.L.P.

Atlanta, Georgia
January 5, 2005