

CITY OF MORROW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

Prepared by:
Dan Defnall
Director of Finance

Submitted By:
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City Manager

CITY OF MORROW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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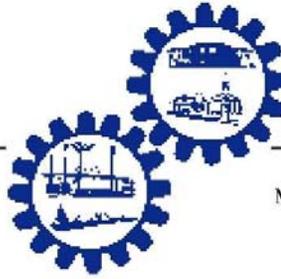
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INTRODUCTORY SECTION



December 23, 2010

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, 2010. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

1) INTRODUCTORY SECTION

This introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, a listing of the City's principal officials, and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2008-2009.

2) FINANCIAL SECTION

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

3) STATISTICAL SECTION

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

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

The data in the report is believed to be accurate in all material respects and conforms substantially with the standards of the GFOA program for the Certificate of Achievement for Excellence in Financial Reporting. This report will again be submitted to the GFOA for evaluation of eligibility for the Certificate for the 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 under 6,000, 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 seven departments: Administration, E911 Emergency Communication, Fire, Police, Public Works, Tourism, and Economic Development. The City Manager is appointed by the Mayor and Council to directly supervise these departments. The City provides many services to Morrow's residents and visitors, including police and fire protection, emergency medical service, emergency communications, code enforcement, public works, sanitation, and economic development.

The Downtown Development Authority of the City of Morrow, GA, 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. The Downtown Development Authority of the City of Morrow, GA, was created to develop, promote, maintain, and enhance a safe and economically viable central business district by focusing both public and private resources on the fulfillment of downtown's potential to benefit the entire community.

Another entity, the Morrow Business and Tourism Association, 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. The Morrow Business and Tourism Association provides residents, visitors, and businesses, alike with information about upcoming events, hotels, attractions, restaurants, and many other tourist related activities.

In FY 2009, the Morrow Housing Authority was established and activated to serve the residents of the City of Morrow by developing and maintaining decent and affordable housing, and promoting quality of life improvements for all citizens in a manner that supports a thriving community.

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 Macy's, J.C. Penney, and Sears, or relax in one of our ten 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, and Gang Resistance Education & Training (G.R.E.A.T.), "certified Mentors" who become role models by building self esteem and assisting children, and the Fire Safety Education programs.

ECONOMIC CONDITION AND OUTLOOK

The City of Morrow parallels the State of Georgia's economic outlook and both parties are coping with the current financial recession and all current economic predictions point to a very slow economic recovery. Locally, we are experiencing reduced retail sales that will show up in our FY 2010 business license data and the reduced retail sales will also impact sales tax revenues. Additionally, we should be prepared to see a number of additional retail store closings due to national retailer's weak balance sheets.

Sub-prime lending has created a national credit crisis and lower residential property values across the country. The City of Morrow's annual budget is reasonably insulated from this factor due to the \$170,000 homestead exemption and the fact that less than 25% of our tax digest is residential property. However, our older housing stock was built almost 40 years ago and functional obsolescence is a realistic factor for existing home re-sales.

Construction by the Georgia Department of Transportation has started and continues on the \$46 million construction contract for the Highway 54 and I-75 interchange and related bridges. The improvements include expanded lanes that will reduce traffic delays, a new bridge on Lee Street that will reduce congestion on Highway 54, and high mast lighting that will improve safety and visibility. It will take three years to complete all phases of construction and the City must work diligently with the road contractors to reduce traffic delays as much as possible. These improvements are expected to be completed in 2012.

Our retail base has remained strong and major corporations still consider the Mt. Zion corridor as the best physical location in Clayton County. However, the City has determined that future retail construction on the I-75 corridor will have an economic impact to the City; therefore, a redevelopment plan for the Southlake Mall area and an international import/export district have been designed. The City and our development authority have made strategic property purchases and will facilitate new construction on these properties. Our first major purchase was the former Macy's building in Southlake Mall and during fiscal year 2010. The City has completed the construction and began operation of the Morrow Conference Center at Southlake Mall.

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

MAJOR INITIATIVES

Morrow has created unique tourism opportunities with the opening of the State and National Archives. Combined they bring thousands of new visitors to the City and their average overnight stay has been projected as three days. This offers our hotels a great opportunity to target the market for family reunions.

The Morrow DDA and the City of Morrow have taken aggressive action to redevelop the Southlake Mall area. The newly constructed Olde Towne Morrow District opened during FY 2010 with two new restaurants and several small retail shoppes. The success of the Olde Towne Morrow development is a major focus of the City's economic development department. Olde Towne Morrow has a new roadway with a covered wooden bridge and six historic homes that are under restoration. The master plan allows for forty structures and creates a live, work, and play environment. The historic district provides for the diversification of our retail mix and encourages independent business and entrepreneurship.

Also during fiscal year 2010, the Morrow Conference Center opened in the former Macy's space at Southlake Mall. The Morrow Conference Center should increase our tourism revenue to City over the long-term. The citizens of Clayton County passed a SPLOST project of \$4 million for the Morrow Conference Center in 2008 and construction was completed during fiscal year 2010. The remaining space in the former Macy's building is being marketed by the Morrow DDA to potential retail tenants.

Gateway Village continues as a successful economic redevelopment project. The new town square (Morrow Station) has been completed and the adjacent 180 space parking deck has been completed as well. New office and mixed use construction should follow on adjacent property and increase the business and property tax value to the City. A pedestrian underpass for Highway 54 @ Gateway Village has been designed and a notice to proceed from the Georgia Department of Transportation has been issued and construction should begin in FY 2011. The City has been awarded federal grant funds to cover the cost of the construction. It will connect the pedestrian path system with Clayton State University, the State and National Archives, and the potential rail station in Morrow.

The goal of adding green space to Morrow's neighborhoods continues to make remarkable progress. During fiscal year 2009, the City purchased and annexed 30 additional acres behind Skylark Drive zoned for parks and recreational use related to our long-term pathway project. The City also created a master plan with additional parking and new playground equipment for the City Hall Park.

The first phase of our pedestrian trail system was completed in June 2008 and the second phase should start construction in FY 2011. The trail system will provide our citizens with a significant recreational resource, while also providing them with a future alternative transportation system.

FINANCIAL INFORMATION

Single Audit

The City of Morrow is not required to undergo an annual Single Audit in conformity with the provision of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." During fiscal year 2010, the City of Morrow did not receive federal funding at a level which required single audit presentation; therefore, a single audit is not included in this report.

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 \$32,109,840, which is equal to 10% of the Assessed Valuation of property within the city limits of the City. The City had \$6,511,649 of outstanding long-term debt at June 30, 2010. The long-term debt represents \$5,135,000 in revenue bonds issued in 2009 against the City's SPLOST funds for the construction of the Morrow Conference Center and the balance of a 20-year lease between the City of Morrow and the Morrow Downtown Development Authority with the proceeds being used for the re-financing of the Morrow Welcome Center.

Cash Management

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

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 Mauldin & Jenkins, Certified Public Accountants and Consultants, LLC, 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, 2009. 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 sixteen fiscal years (1994-2009). We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this report to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

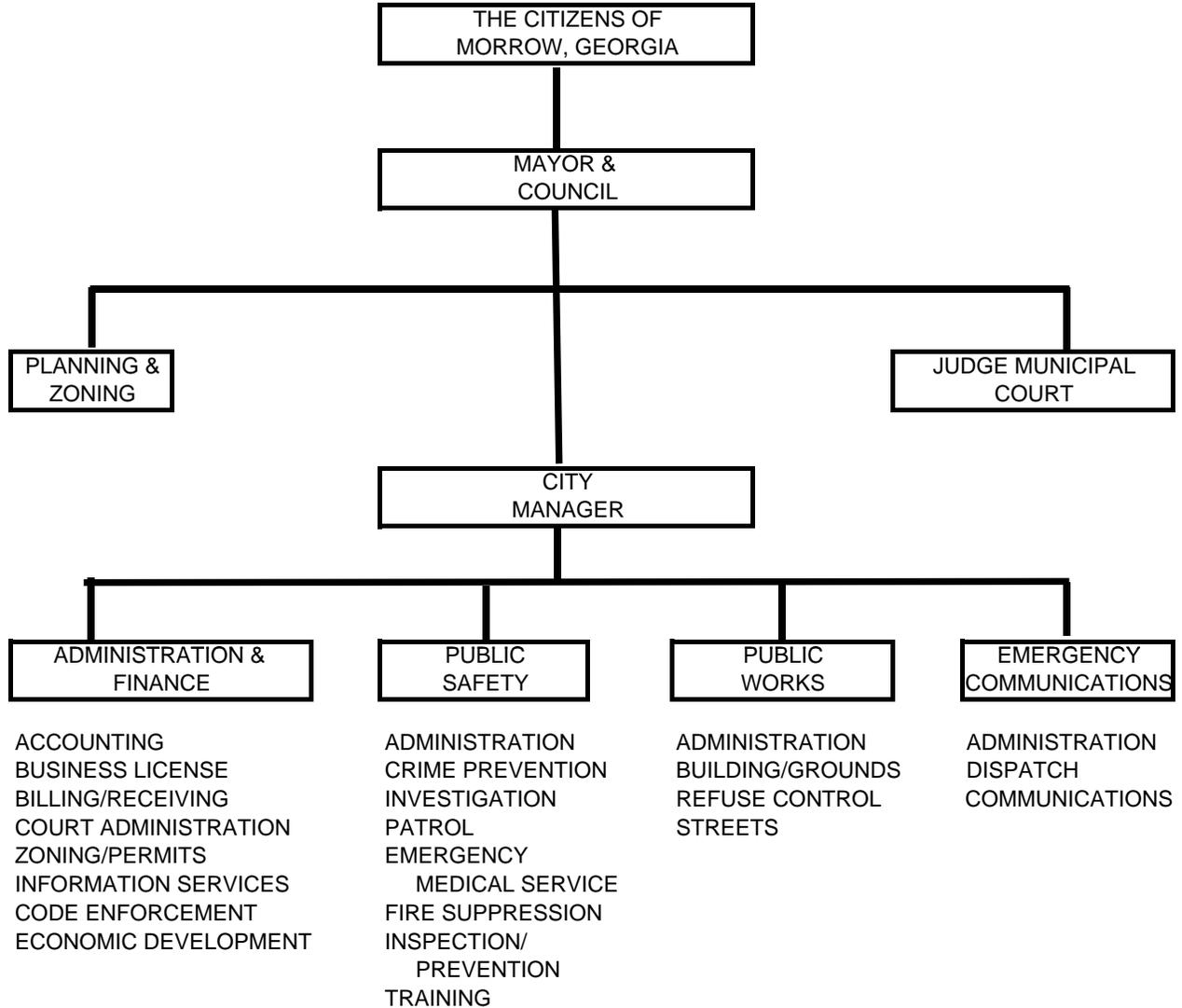
This report was produced through the dedication of the City's Finance department staff with cooperation from all city departments and our elected officials. I would like to thank the Finance Department staff, the City's department heads, and other staff members for their efforts and cooperation in preparation of these reports. Finally, I would like to thank the Morrow Mayor and City Council for their continued support, vision, guidance, and control of the City's financial affairs. They have set the example for excellence and we encourage our peers to follow their leadership.

Respectfully submitted,

Jeffrey Eady
City Manager

CITY OF MORROW, GEORGIA

ORGANIZATIONAL CHART



CITY OF MORROW, GEORGIA

PRINCIPAL OFFICIALS JUNE 30, 2010

ELECTED OFFICIALS

Mayor	James H. Millirons, Sr.
Council Member	Charles R. Huie
Council Member	John Lampl
Council Member	H. Mason Barfield
Council Member	Virlyn Slaton

APPOINTED OFFICIALS

City Manager	Jeffrey A. Eady
Finance Officer	Dan Defnall
City Clerk	Evyonne Browning
City Attorney	Laurel Henderson
Municipal Court Judge	Ronald J. Freeman
Police Chief	Jeffrey Baker
Fire Chief	Mark W. Herendeen
Public Works Director	Jeffrey A. Eady
Emergency Communications	Anou Sothsavath

PLANNING & ZONING BOARD

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

INDEPENDENT AUDITORS

Mauldin & Jenkins, LLC

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Morrow
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



President

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Morrow, Georgia** (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Morrow, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration of the City of Morrow, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 3 – 12) and the Schedule of Funding Progress (on page 48) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 City of Morrow, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Morrow, Georgia. The accompanying schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Macon, Georgia
December 20, 2010

CITY OF MORROW, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Morrow, we offer readers of the City of Morrow's financial statements this narrative overview and analysis of the financial activities of the City of Morrow for the fiscal year ended June 30, 2010. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by \$23,523,383 (net assets).
- The government's total net assets decreased \$9,578,585, due primarily to the transfer of capital assets with a cost of \$10,982,072 from the primary government to the City's component unit – the Downtown Development Authority.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of \$6,436,010, a decrease of \$6,904,414 in comparison with the prior year. Approximately 20 percent of this total amount, or \$1,257,180, is available for spending at the government's discretion (unreserved fund balance).
- During fiscal year 2008, the City of Morrow began receiving SPLOST funds for capital projects and will continue to do so for the next six years. As of June 30, 2010, the City's SPLOST fund reported a deficit fund balance of \$897,403 due to advances from the General Fund to the SPLOST fund in the current fiscal year to cover SPLOST expenditures on capital projects. During fiscal year 2010, the City spent \$6,535,456 on SPLOST funded capital projects. This deficit fund balance is expected to be restored to a positive fund balance in FY2011 as expenditures are expected be significantly less than revenues. The Urban Redevelopment Agency of the City of Morrow issued bonds in the amount of \$5.135 million during 2009. The proceeds of those bonds were used in fiscal year 2010 to fund construction of the Morrow Conference Center as a SPLOST fund project. These bonds will be paid with future SPLOST revenues.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$2,224,129 or 19% percent of total general fund expenditures for the fiscal year. During fiscal year 2010, the City made significant investment in capital asset expenditures related to major construction projects involving the Olde Towne Morrow Infrastructure.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole city, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. For proprietary funds, the statements offer short and long term financial information about activities the city operates like businesses, such as sanitation services. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

The purpose of the Statement of Net Assets and Statement of Activities is to answer the question, "How did we do financially during fiscal year 2010?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished over the course of the fiscal year. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, facility conditions, and other factors.

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

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

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

Reporting the City's Most Significant Funds

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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

Proprietary Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Morrow exceeded liabilities by \$23,523,383 as of June 30, 2010. The City's net assets decreased by \$9,578,585 for the fiscal year ended June 30, 2010. The decrease in net assets was primarily due to the transfer of \$10,982,072 of capital assets (e.g., land and buildings) from the general government to the Downtown Development Authority of the City of Morrow. 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, \$6,399,605, may be used to meet the government's ongoing obligations to citizens and creditors.

City of Morrow's Net Assets June 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 7,115,388	\$ 14,724,757	\$ 190,745	\$ 212,551	\$ 7,306,133	\$ 14,937,308
Capital assets, net	18,394,258	26,100,749	4,968,535	-	23,362,793	26,100,749
Total assets	25,509,646	40,825,506	5,159,280	212,551	30,668,926	41,038,057
Other liabilities	460,211	1,161,216	173,683	212,551	633,894	1,373,767
Long-term liabilities outstanding	6,511,649	6,562,322	-	-	6,511,649	6,562,322
Total liabilities	6,971,860	7,723,538	173,683	212,551	7,145,543	7,936,089
Net assets:						
Invested in capital assets, net of related debt	12,155,243	23,866,983	4,968,535	-	17,123,778	23,866,983
Unrestricted	6,382,543	9,234,985	17,062	-	6,399,605	9,234,985
Total net assets	\$ 18,537,786	\$ 33,101,968	\$ 4,985,597	\$ -	\$ 23,523,383	\$ 33,101,968

Business-Type Activities

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Morrow's Changes in Net Assets June 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 5,514,780	\$ 5,741,480	\$ 1,121,386	\$ 1,167,594	\$ 6,636,166	\$ 6,909,074
Operating grants and contributions	147,717	-	-	-	147,717	-
Capital grants and contributions	1,568,989	576,188	-	-	1,568,989	576,188
General revenues:						
Property taxes	1,769,748	1,618,013	-	-	1,769,748	1,618,013
Sales taxes	1,652,727	1,687,170	-	-	1,652,727	1,687,170
Franchise taxes	664,498	712,704	-	-	664,498	712,704
Other taxes	888,275	979,349	-	-	888,275	979,349
Miscellaneous	70,887	222,254	-	-	70,887	222,254
Unrestricted investment earnings	13,558	76,126	-	-	13,558	76,126
Gain on sale of capital assets	11,337	-	-	-	11,337	-
Total revenues	12,302,516	11,613,284	1,121,386	1,167,594	13,423,902	12,780,878
Expenses:						
General government	12,908,230	1,692,191	-	-	12,908,230	1,692,191
Judicial	353,217	388,218	-	-	353,217	388,218
Public safety	6,460,751	6,759,090	-	-	6,460,751	6,759,090
Public works	1,775,873	1,546,931	-	-	1,775,873	1,546,931
Economic development	161,156	163,313	-	-	161,156	163,313
Interest on long-term debt	250,977	73,201	-	-	250,977	73,201
Sanitation	-	-	923,938	1,001,787	923,938	1,001,787
Morrow Center	-	-	168,345	-	168,345	-
Total expenses	21,910,204	10,622,944	1,092,283	1,001,787	23,002,487	11,624,731
Increase (decrease) in net assets before transfers	(9,607,688)	990,340	29,103	165,807	(9,578,585)	1,156,147
Transfers	(4,956,494)	165,807	4,956,494	(165,807)	-	-
Change in net assets	(14,564,182)	1,156,147	4,985,597	-	(9,578,585)	1,156,147
Net assets, beginning of year	33,101,968	31,945,821	-	-	33,101,968	31,945,821
Net assets, end of year	\$ 18,537,786	\$ 33,101,968	\$ 4,985,597	\$ -	\$ 23,523,383	\$ 33,101,968

Governmental Activities

The substantial increase in general government expenses include the one-time expense of the transfer of \$10,982,072 of capital assets to the Downtown Development Authority of the City of Morrow that occurred in the current fiscal year. Excluding this one of a kind item, the net general government expenditures for 2010 would be \$1,926,158 compared to \$1,692,191 spent in 2009. Again excluding this one-time item, total expenses for 2010 are \$10,928,132 compared to \$10,622,944. Public safety expenses of \$6,460,751 represent 59% of the total governmental expenses (net of the \$10,982,072 transfer item), which represents a decrease from the previous year. Interest expense of \$250,977 represents 2% of total governmental expenses excluding the transfer item. Interest expense is attributable to debt financed for the Morrow Tourist Center building and the Morrow Conference Center.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cost of Program Services

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table above shows, for governmental and business-type activities, the combined total cost of services and the combined net cost of services, that is, it identifies the cost of these services supported by tax revenues. Although program revenues make up approximately 45% of the total governmental revenues, the City is dependent on tax revenues for governmental activities. The net cost of services related to governmental activities is \$5,412,642 (after adjusting for \$1,568,989 and \$147,717 in Capital Grants and Operating Grants program revenues and the expense item of \$10,982,072 for asset transfers) which approximates 109% of our total tax receipts of \$4,975,248.

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 Fund Balance

The focus of the City of Morrow's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Morrow's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2010, the total Governmental Funds of the City of Morrow reported a combined fund balance of \$6,436,010, a 52% percent decrease from last year, primarily due to a significant investment in capital assets from SPLOST funds.

The general fund is the chief operating fund of the City of Morrow. At the end of fiscal year 2010, the unreserved fund balance of the General Fund was \$2,224,129. The remainder of the general fund balance, \$5,178,830, is reserved to indicate that it is not available for new spending because it is already committed. The SPLOST fund unreserved fund balance was a deficit of \$897,403. The unreserved fund balance for all governmental funds was \$1,257,180. The total governmental reserved fund balance of \$5,178,830 represents commitments for prepaid expenditures (\$105,765), assets held for resale (\$1,960,531), and advances to the Downtown Development Authority (\$3,112,534). 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 governmental fund balance represents 11% of total governmental funds expenditures (net of the one-time transfer item), while total fund balance represents 59% of that same amount. The SPLOST Fund had a deficit fund balance of \$897,403. Other Governmental Funds had a deficit fund balance of \$69,546. These funds include special revenue funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Morrow's Governmental Fund Balance June 30, 2010

	2010	2009
General Fund	\$ 7,402,959	\$ 9,309,720
SPLOST Fund	(897,403)	4,069,064
Other Governmental Funds	(69,546)	(38,360)
Total Governmental Fund Balance	<u>\$ 6,436,010</u>	<u>\$ 13,340,424</u>

Proprietary Funds

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

General Fund Budgetary Highlights

- The City's budget is prepared according to Georgia law. The most significant budget fund is the General Fund.
- For the General Fund, the actual revenues of \$10,035,892 were less than the final budget amount of \$10,229,461 by \$193,569. The difference was primarily due to decreases in taxes and fines and forfeitures revenues.
- The general fund actual expenditures of \$11,719,427 were less than the budgeted amount of \$11,800,012 by \$80,585. The final budget for the year increased by \$2.45 million over the original budget due primarily to increased capital expenditures related to economic development projects (\$1.8 million). Additionally this increase was due to the intergovernmental transfer of assets (\$961,850), previously recorded as assets held for resale within the General Fund, to the Morrow Downtown Development Authority in fiscal year 2010.

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, 2010, totals \$23,362,793 (net of accumulated depreciation), a \$2,737,956 decrease from the previous year. This net decrease includes net additions of capital assets of \$8,519,448, a net decrease of \$10,020,222 for assets transferred from the primary government to the Morrow Downtown Development Authority, and a decrease of \$1,237,182 for fiscal year 2010 depreciation expenses. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The investment in capital assets for business-type activities added during the current year relate to the Morrow Conference Center.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- Completion of Morrow Conference Center Construction (\$4,814,830)
- Completion of Olde Towne Morrow Creek Corridor Shoppes (\$1,501,670)
- Completion of Infrastructure for Olde Towne Morrow District (\$558,741)
- Investment in historical buildings in Olde Morrow district (\$1,058,723)
- Equipment, Furniture and Fixtures for Morrow Conference Center (\$36,169)
- Jesters Creek Pathway projects (\$183,214)
- Public Safety Equipment (\$45,705)
- Street & Sidewalk Construction (\$313,063)
- Parks and Recreation (\$7,500)

City of Morrow's Capital Assets, net of Accumulated Depreciation June 30, 2010

	Governmental Activities		Business -type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 4,696,053	\$ 4,700,001	\$ -	\$ -	\$ 4,696,053	\$ 4,700,001
Buildings, grounds and improvements	2,553,996	2,698,787	4,935,546	-	7,489,542	2,698,787
Machinery and equipment	467,463	505,217	8,314	-	475,777	505,217
Furniture & fixtures	22,896	32,055	24,675	-	47,571	32,055
Infrastructure in process	462,123	10,000,414	-	-	462,123	10,000,414
Infrastructure	9,060,801	6,767,919	-	-	9,060,801	6,767,919
Vehicles	401,880	578,268	-	-	401,880	578,268
Computer Software	63,498	101,369	-	-	63,498	101,369
Park Facilities	665,548	716,719	-	-	665,548	716,719
Total	<u>\$ 18,394,258</u>	<u>\$ 26,100,749</u>	<u>\$ 4,968,535</u>	<u>\$ -</u>	<u>\$ 23,362,793</u>	<u>\$ 26,100,749</u>

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

Long-term Debt

As of June 30, 2010, the City of Morrow had total outstanding debt of \$6,511,649 comprised of \$5,135,000 in bonds payable, \$1,104,015 related to capital leases on the Morrow Tourist Center building and \$272,634 in compensated absences balances.

City of Morrow's Outstanding Long-Term Liabilities June 30, 2010

	Governmental Activities		Business -type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital leases	\$ 1,104,015	\$ 1,167,830	\$ -	\$ -	\$ 1,104,015	\$ 1,167,830
Bonds payable	5,135,000	5,135,000	-	-	5,135,000	5,135,000
Compensated absences	272,634	259,492	-	-	272,634	259,492
Total	<u>\$ 6,511,649</u>	<u>\$ 6,562,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,511,649</u>	<u>\$ 6,562,322</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the City's future for growth and prosperity:

- The City of Morrow parallels the State of Georgia's economic outlook and both parties are projecting the current recession to continue into the next few years with a very slow economic recovery. Locally, we continue to experience a negative impact to our tax revenues from reduced retail sales that will impact both our sales tax revenues and our future occupation tax revenues. Additionally, we expect to see increased retail store closings due to national retailer's weak balance sheets.
- Sub-prime lending has created a national credit crisis and lower residential property values across the country. Our county and city are one of the most negatively impacted areas in the State of Georgia, however, the City of Morrow's annual budget is reasonably insulated from this factor due to the \$170,000 homestead exemption and the fact that less than 25% of our tax digest is residential property. However, our older housing stock was built almost 40 years ago and functional obsolescence is a realistic factor for existing home re-sales.
- The City of Morrow property tax digest is primarily composed of commercial real estate, given that our city contains the primary retail corridor and hub within our county. The outlook for commercial real estate and their related property values is of primary concern as we consider our future budgeting. The City's tax digest for commercial property values has decreased by approximately 15% cumulatively since 2008.
- Construction by the Georgia Department of Transportation has started on the \$46 million construction contract for the Highway 54 and I-75 interchange and related bridges. The improvements include expanded lanes that will reduce traffic delays, a new bridge on Lee Street that will reduce congestion on Highway 54, and high mast lighting that will improve safety and visibility. Once this project is completed in 2012, we expect to see significant improvement in traffic flow which should help stimulate economic development opportunities to draw new businesses back into our City's retail base. However, we expect to continue to see short-term negative impacts over the next year as the construction impedes traffic from the interstate and through our City.
- The second phase of our pedestrian trail system is expected to be completed in 2011. The trail system will provide our citizens with a significant recreational resource, while also providing them with a future alternative transportation system.
- The City is currently conducting a Living Centers Initiative Study funded through a grant provided by the Atlanta Regional Commission. This study will provide market data and feasibility studies, along with recommendations that will allow our City leaders to evaluate our current and future business planning and budgeting efforts going for the future.
- The City completed construction and began operating the Morrow Conference Center at Southlake Mall. The Morrow Conference Center is an approximately 25,000 square foot facility offering a full service conference center which will provide new economic development opportunities for the area.
- Gateway Village continues to serve as a potential economic development project, which is a joint project with the Clayton County Economic Development department. The new town square (Morrow Station) and the adjacent 180 space parking deck have been completed. New office and mixed use construction should follow on adjacent property and increase the business and property tax value to the City. An underpass for Highway 54 is expected to be completed in 2011 funded by a state grant from the Georgia Department of Transportation for its construction. This underpass will connect the pedestrian path system with Clayton State University, the State and National Archives, and the potential rail station in Morrow.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the monies it receives. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Morrow, 1500 Morrow Rd, Morrow, Georgia 30260, 770-961-4002 or via email at ddefnall@cityofmorrow.com.

CITY OF MORROW, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total Primary Government	Downtown Development Authority	Morrow Business and Tourism Association	Morrow Housing Authority
Cash and cash equivalents	\$ 690,666	\$ 87,035	\$ 777,701	\$ 37,893	\$ 7,350	\$ 601
Investments	138,583	-	138,583	-	-	-
Taxes receivable	169,269	-	169,269	-	-	-
Accounts receivable	16,158	82,887	99,045	1,151,549	2,491	-
Due from primary government	-	-	-	15,847	-	-
Due from component unit	3,158,287	-	3,158,287	-	-	-
Due from other governments	781,394	-	781,394	-	-	-
Inventory	-	11,252	11,252	-	3,824	-
Prepaid expenses	105,765	-	105,765	-	2	-
Internal balances	(9,571)	9,571	-	-	-	-
Other noncurrent asset	104,306	-	104,306	122,315	-	-
Assets held for resale	1,960,531	-	1,960,531	-	-	-
Capital assets:						
Nondepreciable	5,158,176	-	5,158,176	7,373,204	-	-
Depreciable, net of accumulated depreciation	13,236,082	4,968,535	18,204,617	15,212,241	-	-
Total assets	<u>25,509,646</u>	<u>5,159,280</u>	<u>30,668,926</u>	<u>23,913,049</u>	<u>13,667</u>	<u>601</u>
LIABILITIES						
Accounts payable	199,485	89,306	288,791	39,634	2,208	-
Accrued liabilities	260,726	-	260,726	28,476	6,199	-
Deferred revenues	-	61,905	61,905	6,102	-	-
Customer deposits payable	-	6,625	6,625	-	-	-
Due to primary government	-	-	-	3,112,534	45,753	-
Due to component unit	-	15,847	15,847	-	-	-
Capital leases due within one year	66,328	-	66,328	-	-	-
Capital leases due in more than one year	1,037,687	-	1,037,687	-	-	-
Notes payable due within one year	-	-	-	58,054	-	-
Notes payable due in more than one year	-	-	-	1,201,241	-	-
Bonds payable due within one year	-	-	-	436,328	-	-
Bonds payable due in more than one year	5,135,000	-	5,135,000	9,651,687	-	-
Compensated absences due within one year	219,300	-	219,300	-	-	-
Compensated absences due in more than one year	53,334	-	53,334	-	-	-
Total liabilities	<u>6,971,860</u>	<u>173,683</u>	<u>7,145,543</u>	<u>14,534,056</u>	<u>54,160</u>	<u>-</u>
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	12,155,243	4,968,535	17,123,778	11,238,135	-	-
Unrestricted (deficit)	6,382,543	17,062	6,399,605	(1,859,142)	(40,493)	601
Total net assets	<u>\$ 18,537,786</u>	<u>\$ 4,985,597</u>	<u>\$ 23,523,383</u>	<u>\$ 9,378,993</u>	<u>\$ (40,493)</u>	<u>\$ 601</u>

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

CITY OF MORROW, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Morrow Business and Tourism Association	Morrow Housing Authority	
Primary government:											
Governmental activities:											
General government	\$ 12,908,230	\$ 1,081,785	\$ -	\$ -	\$ (11,826,445)	\$ -	\$ (11,826,445)	\$ -	\$ -	\$ -	
Judicial	353,217	-	-	-	(353,217)	-	(353,217)	-	-	-	
Public safety	6,460,751	4,432,995	147,717	-	(1,880,039)	-	(1,880,039)	-	-	-	
Public works	1,775,873	-	-	1,568,989	(206,884)	-	(206,884)	-	-	-	
Economic development	161,156	-	-	-	(161,156)	-	(161,156)	-	-	-	
Interest on long-term debt	250,977	-	-	-	(250,977)	-	(250,977)	-	-	-	
Total governmental activities	<u>21,910,204</u>	<u>5,514,780</u>	<u>147,717</u>	<u>1,568,989</u>	<u>(14,678,718)</u>	<u>-</u>	<u>(14,678,718)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Business-type activities:											
Sanitation	923,938	1,065,842	-	-	-	141,904	141,904	-	-	-	
Morrow Center	168,345	55,544	-	-	-	(112,801)	(112,801)	-	-	-	
Total business-type activities	<u>1,092,283</u>	<u>1,121,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,103</u>	<u>29,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 23,002,487</u>	<u>\$ 6,636,166</u>	<u>\$ 147,717</u>	<u>\$ 1,568,989</u>	<u>(14,678,718)</u>	<u>29,103</u>	<u>(14,649,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Component units:											
Downtown Development Authority	\$ 1,553,375	\$ 554,167	\$ -	\$ 10,982,072	-	-	-	9,982,864	-	-	
Morrow Business and Tourism Association	187,686	9,522	2,650	-	-	-	-	-	(175,514)	-	
Morrow Housing Authority	6,548	-	4,625	-	-	-	-	-	-	(1,923)	
Total component units	<u>\$ 1,747,609</u>	<u>\$ 563,689</u>	<u>\$ 7,275</u>	<u>\$ 10,982,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,982,864</u>	<u>(175,514)</u>	<u>(1,923)</u>	
General revenues:											
Property taxes					1,769,748	-	1,769,748	-	-	-	
Sales taxes					1,652,727	-	1,652,727	-	-	-	
Insurance premium tax					270,673	-	270,673	-	-	-	
Alcoholic beverage taxes					125,279	-	125,279	-	-	-	
Other taxes					492,323	-	492,323	-	155,168	-	
Miscellaneous					70,887	-	70,887	-	4,000	-	
Franchise taxes					664,498	-	664,498	-	-	-	
Unrestricted investment earnings					13,558	-	13,558	42,738	10	-	
Gain on sale of capital assets					11,337	-	11,337	4,750	-	-	
Transfers					(4,956,494)	4,956,494	-	-	-	-	
Total general revenues and transfers					<u>114,536</u>	<u>4,956,494</u>	<u>5,071,030</u>	<u>47,488</u>	<u>159,178</u>	<u>-</u>	
Change in net assets					<u>(14,564,182)</u>	<u>4,985,597</u>	<u>(9,578,585)</u>	<u>10,030,352</u>	<u>(16,336)</u>	<u>(1,923)</u>	
Net assets (deficit), beginning of year					33,101,968	-	33,101,968	(651,359)	(24,157)	2,524	
Net assets (deficit), end of year					<u>\$ 18,537,786</u>	<u>\$ 4,985,597</u>	<u>\$ 23,523,383</u>	<u>\$ 9,378,993</u>	<u>\$ (40,493)</u>	<u>\$ 601</u>	

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

CITY OF MORROW, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

ASSETS	General	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 426,309	\$ 257,507	\$ 6,850	\$ 690,666
Investments	138,583	-	-	138,583
Taxes receivable	103,638	-	65,631	169,269
Accounts receivable	1,060	-	15,098	16,158
Advance to component unit	3,112,534	-	-	3,112,534
Due from component unit	45,753	-	-	45,753
Due from other governments	475,794	305,600	-	781,394
Due from other funds	1,531,586	-	-	1,531,586
Prepaid expenditures	105,765	-	-	105,765
Assets held for resale	1,960,531	-	-	1,960,531
Total assets	\$ 7,901,553	\$ 563,107	\$ 87,579	\$ 8,552,239
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 154,805	\$ 39,324	\$ 5,356	\$ 199,485
Accrued liabilities	216,383	-	4,407	220,790
Deferred revenues	117,835	36,962	-	154,797
Due to other funds	9,571	1,384,224	147,362	1,541,157
Total liabilities	498,594	1,460,510	157,125	2,116,229
FUND BALANCES (DEFICIT)				
Fund balances:				
Reserved for:				
Prepaid expenditures	105,765	-	-	105,765
Advances	3,112,534	-	-	3,112,534
Assets held for resale	1,960,531	-	-	1,960,531
Unreserved, reported in:				
General fund	2,224,129	-	-	2,224,129
Capital project funds	-	(897,403)	-	(897,403)
Special revenue funds	-	-	(69,546)	(69,546)
Total fund balances (deficit)	7,402,959	(897,403)	(69,546)	6,436,010
Total liabilities and fund balances	\$ 7,901,553	\$ 563,107	\$ 87,579	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				18,394,258
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				154,797
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.				(6,447,279)
Net assets of governmental activities				\$ 18,537,786

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

CITY OF MORROW, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Revenues				
Property taxes	\$ 1,743,042	\$ -	\$ -	\$ 1,743,042
Other taxes	2,048,679	-	492,323	2,541,002
Charges for services	978,654	-	152,301	1,130,955
Licenses and permits	1,071,343	-	-	1,071,343
Intergovernmental	595,577	1,566,270	-	2,161,847
Franchise fees	664,498	-	-	664,498
Fines and forfeitures	2,849,680	-	14,942	2,864,622
Interest revenue	13,532	2,719	26	16,277
Rental income	22,500	-	-	22,500
Other revenues	48,387	-	-	48,387
Total revenues	<u>10,035,892</u>	<u>1,568,989</u>	<u>659,592</u>	<u>12,264,473</u>
Expenditures				
Current:				
General government	4,393,190	-	-	4,393,190
Judicial	354,340	-	-	354,340
Public safety	5,365,986	-	839,117	6,205,103
Public works	1,321,775	-	-	1,321,775
Economic development	-	-	155,168	155,168
Capital outlay	-	6,535,456	-	6,535,456
Debt service:				
Principal	63,815	-	-	63,815
Interest	220,321	-	-	220,321
Total expenditures	<u>11,719,427</u>	<u>6,535,456</u>	<u>994,285</u>	<u>19,249,168</u>
Deficiency of revenues under expenditures	<u>(1,683,535)</u>	<u>(4,966,467)</u>	<u>(334,693)</u>	<u>(6,984,695)</u>
Other financing sources (uses)				
Transfers in	479,059	-	640,662	1,119,721
Transfers out	(713,622)	-	(337,155)	(1,050,777)
Proceeds from the sale of capital assets	11,337	-	-	11,337
Total other financing sources (uses)	<u>(223,226)</u>	<u>-</u>	<u>303,507</u>	<u>80,281</u>
Net change in fund balances	<u>(1,906,761)</u>	<u>(4,966,467)</u>	<u>(31,186)</u>	<u>(6,904,414)</u>
Fund balances (deficit), beginning of year	<u>9,309,720</u>	<u>4,069,064</u>	<u>(38,360)</u>	<u>13,340,424</u>
Fund balances (deficit), end of year	<u>\$ 7,402,959</u>	<u>\$ (897,403)</u>	<u>\$ (69,546)</u>	<u>\$ 6,436,010</u>

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

CITY OF MORROW, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Net change in fund balances - total governmental funds	\$ (6,904,414)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,339,169
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to decrease net assets	(15,045,660)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	26,706
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	34,571
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(14,554)</u>
	<u>\$ (14,564,182)</u>

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

CITY OF MORROW, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ·
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,422,000	\$ 1,807,874	\$ 1,743,042	\$ (64,832)
Other taxes	2,004,090	2,111,906	2,048,679	(63,227)
Charges for services	755,762	1,060,330	978,654	(81,676)
Licenses and permits	926,580	1,014,858	1,071,343	56,485
Intergovernmental	449,000	495,262	595,577	100,315
Franchise fees	681,000	665,091	664,498	(593)
Fines and forfeitures	3,027,100	2,981,442	2,849,680	(131,762)
Interest revenue	50,000	16,703	13,532	(3,171)
Rental income	231,000	24,000	22,500	(1,500)
Other revenues	1,430	51,995	48,387	(3,608)
Total revenues	<u>9,547,962</u>	<u>10,229,461</u>	<u>10,035,892</u>	<u>(193,569)</u>
Expenditures:				
Current:				
General government:				
Mayor / Commission	237,864	214,161	212,977	1,184
General administration	787,637	1,629,966	1,641,707	(11,741)
Finance	346,953	342,969	341,362	1,607
Economic development	282,862	579,264	578,363	901
Capital outlay	-	1,886,864	1,617,464	269,400
Total general government	<u>1,658,316</u>	<u>4,654,541</u>	<u>4,393,190</u>	<u>261,351</u>
Judicial:				
Municipal court	<u>442,275</u>	<u>382,887</u>	<u>354,340</u>	<u>28,547</u>
Public safety:				
Police	2,649,715	2,571,890	2,564,443	7,447
Fire	2,571,613	2,764,500	2,755,838	8,662
Capital outlay	-	45,705	45,705	-
Total public safety	<u>5,221,328</u>	<u>5,382,095</u>	<u>5,365,986</u>	<u>16,109</u>
Public works:				
Administration	1,111,271	1,004,219	1,000,952	3,267
Capital outlay	-	62,135	320,823	(258,688)
Total public works	<u>1,111,271</u>	<u>1,066,354</u>	<u>1,321,775</u>	<u>(255,421)</u>
Debt service	<u>921,234</u>	<u>314,135</u>	<u>284,136</u>	<u>29,999</u>
Total expenditures	<u>9,354,424</u>	<u>11,800,012</u>	<u>11,719,427</u>	<u>80,585</u>
Excess (deficiency) of revenues under expenditures	<u>193,538</u>	<u>(1,570,551)</u>	<u>(1,683,535)</u>	<u>(112,984)</u>

(Continued)

CITY OF MORROW, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ·
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 448,828	\$ 414,044	\$ 479,059	\$ 65,015
Transfers out	(642,366)	(737,933)	(713,622)	24,311
Proceeds from the sale of capital assets	-	15,116	11,337	(3,779)
Total other financing sources (uses)	<u>(193,538)</u>	<u>(308,773)</u>	<u>(223,226)</u>	<u>85,547</u>
Net change in fund balances	-	(1,879,324)	(1,906,761)	(27,437)
Fund balances, beginning of year	<u>9,309,720</u>	<u>9,309,720</u>	<u>9,309,720</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,309,720</u>	<u>\$ 7,430,396</u>	<u>\$ 7,402,959</u>	<u>\$ (27,437)</u>

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

CITY OF MORROW, GEORGIA

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010**

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 52,609	\$ 34,426	\$ 87,035
Inventory	-	11,252	11,252
Accounts receivable	82,887	-	82,887
Due from other funds	-	9,571	9,571
Capital assets - depreciable, net	-	4,968,535	4,968,535
Total current assets	<u>135,496</u>	<u>5,023,784</u>	<u>5,159,280</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	83,162	6,144	89,306
Customer deposits payable	-	6,625	6,625
Deferred revenues	52,334	9,571	61,905
Due to component unit	-	15,847	15,847
Total current liabilities	<u>135,496</u>	<u>38,187</u>	<u>173,683</u>
NET ASSETS			
Invested in capital assets	-	4,968,535	4,968,535
Unrestricted	-	17,062	17,062
Total net assets	<u>\$ -</u>	<u>\$ 4,985,597</u>	<u>\$ 4,985,597</u>

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

CITY OF MORROW, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Sanitation Fund	Morrow Center Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 1,065,842	\$ 55,544	\$ 1,121,386
Total operating revenues	<u>1,065,842</u>	<u>55,544</u>	<u>1,121,386</u>
OPERATING EXPENSES			
Purchased or contracted services	923,938	102,690	1,026,628
Depreciation	-	65,655	65,655
Total operating expenses	<u>923,938</u>	<u>168,345</u>	<u>1,092,283</u>
Operating income (loss)	141,904	(112,801)	29,103
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>5,025,438</u>	<u>5,025,438</u>
TRANSFERS			
Transfers in	-	72,960	72,960
Transfers out	(141,904)	-	(141,904)
Total transfers	<u>(141,904)</u>	<u>72,960</u>	<u>(68,944)</u>
Change in net assets	-	4,985,597	4,985,597
NET ASSETS, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ -</u>	<u>\$ 4,985,597</u>	<u>\$ 4,985,597</u>

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

CITY OF MORROW, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,092,527	\$ 45,973	\$ 1,138,500
Payments to suppliers	(1,000,993)	(75,755)	(1,076,748)
Net cash provided by (used in) operating activities	<u>91,534</u>	<u>(29,782)</u>	<u>61,752</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	(141,904)	72,960	(68,944)
Net cash provided by (used in) noncapital financing activities	<u>(141,904)</u>	<u>72,960</u>	<u>(68,944)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(8,752)	(8,752)
Net cash used in capital and related financing activities	<u>-</u>	<u>(8,752)</u>	<u>(8,752)</u>
Increase (decrease) in cash and cash equivalents	(50,370)	34,426	(15,944)
Cash and cash equivalents:			
Beginning of year	<u>102,979</u>	<u>-</u>	<u>102,979</u>
End of year	<u>\$ 52,609</u>	<u>\$ 34,426</u>	<u>\$ 87,035</u>
Noncash investing, capital, and financing activities:			
Transfer of capital assets from other funds	\$ -	\$ 5,025,438	\$ 5,025,438
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ 5,025,438</u>	<u>\$ 5,025,438</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 141,904	\$ (112,801)	\$ 29,103
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	65,655	65,655
Changes in assets and liabilities:			
Decrease in accounts receivable	26,685	-	26,685
Increase in inventory	-	(11,252)	(11,252)
Increase (decrease) in accounts payable	(75,983)	6,144	(69,839)
Decrease in accrued liabilities	(1,072)	-	(1,072)
Increase in customer deposits	-	6,625	6,625
Increase in due to component unit	-	15,847	15,847
Net cash provided by (used in) operating activities	<u>\$ 91,534</u>	<u>\$ (29,782)</u>	<u>\$ 61,752</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**CITY OF MORROW, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Morrow, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the City has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

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

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 and as amended by GASB Statement 39, the City was determined to have the following component units as of June 30, 2010.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

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

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

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

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

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

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

E. Cash and Cash Equivalents

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deposits and Investments

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

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund 1 was created under OCGA 36-83-8 and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value). The pool is regulated by the Georgia Office of Treasury and Fiscal Services.

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

G. Prepaid Items

Prepaid items are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure/expense is made for goods or services that were purchased for consumption, but not consumed as of June 30.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Short-Term Interfund Receivables/Payables

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

I. Grants from Other Governments

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

J. Capital Assets

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended June 30, 2010, there was no capitalized interest.

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

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

K. Long-Term Liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

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

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

M. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Funds which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2010, there were no encumbrances outstanding.

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Use of Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “certain liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$6,447,279 difference are as follows:

Capital leases	\$ 1,104,015
Bonds payable	5,135,000
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(104,306)
Compensated absences	272,634
Accrued interest	39,936
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 6,447,279</u>

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$7,339,169 difference are as follows:

Capital outlay	\$ 8,519,448
Depreciation expense	(1,180,279)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 7,339,169</u>

Another element of the reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.” The details of this \$15,045,660 difference are as follows:

In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold or donated to other entities.	\$ (10,020,222)
Transfers of capital assets to other funds decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>(5,025,438)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u>\$ (15,045,660)</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$34,571 difference are as follows:

Principal retirement of long-term debt	\$ 63,815
Amortization of bond issuance cost	<u>(29,244)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 34,571</u></u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$14,554 difference are as follows:

Change in accrued interest	\$ (1,412)
Change in compensated absences	<u>(13,142)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (14,554)</u></u>

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2010, are summarized as follows:

As reported in the Statement of Net Assets:	
Cash and cash equivalents	\$ 777,701
Investments	138,583
	<u><u>\$ 916,284</u></u>
Cash deposited with financial institutions	\$ 777,701
Cash deposited with Georgia Fund 1	138,583
	<u><u>\$ 916,284</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. It is the City's policy to limit its investments to those allowed and authorized by State law. As of June 30, 2010, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At June 30, 2010, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	46 day weighted average	<u>\$ 138,583</u>

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

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

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

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2010, all of the City's bank balances were covered by either federal depository insurance or by collateral held by the City's agent in the City's name.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 4. RECEIVABLES

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

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor Governmental</u>	<u>Sanitation</u>	<u>Total</u>
Receivables:					
Taxes	\$ 126,569	\$ -	\$ 65,631	\$ -	\$ 192,200
Accounts Due from	1,060	-	15,098	82,887	99,045
other governments	<u>475,794</u>	<u>305,600</u>	<u>-</u>	<u>-</u>	<u>781,394</u>
Gross receivables	603,423	305,600	80,729	82,887	1,072,639
Less: allowance	<u>(22,931)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,931)</u>
Total receivables	<u>\$ 580,492</u>	<u>\$ 305,600</u>	<u>\$ 80,729</u>	<u>\$ 82,887</u>	<u>\$ 1,049,708</u>

Property Taxes

Property taxes were levied on September 8, 2009, (Levy Date) based upon property values assessed as of January 1. The billings were mailed on October 6, 2009, and payable on or before December 7, 2009, for the fiscal year 2010 tax. Taxes not paid within 30 days of the December 7th due date are subject to property tax liens on January 7, 2010. Property tax revenues are recognized when levied to the extent they result in current receivables.

The tax rate levied during fiscal year 2010 for the City's operations was 6 mills (mill equals \$1 per thousand dollars of assessed value).

The City considers property taxes receivable at June 30, 2010, to be fully collectible and does not maintain an allowance for uncollectible property taxes.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,700,001	\$ -	\$ (489,500)	\$ 485,552	\$ 4,696,053
Infrastructure in process	10,000,414	8,180,139	(9,530,722)	(8,187,708)	462,123
Total capital assets, not being depreciated	<u>14,700,415</u>	<u>8,180,139</u>	<u>(10,020,222)</u>	<u>(7,702,156)</u>	<u>5,158,176</u>
Capital assets, being depreciated:					
Buildings, grounds, and improvements	4,373,384	-	-	-	4,373,384
Machinery and equipment	907,005	45,705	(57,008)	-	895,702
Furniture and fixtures	230,876	27,417	-	(27,417)	230,876
Infrastructure	7,086,305	258,687	-	2,704,135	10,049,127
Vehicles	2,810,686	-	-	-	2,810,686
Computer software	432,907	-	-	-	432,907
Park facilities and improvements	882,558	7,500	-	-	890,058
Total capital assets, being depreciated	<u>16,723,721</u>	<u>339,309</u>	<u>(57,008)</u>	<u>2,676,718</u>	<u>19,682,740</u>
Less accumulated depreciation for:					
Buildings, grounds, and improvements	(1,674,597)	(144,791)	-	-	(1,819,388)
Machinery and equipment	(401,788)	(83,459)	57,008	-	(428,239)
Furniture and fixtures	(198,821)	(9,159)	-	-	(207,980)
Infrastructure	(318,386)	(669,940)	-	-	(988,326)
Vehicles	(2,232,418)	(176,388)	-	-	(2,408,806)
Computer software	(331,538)	(37,871)	-	-	(369,409)
Park facilities and improvements	(165,839)	(58,671)	-	-	(224,510)
Total accumulated depreciation	<u>(5,323,387)</u>	<u>(1,180,279)</u>	<u>57,008</u>	<u>-</u>	<u>(6,446,658)</u>
Total capital assets, being depreciated, net	<u>11,400,334</u>	<u>(840,970)</u>	<u>-</u>	<u>2,676,718</u>	<u>13,236,082</u>
Governmental activities capital assets, net	<u>\$ 26,100,749</u>	<u>\$ 7,339,169</u>	<u>\$ (10,020,222)</u>	<u>\$ (5,025,438)</u>	<u>\$ 18,394,258</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, being depreciated:					
Buildings, grounds, and improvements	\$ -	\$ -	\$ -	\$ 4,998,021	\$ 4,998,021
Machinery and equipment	-	8,752	-	-	8,752
Furniture and fixtures	-	-	-	27,417	27,417
Total capital assets, being depreciated	<u>-</u>	<u>8,752</u>	<u>-</u>	<u>5,025,438</u>	<u>5,034,190</u>
Less accumulated depreciation for:					
Buildings, grounds, and improvements	-	(62,475)	-	-	(62,475)
Machinery and equipment	-	(438)	-	-	(438)
Furniture and fixtures	-	(2,742)	-	-	(2,742)
Total accumulated depreciation	<u>-</u>	<u>(65,655)</u>	<u>-</u>	<u>-</u>	<u>(65,655)</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ (56,903)</u>	<u>\$ -</u>	<u>\$ 5,025,438</u>	<u>\$ 4,968,535</u>

During the year ended June, 30, 2010, assets with a net book value of \$5,025,438 were transferred from Governmental activities to Business-type activities.

B. Primary Government (Continued)

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

Governmental activities:	
General government	\$ 102,111
Public safety	293,732
Public works	782,433
Economic development	2,003
Total depreciation expense - governmental activities	<u>\$ 1,180,279</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Downtown Development Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 7,168,704	\$ 204,500	\$ -	\$ 7,373,204
Total capital assets, not being depreciated	<u>7,168,704</u>	<u>204,500</u>	<u>-</u>	<u>7,373,204</u>
Capital assets, being depreciated:				
Buildings, grounds, and improvements	5,526,389	6,623,296	(285,000)	11,864,685
Infrastructure	640,260	4,257,606	-	4,897,866
Furniture and fixtures	17,202	93,796	-	110,998
Signs	53,131	-	-	53,131
Total capital assets, being depreciated	<u>6,236,982</u>	<u>10,974,698</u>	<u>(285,000)</u>	<u>16,926,680</u>
Less accumulated depreciation for:				
Buildings, grounds, and improvements	(846,381)	(573,048)	4,750	(1,414,679)
Infrastructure	(112,280)	(146,054)	-	(258,334)
Furniture and fixtures	(6,257)	(22,200)	-	(28,457)
Signs	(9,427)	(3,542)	-	(12,969)
Total accumulated depreciation	<u>(974,345)</u>	<u>(744,844)</u>	<u>4,750</u>	<u>(1,714,439)</u>
Total capital assets, being depreciated, net	<u>5,262,637</u>	<u>10,229,854</u>	<u>(280,250)</u>	<u>15,212,241</u>
Total capital assets, net	<u>\$ 12,431,341</u>	<u>\$ 10,434,354</u>	<u>\$ (280,250)</u>	<u>\$ 22,585,445</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

A. Primary Government

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 1,167,830	\$ -	\$ (63,815)	\$ 1,104,015	\$ 66,328
Bonds payable	5,135,000	-	-	5,135,000	-
Compensated absences	259,492	225,021	(211,879)	272,634	219,300
Governmental activity Long-term liabilities	<u>\$ 6,562,322</u>	<u>\$ 225,021</u>	<u>\$ (275,694)</u>	<u>\$ 6,511,649</u>	<u>\$ 285,628</u>

Compensated absences are substantially liquidated by the General Fund.

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

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

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2010:

Fiscal year ending June 30,		
2011		\$ 107,982
2012		107,982
2013		107,982
2014		107,982
2015		107,982
2016-2020		539,912
2021-2024		330,988
Total minimum lease payments		<u>1,410,810</u>
Less amount representing interest		(306,795)
Present value of minimum lease payments		<u>\$ 1,104,015</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Revenue Bonds. In June 2009, the City issued revenue bonds where the City pledged income derived from a 1% special purpose local option sales tax levied by Clayton County to pay debt service. The City's SPLOST revenue bonds outstanding at June 30, 2010, are as follows:

Series 2008 \$5,135,000 SPLOST Revenue Bonds, due in annual installments through May 1, 2015, including interest of 3.44%. \$ 5,135,000

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2011	\$ -	\$ 176,644	\$ 176,644
2012	1,220,000	176,644	1,396,644
2013	1,260,000	134,676	1,394,676
2014	1,305,000	91,332	1,396,332
2015	1,350,000	46,440	1,396,440
Total	\$ 5,135,000	\$ 625,736	\$ 5,760,736

B. Discretely Presented Component Unit – Downtown Development Authority

The following is a summary of long-term debt activity for the Development Authority for the year ended June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Development Authority					
Bonds payable	\$ 10,507,624	\$ -	\$ (419,609)	\$ 10,088,015	\$ 436,328
Note payable	717,360	1,300,000	(758,065)	1,259,295	58,054
Development Authority Long-term liabilities	\$ 11,224,984	\$ 1,300,000	\$ (1,177,674)	\$ 11,347,310	\$ 494,382

Bonds Payable. The Downtown Development Authority of the City of Morrow, issued bonds in the amount of \$1,500,000. The proceeds of these bonds were used to purchase the Morrow Welcome Center building from the County. In June 2007, the Authority issued bonds (Series 2007) in the amount of \$10,000,000. The proceeds of these bonds were used to purchase the Macy's Building from the City. In May 2008, the Authority issued new bonds (Series 2008) to refinance the Series 2007 bonds at a lower interest rate. Bonds payable at June 30, 2010, are as follows:

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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

Purpose	Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
Welcome Center Building	3.86%	20 years	2024	\$ 1,500,000	\$ 1,104,015
Macy's Building	3.39%	10 years	2017	10,000,000	8,984,000
					<u>\$ 10,088,015</u>

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

Fiscal year ending June 30,	Principal	Interest	Total
2011	\$ 436,328	\$ 346,212	\$ 782,540
2012	448,926	331,071	779,997
2013	471,925	315,490	787,415
2014	494,430	299,125	793,555
2015	517,345	281,972	799,317
2016 - 2020	7,408,601	562,757	7,971,358
2021 - 2024	310,760	20,240	331,000
Total	<u>\$ 10,088,315</u>	<u>\$ 2,156,867</u>	<u>\$ 12,245,182</u>

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

Interest Rate	Term	Due Date	Amount
5.91%	3 years	2013	<u>\$ 1,259,295</u>

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

Fiscal year ending June 30,	Principal	Interest	Total
2011	\$ 58,054	\$ 72,831	\$ 130,885
2012	61,579	69,305	130,884
2013	1,139,662	11,193	1,150,855
Total	<u>\$ 1,259,295</u>	<u>\$ 153,329</u>	<u>\$ 1,412,624</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

The City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the current rate is 9.19% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees.

At January 1, 2010, the date of the most recent actuarial valuation, there were 174 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	36
Vested terminated employees not yet receiving benefits	34
Active employees	104
Total	174

As of the most recent valuation date, January 1, 2010, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/10	\$ 8,858,997	\$ 9,099,687	\$ 240,690	97.4 %	\$ 4,400,873	5.5 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2010.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Summary of Significant Accounting Policies

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

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

C. Funding Policy

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

The annual required contribution for the current year was determined as part of the January 1, 2010, actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% per year, compounded annually and net of investment expenses and (b) projected salary increases of 3% for inflation and 0.5% for merit or seniority. The period and related method for amortizing the initial unfunded actuarial accrued liability varies for the bases, with a net effective amortization period of 10 years. These amortization periods are closed for this plan year.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Annual Pension Cost

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

NOTE 8. DEFINED CONTRIBUTION PENSION PLAN

The City participates in the Georgia Municipal Association 401(a) Defined Contribution Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, CitiStreet. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City. Employees are not required to contribute to the Plan. The City contributes an amount equal to 50% of the amount contributed by participants to the City's plan, except that the City shall not match in excess of 4% of the participant's annual compensation. The City's contribution for each employee is 100% vested after five (5) years of continuous service. For the fiscal year ending June 30, 2010, the City's contribution to the Plan was \$40,574.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. BUDGET COMPLIANCE AND DEFICIT FUND BALANCE

A. Excess of Expenditures over Appropriations

For the year ended June 30, 2010, expenditures exceeded budget appropriations, as follows:

Fund	Excess
General Fund	
General government - administration	\$ 11,741
Capital outlay	258,688

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

B. Deficit Fund Balance

The SPLOST Fund had a deficit fund balance of \$897,403 at June 30, 2010 which is expected to be reduced with future SPLOST intergovernmental revenues. In addition, the Confiscated Assets Fund had a deficit fund balance of \$69,546 at June 30, 2010, which is expected to be reduced through future confiscations and transfers.

NOTE 10. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the fiscal year ended June 30, 2010, \$465,432 of hotel/motel tax was collected. Of the total collected, 33% was used for the promotion of tourism within the City.

NOTE 11. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2010, are as follows:

Due To	Due From			Total
	General Fund	SPLOST Fund	Nonmajor Governmental	
General Fund	\$ -	\$ 1,384,224	\$ 147,362	\$ 1,531,586
Morrow Center	9,571	-	-	9,571
Total	\$ 9,571	\$ 1,384,224	\$ 147,362	\$ 1,541,157

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended June 30, 2010, consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Morrow Center</u>	
General Fund	\$ -	\$ 640,662	\$ 72,960	\$ 713,622
Nonmajor Governmental	337,155	-	-	337,155
Sanitation	141,904	-	-	141,904
Total	<u>\$ 479,059</u>	<u>\$ 640,662</u>	<u>\$ 72,960</u>	<u>\$ 1,192,681</u>

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

During the year ended June 30, 2010, the City transferred capital assets with a net book value of \$5,025,438 from the General Fund to the Morrow Center Fund. This transfer is reflected in the governmental activities column and the business-type activities column in the government-wide financial statements.

NOTE 12. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). During its year ended June 30, 2010, the City's membership dues were paid by Clayton County, Georgia on the City's behalf. Membership in a regional commission (RC) is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the ARC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: Atlanta Regional Commission, 3715 Northside Parkway, 200 North Creek Suite 300, Atlanta, Georgia 30327.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. COMMITMENTS AND CONTINGENCIES

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

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

NOTE 14. RISK MANAGEMENT

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

**COMBINING STATEMENTS
AND SCHEDULES**

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

SPECIAL REVENUE FUNDS

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

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

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

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

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

CITY OF MORROW, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS	Emergency Communication Fund	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Excise Tax Fund	Totals
Cash and cash equivalents	\$ -	\$ -	\$ 6,850	\$ -	\$ 6,850
Taxes receivable	-	64,618	-	1,013	65,631
Accounts receivable	15,098	-	-	-	15,098
Total assets	\$ 15,098	\$ 64,618	\$ 6,850	\$ 1,013	\$ 87,579
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 5,356	\$ -	\$ -	\$ -	\$ 5,356
Accrued expenses	4,407	-	-	-	4,407
Due to other funds	5,335	64,618	76,396	1,013	147,362
Total liabilities	15,098	64,618	76,396	1,013	157,125
FUND BALANCES (DEFICIT)					
Unreserved	-	-	(69,546)	-	(69,546)
Total fund balances (deficit)	-	-	(69,546)	-	(69,546)
Total liabilities and fund balances	\$ 15,098	\$ 64,618	\$ 6,850	\$ 1,013	\$ 87,579

CITY OF MORROW, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Emergency Communication Fund	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Excise Tax Fund	Totals
Revenues					
Other taxes	\$ -	\$ 465,432	\$ -	\$ 26,891	\$ 492,323
Charges for services	152,301	-	-	-	152,301
Fines and forfeitures	-	-	14,942	-	14,942
Interest revenue	-	-	26	-	26
Total revenues	<u>152,301</u>	<u>465,432</u>	<u>14,968</u>	<u>26,891</u>	<u>659,592</u>
Expenditures					
Public safety	792,963	-	46,154	-	839,117
Economic development	-	155,168	-	-	155,168
Total expenditures	<u>792,963</u>	<u>155,168</u>	<u>46,154</u>	<u>-</u>	<u>994,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(640,662)</u>	<u>310,264</u>	<u>(31,186)</u>	<u>26,891</u>	<u>(334,693)</u>
Other financing sources (uses)					
Transfers in	640,662	-	-	-	640,662
Transfers out	-	(310,264)	-	(26,891)	(337,155)
Total other financing sources (uses)	<u>640,662</u>	<u>(310,264)</u>	<u>-</u>	<u>(26,891)</u>	<u>303,507</u>
Net change in fund balances	-	-	(31,186)	-	(31,186)
Fund balances (deficit), beginning of year	<u>-</u>	<u>-</u>	<u>(38,360)</u>	<u>-</u>	<u>(38,360)</u>
Fund balances (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,546)</u>	<u>\$ -</u>	<u>\$ (69,546)</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Charges for services	\$ 166,800	\$ 141,127	\$ 152,301	\$ 11,174
Total revenues	<u>166,800</u>	<u>141,127</u>	<u>152,301</u>	<u>11,174</u>
Expenditures				
Public safety	809,166	805,865	792,963	12,902
Total expenditures	<u>809,166</u>	<u>805,865</u>	<u>792,963</u>	<u>12,902</u>
Deficiency of revenues under expenditures	<u>(642,366)</u>	<u>(664,738)</u>	<u>(640,662)</u>	<u>24,076</u>
Other financing sources				
Transfers in	642,366	664,738	640,662	(24,076)
Total other financing sources	<u>642,366</u>	<u>664,738</u>	<u>640,662</u>	<u>(24,076)</u>
Net change in fund balance	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Other taxes	\$ 478,008	\$ 408,042	\$ 465,432	\$ 57,390
Expenditures				
Economic development	159,336	156,014	155,168	846
Total expenditures	<u>159,336</u>	<u>156,014</u>	<u>155,168</u>	<u>846</u>
Excess of revenues over expenditures	<u>318,672</u>	<u>252,028</u>	<u>310,264</u>	<u>58,236</u>
Other financing uses				
Transfers out	<u>(318,672)</u>	<u>(311,028)</u>	<u>(310,264)</u>	<u>764</u>
Total other financing uses	<u>(318,672)</u>	<u>(311,028)</u>	<u>(310,264)</u>	<u>764</u>
Net change in fund balance	-	(59,000)	-	59,000
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ (59,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 59,000</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Fines and forfeitures	\$ 50,000	\$ 3,800	\$ 14,942	\$ 11,142
Interest	-	-	26	26
Total revenues	<u>50,000</u>	<u>3,800</u>	<u>14,968</u>	<u>11,168</u>
Expenditures				
Public safety	<u>50,000</u>	<u>47,000</u>	<u>46,154</u>	<u>846</u>
Total expenditures	<u>50,000</u>	<u>47,000</u>	<u>46,154</u>	<u>846</u>
Net change in fund balance	-	(43,200)	(31,186)	12,014
Fund balances (deficit), beginning of year	<u>-</u>	<u>-</u>	<u>(38,360)</u>	<u>(38,360)</u>
Fund balances (deficit), end of year	<u>\$ -</u>	<u>\$ (43,200)</u>	<u>\$ (69,546)</u>	<u>\$ (26,346)</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Other taxes	\$ 30,000	\$ 28,028	\$ 26,891	\$ (1,137)
Other financing uses				
Transfers out	(30,000)	(28,028)	(26,891)	1,137
Net change in fund balance	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MORROW, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX - 2008 ISSUE
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Pedestrian Path System Phase I	\$ 139,448	\$ 139,448	\$ 139,950	\$ -	\$ 139,950
Pedestrian Path System Phase II	690,000	690,000	79,251	189,135	268,386
Pedestrian Path System Phase III	861,025	861,025	448,925	2,404	451,329
Barton Park Phase IV	377,901	377,901	-	-	-
Morrow Conference Center	4,051,626	4,051,626	252,896	4,842,247	5,095,143
Olde Morrow Creek Corridor	2,160,000	2,160,000	325,111	1,501,670	1,826,781
Pedestrian Path System Phase V	290,000	290,000	-	-	-
Pedestrian Path System Phase VI	290,000	290,000	-	-	-
Lee Street Pedestrian Facility	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 9,860,000</u>	<u>\$ 9,860,000</u>	<u>\$ 1,246,133</u>	<u>\$ 6,535,456</u>	<u>\$ 7,781,589</u>

CITY OF MORROW, GEORGIA COMPONENT UNITS

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

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

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

CITY OF MORROW, GEORGIA

**STATEMENT OF CASH FLOWS
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Downtown Development Authority	Morrow Business and Tourism Association	Morrow Housing Authority	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 587,095	\$ 183,757	\$ 4,625	\$ 775,477
Payments to suppliers	(343,921)	(87,849)	(6,548)	(438,318)
Payments to employees	-	(105,128)	-	(105,128)
Net cash provided by (used in) operating activities	<u>243,174</u>	<u>(9,220)</u>	<u>(1,923)</u>	<u>232,031</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances to primary government	(21,837)	-	-	(21,837)
Net cash used in noncapital financing activities	<u>(21,837)</u>	<u>-</u>	<u>-</u>	<u>(21,837)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases and construction of property and equipment	(197,125)	-	-	(197,125)
Proceeds from the sale of capital assets	285,000	-	-	285,000
Proceeds from notes payable	1,300,000	-	-	1,300,000
Principal paid on bonds	(758,065)	-	-	(758,065)
Principal paid on notes payable and capital leases	(419,609)	-	-	(419,609)
Interest paid	(441,526)	-	-	(441,526)
Net cash used in capital and related financing activities	<u>(231,325)</u>	<u>-</u>	<u>-</u>	<u>(231,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	42,738	-	-	42,738
Net cash provided by investing activities	<u>42,738</u>	<u>-</u>	<u>-</u>	<u>42,738</u>
Change in cash and cash equivalents	32,750	(9,220)	(1,923)	21,607
Cash and cash equivalents:				
Beginning of year	5,143	16,570	-	21,713
End of year	<u>\$ 37,893</u>	<u>\$ 7,350</u>	<u>\$ 601</u>	<u>\$ 43,320</u>
Noncash investing, capital, and financing activities:				
Contributed capital	\$ 10,982,072	\$ -	\$ -	\$ 10,982,072
Total noncash investing, capital and financing activities	<u>\$ 10,982,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,982,072</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Net operating loss	\$ (561,871)	\$ (16,336)	\$ (1,923)	\$ (580,130)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	744,844	-	-	744,844
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	26,827	(1,651)	-	25,176
Decrease in inventory	-	10	-	10
Decrease in prepaid expenses	-	12	-	12
Increase in due to primary government	-	14,058	-	14,058
Increase (decrease) in accounts payable	27,272	(1,716)	-	25,556
Increase (decrease) in accrued liabilities	6,102	(3,597)	-	2,505
Net cash provided by (used in) operating activities	<u>\$ 243,174</u>	<u>\$ (9,220)</u>	<u>\$ (1,923)</u>	<u>\$ 232,031</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	58 - 63
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	64 - 68
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i>	
Debt Capacity	69 - 71
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	72 and 73
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	74 - 77
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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

CITY OF MORROW, GEORGIA

**NET ASSETS BY ACTIVITY
LAST SEVEN FISCAL YEARS**

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Governmental activities							
Invested in capital assets, net of related debt	\$ 5,083,996	\$ 5,205,049	\$ 7,095,827	\$ 9,908,611	\$ 19,813,630	\$ 23,866,983	\$ 12,155,243
Unrestricted	6,869,262	8,540,017	9,096,281	16,204,109	12,132,191	9,234,985	6,382,543
Total governmental activities net assets	<u>\$ 11,953,258</u>	<u>\$ 13,745,066</u>	<u>\$ 16,192,108</u>	<u>\$ 26,112,720</u>	<u>\$ 31,945,821</u>	<u>\$ 33,101,968</u>	<u>\$ 18,537,786</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,968,535
Unrestricted	-	(5,877)	-	-	-	-	17,062
Total business-type activities net assets	<u>\$ -</u>	<u>\$ (5,877)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,985,597</u>
Primary government							
Invested in capital assets, net of related debt	\$ 5,083,996	\$ 5,205,049	\$ 7,095,827	\$ 9,908,611	\$ 19,813,630	\$ 23,866,983	\$ 17,123,778
Unrestricted	6,869,262	8,534,140	9,096,281	16,204,109	12,132,191	9,234,985	6,399,605
Total primary government net assets	<u>\$ 11,953,258</u>	<u>\$ 13,739,189</u>	<u>\$ 16,192,108</u>	<u>\$ 26,112,720</u>	<u>\$ 31,945,821</u>	<u>\$ 33,101,968</u>	<u>\$ 23,523,383</u>

CITY OF MORROW, GEORGIA

CHANGES IN NET ASSETS LAST SEVEN FISCAL YEARS

Expenses	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Primary government:							
Governmental activities:							
General government	\$ 1,321,684	\$ 1,152,346	\$ 1,685,149	\$ 2,693,482	\$ 1,916,132	\$ 1,692,191	\$ 12,908,230
Judicial	56,042	167,032	174,165	190,486	312,561	388,218	353,217
Public safety	4,444,719	4,504,847	4,570,661	5,117,869	6,179,546	6,759,090	6,460,751
Public works	722,379	805,648	1,024,683	570,783	1,286,678	1,546,931	1,775,873
Economic development	-	161,067	163,076	241,854	187,103	163,313	161,156
Interest and fiscal changes	-	54,812	52,728	50,289	48,488	73,201	250,977
Total governmental activities expenses	<u>6,544,824</u>	<u>6,845,752</u>	<u>7,670,462</u>	<u>8,864,763</u>	<u>9,930,508</u>	<u>10,622,944</u>	<u>21,910,204</u>
Business-type activities:							
Sanitation	972,091	964,547	975,755	1,175,632	1,081,972	1,001,787	923,938
Morrow Center	-	-	-	-	-	-	168,345
Total business-type activities expenses	<u>972,091</u>	<u>964,547</u>	<u>975,755</u>	<u>1,175,632</u>	<u>1,081,972</u>	<u>1,001,787</u>	<u>1,092,283</u>
Total primary government expenses	<u>7,516,915</u>	<u>7,810,299</u>	<u>8,646,217</u>	<u>10,040,395</u>	<u>11,012,480</u>	<u>11,624,731</u>	<u>23,002,487</u>
Program revenues							
Primary government:							
Governmental activities:							
Charges for services ^(a) :							
General government	1,143,315	1,517,619	1,351,249	1,285,924	1,312,562	1,036,261	1,081,785
Public safety	1,760,057	1,983,424	2,600,898	3,531,926	4,357,563	4,705,219	4,432,995
Operating grants and contributions	168,777	193,820	25,403	201,476	-	-	147,717
Capital grants and contributions	-	-	-	-	3,143,132	576,188	1,568,989
Total governmental activities program revenues	<u>3,072,149</u>	<u>3,694,863</u>	<u>3,977,550</u>	<u>5,019,326</u>	<u>8,813,257</u>	<u>6,317,668</u>	<u>7,231,486</u>
Business-type activities:							
Charges for services	1,163,091	1,236,396	1,118,367	1,372,292	1,240,150	1,167,594	1,121,386
Total business-type activities program revenues	<u>1,163,091</u>	<u>1,236,396</u>	<u>1,118,367</u>	<u>1,372,292</u>	<u>1,240,150</u>	<u>1,167,594</u>	<u>1,121,386</u>
Total primary government program revenues	<u>4,235,240</u>	<u>4,931,259</u>	<u>5,095,917</u>	<u>6,391,618</u>	<u>10,053,407</u>	<u>7,485,262</u>	<u>8,352,872</u>
Net (expense)/revenue							
Governmental activities	(3,472,675)	(3,150,889)	(3,692,912)	(3,845,437)	(1,117,251)	(4,305,276)	(14,678,718)
Business-type activities	191,000	271,849	142,612	196,660	158,178	165,807	29,103
Total primary government net expense	<u>(3,281,675)</u>	<u>(2,879,040)</u>	<u>(3,550,300)</u>	<u>(3,648,777)</u>	<u>(959,073)</u>	<u>(4,139,469)</u>	<u>(14,649,615)</u>

(Continued)

CITY OF MORROW, GEORGIA

CHANGES IN NET ASSETS LAST SEVEN FISCAL YEARS

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

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

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

CITY OF MORROW, GEORGIA

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS**

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved	\$ 128,549	\$ 248,463	\$ 1,792,221	\$ 2,854,931	\$ 5,638,783	\$ 6,121,142	\$ 5,178,830
Unreserved	6,770,133	8,335,453	7,325,715	13,113,113	6,672,617	3,188,578	2,224,129
Total General fund	<u>\$ 6,898,682</u>	<u>\$ 8,583,916</u>	<u>\$ 9,117,936</u>	<u>\$ 15,968,044</u>	<u>\$ 12,311,400</u>	<u>\$ 9,309,720</u>	<u>\$ 7,402,959</u>
All Other Governmental Funds							
Reserved, reported in:							
Special revenue funds	\$ 152,282	\$ 154,982	\$ 193,109	\$ 524,006	\$ 71,702	\$ -	\$ -
Unreserved, reported in:							
Capital projects funds	-	-	-	-	-	4,069,064	(897,403)
Special revenue funds	-	-	-	-	-	(38,360)	(69,546)
Total all other governmental funds	<u>\$ 152,282</u>	<u>\$ 154,982</u>	<u>\$ 193,109</u>	<u>\$ 524,006</u>	<u>\$ 71,702</u>	<u>\$ 4,030,704</u>	<u>\$ (966,949)</u>

CITY OF MORROW, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST SEVEN FISCAL YEARS

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

(Continued)

CITY OF MORROW, GEORGIA

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Net change in fund balances	\$ (166,645)	\$ 1,687,934	\$ 572,147	\$ 7,181,005	\$ (4,108,948)	\$ 957,322	\$ (6,904,414)
Debt service as a percentage of non-capital expenditures	3.19%	1.45%	1.48%	1.30%	1.12%	1.08%	2.65%

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

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

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

CITY OF MORROW, GEORGIA

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

Tax Digest Year	Real Property				Other Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Mobile Homes	Motor Vehicles						
2004	\$ 59,469,758	\$ 229,527,529	\$ -	\$ 12,089,750	\$ 42,617,874	\$ (43,240,586)	\$ 300,464,325	4.00	\$ 751,160,813	40%
2005	67,187,097	227,682,973	-	11,916,590	42,299,241	(49,223,686)	299,862,215	4.00	749,655,538	40%
2006	74,472,627	238,603,261	-	11,499,110	45,188,601	(51,408,070)	318,355,529	5.00	795,888,823	40%
2007	86,063,353	240,437,907	-	12,361,360	46,887,405	(53,401,350)	332,348,675	5.00	830,871,688	40%
2008	91,255,372	247,037,731	-	13,200,010	45,340,561	(57,525,739)	339,307,935	5.00	848,269,838	40%
2009	84,532,382	231,618,951	-	13,611,450	46,431,470	(55,095,856)	321,098,397	6.00	802,745,993	40%

Source: Clayton County Tax Commissioner

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

CITY OF MORROW, GEORGIA

PROPERTY TAX RATES LAST TEN TAX DIGEST YEARS

<u>Tax Digest Year</u>	<u>State of Georgia</u>	<u>City of Morrow ⁽¹⁾</u>	<u>Clayton County</u>	<u>School District</u>	<u>Total Millage Rate</u>
2000	0.250	0.000	4.047	17.916	22.213
2001	0.250	0.000	5.882	17.916	24.048
2002	0.250	0.000	5.154	18.916	24.320
2003	0.250	0.000	6.882	18.916	26.048
2004	0.250	4.000	6.882	18.916	30.048
2005	0.250	4.000	7.781	18.916	30.947
2006	0.250	5.000	8.764	20.000	34.014
2007	0.250	5.000	8.535	19.836	33.621
2008	0.250	5.000	11.436	19.836	36.522
2009	0.250	6.000	11.436	20.000	37.686

Source: Clayton County Tax Commissioner

(1) Includes maintenance and operations only

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

CITY OF MORROW, GEORGIA

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND SIX YEARS AGO**

Taxpayer	2009 (Tax Digest Year)			2004 (Tax Digest Year)		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southlake Mall, LLC	\$ 28,949,090	1	9.02%	\$ 27,909,600	1	9.29%
DDRTC	23,609,200	2	7.35%			
Southlake Atlanta LLC	9,121,600	3	2.84%			
Paccar Inc.	6,816,462	4	2.12%	5,471,115	9	1.82%
Costco	7,595,178	5	2.37%	7,362,696	3	2.45%
ECM Southlake	7,363,400	6	2.29%			
Sherwin Williams	6,208,366	7	1.93%	6,147,494	5	2.05%
Scott H Lee as Trustee	6,248,400	8	1.95%	6,073,621	7	2.02%
Glenwood Morrow	5,320,200	9	1.66%			
Clayton Place	4,053,790	10	1.26%			
Inland Southeast				16,137,200	2	5.37%
Inland Southeast Southlake				6,085,000	6	2.03%
Rich's Real Estate Inc.				7,041,200	4	2.34%
OLP Southlake				5,640,000	8	1.88%
Secured Prop Investors				5,373,183	10	1.79%
ALL OTHERS	215,812,711		67.21%	207,223,216		68.97%
Total	<u>\$ 321,098,397</u>		<u>100.00%</u>	<u>\$ 300,464,325</u>		<u>100.00%</u>

Source: Clayton County Tax Commissioner

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

CITY OF MORROW, GEORGIA

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

Fiscal Year	Taxes Levied	Errors, Releases or Adjustments	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	% of Levy		Amount	% of Levy
2005	\$ 1,094,214	\$ -	\$ 1,094,214	\$ 1,073,981	98.15%	\$ 20,233	\$ 1,094,214	100.00%
2006	1,066,274	1,984	1,068,258	1,051,898	98.47%	16,360	1,068,258	100.00%
2007	1,366,192	14,787	1,380,979	1,344,975	97.39%	35,201	1,380,176	99.94%
2008	1,520,933	(19,307)	1,501,626	1,483,899	98.82%	16,149	1,500,048	99.89%
2009	1,550,823	(11,614)	1,539,209	1,497,633	97.30%	33,320	1,530,953	99.46%
2010	1,697,259	21,699	1,718,958	1,636,993	95.23%	-	1,636,993	95.23%

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

CITY OF MORROW, GEORGIA

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
July	\$ 130,014	\$ 143,054	\$ 129,633	\$ 141,590	\$ 148,824	\$ 147,778	\$ 148,490	\$ 179,390	\$ 136,062
August	134,874	129,951	127,552	120,262	154,530	149,708	137,592	147,924	164,788
September	135,965	129,925	124,577	162,901	146,804	181,762	137,362	184,280	145,208
October	112,265	124,976	129,745	150,591	176,290	170,091	127,180	175,408	138,145
November	138,256	113,979	140,343	139,505	156,849	194,440	143,040	120,291	135,900
December	129,285	146,802	107,492	135,643	150,803	113,268	171,375	162,189	143,843
January	119,932	121,894	139,221	136,788	125,776	143,592	142,258	127,109	125,081
February	134,748	133,496	131,328	149,329	173,497	168,296	153,206	100,307	128,428
March	253,268	124,068	140,000	112,397	153,052	128,364	135,482	80,860	142,603
April	-	124,887	124,063	148,986	84,146	127,969	142,195	94,804	134,106
May	146,796	114,060	137,410	154,249	210,912	150,267	139,954	135,404	127,869
June	-	135,838	144,191	159,443	166,573	163,590	184,664	142,468	121,396
Adjustment	-	-	6,989	6,585	7,103	7,327	3,008	-	10,792
Total	<u>\$ 1,435,403</u>	<u>\$ 1,542,930</u>	<u>\$ 1,582,544</u>	<u>\$ 1,718,269</u>	<u>\$ 1,855,159</u>	<u>\$ 1,846,452</u>	<u>\$ 1,765,806</u>	<u>\$ 1,650,434</u>	<u>\$ 1,654,221</u>

Note: Detailed monthly amounts were not available prior to fiscal year 2002, therefore, only the last 8 years are presented.
Source: City records.

CITY OF MORROW, GEORGIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Estimated Actual Value of Taxable Property</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>	<u>Personal Income (thousands of dollars)</u>	<u>Population</u>
	<u>Revenue Bonds</u>	<u>Capital Leases</u>						
2001	\$ -	\$ 36,012	\$ 36,012	0.01%	0.05%	\$ 7.38	\$ 76,862	4,882
2002	-	29,745	29,745	0.01%	0.03%	6.09	85,650	4,882
2003	-	98,987	98,987	0.04%	0.12%	20.28	85,650	4,882
2004	-	1,452,454	1,452,454	0.51%	1.70%	297.51	85,630	4,882
2005	-	1,400,066	1,400,066	0.47%	1.64%	286.78	85,630	4,882
2006	-	1,345,340	1,345,340	0.45%	1.57%	275.57	85,630	4,882
2007	-	1,288,336	1,288,336	0.40%	1.50%	263.90	85,630	4,882
2008	-	1,229,240	1,229,240	0.37%	1.44%	251.79	85,630	4,882
2009	5,135,000	1,167,830	6,302,830	1.86%	7.36%	1,291.03	85,630	4,882
2010	5,135,000	1,104,015	6,239,015	1.94%	7.29%	1,277.96	85,630	4,882

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Assessed value of taxable property</u>	<u>Debt Limit (10% of assessed value)</u>	<u>Amount of outstanding debt applicable to debt limit</u>	<u>Legal debt margin</u>	<u>Total net debt applicable to the limit as a percentage of debt limit</u>
2001	\$ 291,943,223	\$ 29,194,322	\$ 36,012	\$ 29,158,310	0.12%
2002	293,788,978	29,378,898	29,745	29,349,153	0.10%
2003	274,613,462	27,461,346	98,987	27,362,359	0.36%
2004	287,331,471	28,733,147	1,452,454	27,280,693	5.05%
2005	300,464,325	30,046,433	1,400,066	28,646,367	4.66%
2006	299,862,215	29,986,222	1,345,340	28,640,882	4.49%
2007	318,355,529	31,835,553	1,288,336	30,547,217	4.05%
2008	332,348,675	33,234,868	1,229,240	32,005,628	3.70%
2009	339,307,935	33,930,794	6,302,830	27,627,964	18.58%
2010	321,098,397	32,109,840	6,239,015	25,870,825	19.43%

CITY OF MORROW, GEORGIA

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2010**

Jurisdiction	Debt Outstanding	Percentage Applicable to the City of Morrow ^(a)	Amount Applicable to the City of Morrow
Clayton County, Georgia- Overlapping Debt			
Capital leases payable	\$ 7,990,128	5.41%	\$ 432,525
Revenue bonds payable	27,146,808	5.41%	1,469,523
Subtotal Overlapping Debt			<u>1,902,049</u>
City of Morrow, Georgia- Direct Debt			
			<u>6,239,015</u>
Total Direct and Overlapping Debt			<u><u>\$ 8,141,064</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County. Debt outstanding provided by the County (as of June 30, 2010) and City Finance Departments.

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

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

CITY OF MORROW, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽⁶⁾	Per Capita Personal Income ⁽¹⁾	Median Age ⁽¹⁾	Unemployment Rate ⁽²⁾	School Enrollment ⁽³⁾
2001	4,882 (5)	76,725,512	15,716 (4)	30.5 (5)	4.20%	1,558
2002	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	6.60%	1,316
2003	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	4.40%	1,374
2004	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	4.10%	1,290
2005	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	5.40%	1,312
2006	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	5.40%	1,312
2007	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	5.40%	1,312
2008	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	5.80%	1,312
2009	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	10.00%	1,313
2010	4,882 (5)	85,649,808	17,544 (5)	30.5 (5)	10.00%	1,313

Sources:

- (1) U.S. Census Bureau
- (2) Georgia Department of Labor
- (3) Clayton County Board of Education
- (4) Calculated at census - 1990
- (5) Calculated at last census - 2000
- (6) Georgia Department of Labor

CITY OF MORROW, GEORGIA

TEN LARGEST EMPLOYERS IN MORROW CURRENT YEAR AND FIVE YEARS AGO

<u>Business</u>	<u>2010</u>			<u>2006</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Wal-Mart Super Center	338	1	22.59%	477	1	26.00%
Costco	269	2	17.98%	115	6	8.00%
Macy's	239	3	15.98%	141	4	
Target	135	4	9.02%			
Bestbuy	107	5	7.15%	107	8	12.00%
Sears	94	6	6.28%	134	5	6.00%
Cracker Barrel	93	7	6.22%	110	7	7.00%
JC Penney	87	8	5.82%	213	3	6.00%
Burlington Coat Factory	75	9	5.01%	60	9	3.00%
Barnes and Noble	59	10	3.94%	59	10	3.00%
Sherwin Williams				325	2	19.00%

Source: City records.

Information prior to 2006 was not available.

CITY OF MORROW, GEORGIA

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

<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Police Department</u>	<u>Fire Department</u>	<u>Inspections</u>	<u>E-911</u>	<u>Total</u>
2001	23	33	26	1	10	93
2002	24	35	26	1	10	96
2003	24	35	26	1	10	96
2004	24	35	26	1	10	96
2005	26	36	27	1	10	100
2006	27	39	29	1	12	108
2007	33	37	34	1	12	117
2008	40	39	37	1	15	132
2009	31	36	38	1	14	120
2010	25	35	33	1	12	106

CITY OF MORROW, GEORGIA

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

Function	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Citations issued	9,286	11,016	8,628	7,508	7,503	10,352	14,055	22,185	22,096	13,561
DUI Citations issued	41	38	67	61	48	76	124	260	109	122
Warnings issued	3,522	3,522	2,663	1,778	2,297	3,638	3,880	770	8,577	10,220
Crime Statistics:										
Aggravated Assault	8	9	23	13	18	8	13	8	9	14
Auto Theft	177	162	179	186	138	98	64	68	65	57
Murder	-	1	-	-	-	1	1	-	-	-
Rape	1	3	2	2	3	-	-	4	2	-
Robbery	24	42	42	31	32	33	33	24	21	13
Burglary	43	53	49	41	54	51	45	65	74	57
Theft	993	1,043	1,014	1,121	1,021	762	766	970	814	683
Fire										
Incident responses	1,960	1,833	1,739	1,833	1,966	1,978	2,100	2,000	1,963	2,120
Public Safety Education										
Events	93	78	82	113	78	113	115	115	112	113
Persons contacted	4,674	3,948	4,122	3,936	3,936	16,621	17,115	17,425	16,498	17,915

Source: City police and fire department records.

CITY OF MORROW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST SEVEN FISCAL YEARS

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

Sources: Various City departments.

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

CITY OF MORROW, GEORGIA

CONSTRUCTION ACTIVITY LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Residential Permits Issued</u>	<u>Residential Value</u>	<u>Commercial Permits Issued</u>	<u>Commercial Value</u>
2001	7	204,898	58	10,663,655
2002	37	2,777,300	65	34,373,056
2003	88	9,536,670	59	14,354,051
2004	32	3,730,650	54	5,809,390
2005	35	4,203,585	30	4,148,642
2006	109	14,787,743	42	8,675,754
2007	49	7,554,925	44	5,657,668
2008	31	4,210,993	32	3,472,189
2009	13	148,762	17	2,015,804
2010	39	155,689	291	6,169,072

Source: City's Planning and Zoning Department.

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia, as of and for the year ended June 30, 2010, which collectively comprise the City of Morrow, Georgia's basic financial statements and have issued our report thereon dated December 20, 2010. 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 of Morrow, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Morrow, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Morrow, Georgia's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Morrow, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-1.

The City of Morrow, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Morrow, Georgia's response and accordingly, we express no opinion on it.

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 20, 2010

CITY OF MORROW, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	___ yes <u> X </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> yes ___ none reported
Noncompliance material to financial statements noted?	<u> X </u> yes ___ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2010 due to the total amount expended being less than \$500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010 - 1. Governmental Fund Budgets

Criteria: State of Georgia law (OCGA 36-81-3) states that: a) Each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government. The annual balanced budget shall be adopted by ordinance or resolution and administered in accordance with this article; and b) a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Condition: State law requires local governments to adopt annual budgets for all governmental funds. Although the City adopted an original balanced budget for the Hotel/Motel Tax Fund and the Confiscated Assets Fund, amendments to the final budgets reflected a budget deficit of approximately \$81,500 in the Confiscated Assets Fund and \$59,000 in the Hotel/Motel Tax Fund.

Context/Cause: During our inquiry of management about governmental funds, it was determined that the Hotel/Motel Tax Fund and the Confiscated Assets Fund final budgets reflected budget deficits which led to the City not being in compliance with the state law for adopting an annual balanced budget for all governmental funds.

CITY OF MORROW, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2010 - 1. Governmental Fund Budgets (Continued)

Effects: Lack of an annual balanced final budget for the Hotel/Motel Tax Fund and the Confiscated Asset Fund has resulted in a compliance violation with state law.

Recommendation: We recommend the City timely adopt annual balanced budgets for all special revenue and debt service funds and the General Fund.

Auditee's Response: Management agrees with this finding and is in the process of developing a corrective action plan.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF MORROW, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

2009 - 1. Governmental Fund Budgets

For the year ending June 30, 2009, we noted that although the City adopted an original balanced budget for the Confiscated Assets Fund, amendments to the final budget reflected a budget deficit of approximately \$73,000.

Status: The above finding was not corrected for the year ended June 30, 2010. See finding 2010-1.