

CITY OF MORROW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

Prepared by:
Dan Defnall
Director of Finance

Submitted By:
Jeff Eady
City Manager

CITY OF MORROW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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FINANCIAL REPORT
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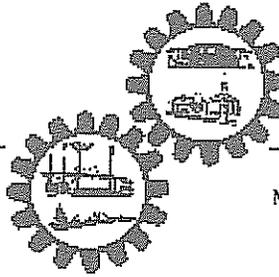
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INTRODUCTORY SECTION



Geared for Quality Growth



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December 15, 2011

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

Ladies and Gentlemen:

It is a pleasure to hereby submit the Comprehensive Annual Financial Report of the City of Morrow, Georgia, for the fiscal year ended June 30, 2011. 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 general purpose financial statements and schedules, management discussion and analysis, as well as the independent auditors' report on these financial statements and additional information pertaining to individual funds and account groups.

3) STATISTICAL SECTION

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

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

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

INDEPENDENT AUDIT

Georgia statutes and law require cities to have an audit performed annually by an independent certified public accountant. The City of Morrow's financial statements have been audited by Mauldin & Jenkins, Certified Public Accountants, LLC. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the first component of financial section of this report.

Single Audit

The independent audit of the financial statements of the City is sometimes part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards. For fiscal year 2011, the City spent \$1,761,003 of federal funds on the following programs:

Federal Grant/Pass Through Grantor/Program	Expenditures
US DEPARTMENT OF JUSTICE	
<i>Direct Programs:</i>	
• COPPS Community Policing Grant	\$ 143,565
• Public Safety Partnership – Tactical Division Task Force	9,843
Total Department of Justice Programs	153,408
US DEPARTMENT OF TRANSPORTATION	
Passed Through Atlanta Regional Commission – Livable Centers Initiative – Southlake Area	100,000
Georgia Department of Transportation (pass through)	
• Jester's Creek Path Project - ARRA	914,281
• Pedestrian Underpass Project - ARRA	504,617
Total Department of Transportation Programs	1,518,898
US DEPARTMENT OF HOMELAND SECURITY	
<i>Direct Programs:</i>	
• 2010 Firefighters Assistance Grant	32,297
• 2009 Firefighters Assistance Grant	56,400
Total Homeland Security Programs	88,697
Total Federal Financial Assistance	\$ 1,761,003

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

THE PROFILE OF GOVERNMENT

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

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

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

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

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

MAJOR INITIATIVES

During 2011, the City of Morrow achieved significant accomplishments that will have positive impacts on our city's continued economic growth and development:

Strategic Stakeholder Relationship Building Efforts

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

Infrastructure Developments

- Completion of Phase II of the Jester's Creek Pedestrian Path System
- Completion of the Lee Street Bridge
- Eighty percent completion of I-75 Interchange construction (Georgia Department of Transportation)
- Eighty-five percent completion of Pedestrian Underpass

Service Enhancements

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

Planning Initiatives

- ARC: Livable Centers Initiative economic, transportation and market study of the Southlake Mall and Mixed Use areas
- Completion of market studies for target development areas.

Funding Partnerships

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

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

FINANCIAL INFORMATION

Accounting System Internal Controls

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

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

Budgetary Controls

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

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

Pension Benefit Plan

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

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

Debt Administration

The City's general obligation bonded debt legal limit was \$29,646,606, which is equal to 10% of the Assessed Valuation of property within the city limits of the City. The City had \$6,460,787 of outstanding long-term debt at June 30, 2011. 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.

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, 2010. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

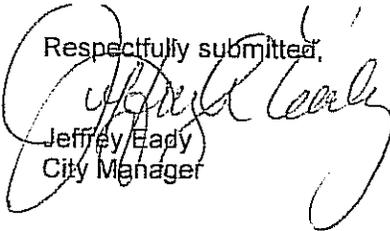
In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United 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 seventeen consecutive fiscal years (1994-2010). We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this report to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

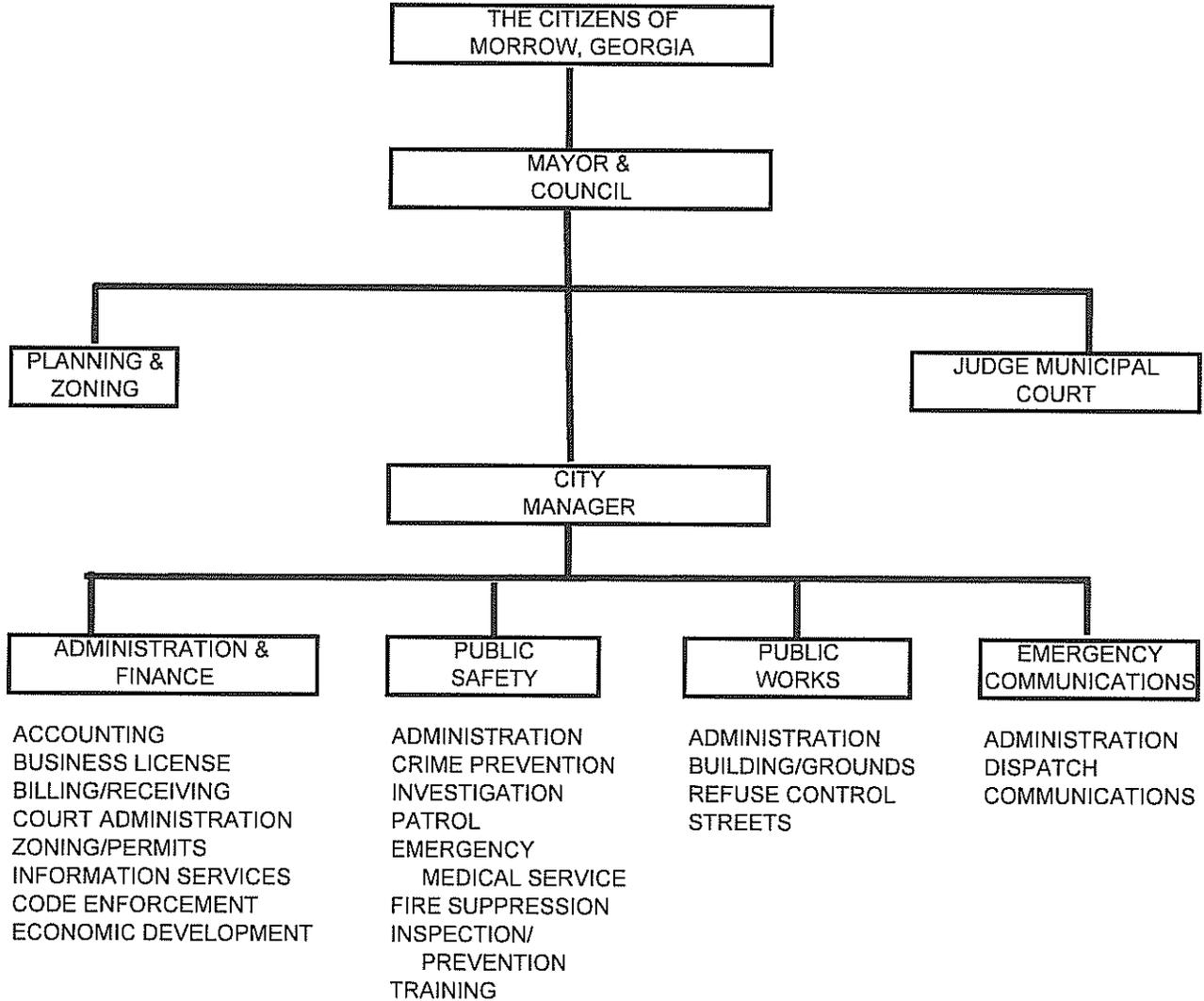
This report was produced through the dedication of the City's Finance department staff with cooperation from all city departments and our elected officials. I would like to thank the Finance Department staff, the City's department heads, other staff members, and our independent auditors, Mauldin & Jenkins,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

Respectfully submitted,


Jeffrey Eady
City Manager

CITY OF MORROW, GEORGIA

ORGANIZATIONAL CHART



CITY OF MORROW, GEORGIA

PRINCIPAL OFFICIALS

JUNE 30, 2011

ELECTED OFFICIALS

Mayor	James H. Millirons, Sr.
Council Member	Charles R. Huie
Council Member	Jeanell Bridges
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	Jack Bell
Board Member	Tamara Patridge

INDEPENDENT AUDITORS

Mauldin & Jenkins, LLC

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Morrow
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



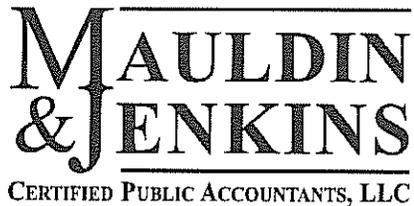
Linda C. Davidson

President

Jeffrey R. Enow

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, 2011, 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 – 11) and the Schedule of Funding Progress (on page 49) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morrow, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morrow, Georgia's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mauldin & Jenkins, LLC

Macon, Georgia
December 15, 2011

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, 2011. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for FY 2011 are as follows:

- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by \$25,109,463 (net assets).
- The City's total net assets increased \$1,586,080, due mostly to activity within the City's SPLOST Fund.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of \$7,793,339, an increase of \$1,357,329 in comparison to the prior year. Approximately 24% of this total amount, or \$1,903,908, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, fund balance for the General Fund was \$7,155,735 or 60% of total general fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the fund balance for the SPLOST fund was \$601,746, which was restricted for other capital projects.
- At the end of the current fiscal year, the fund balance for Other Governmental Funds was \$35,858.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Proprietary Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 48 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 \$25,109,463 as of June 30, 2011. The City's net assets increased by \$1,586,080 for the fiscal year ended June 30, 2011. The increase in net assets was primarily due to increases in cash and investment balances. The largest portion of the City's net assets (69%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Although the City of Morrow's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

City of Morrow's Net Assets June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 8,952,461	\$ 7,115,388	\$ 259,533	\$ 190,745	\$ 9,211,994	\$ 7,306,133
Capital assets, net	18,726,181	18,394,258	4,837,226	4,968,535	23,563,407	23,362,793
Total assets	27,678,642	25,509,646	5,096,759	5,159,280	32,775,401	30,668,926
Other liabilities	1,004,416	460,211	200,735	173,683	1,205,151	633,894
Long-term liabilities outstanding	6,460,787	6,511,649	-	-	6,460,787	6,511,649
Total liabilities	7,465,203	6,971,860	200,735	173,683	7,665,938	7,145,543
Net assets:						
Invested in capital assets, net of related debt	12,553,494	12,155,243	4,837,226	4,968,535	17,390,720	17,123,778
Restricted	657,217	-	-	-	657,217	-
Unrestricted	7,002,728	6,382,543	58,798	17,062	7,061,526	6,399,605
Total net assets	\$ 20,213,439	\$ 18,537,786	\$ 4,896,024	\$ 4,985,597	\$ 25,109,463	\$ 23,523,383

An additional portion of the City's net assets (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,061,526) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities during the fiscal year ended June 30, 2011, increased the City of Morrow's net assets by \$1,675,653. Business-type activities during the same period decreased net assets by \$89,573 for a total increase in net assets of \$1,586,080. The key element of this increase is an additional \$1,512,494 in operating grants and contributions. Public safety expenses of \$6,741,610 represent 55% of the total governmental expenses. Interest expense of \$250,639 represents 2% of total governmental expenses. Interest expense is attributable to debt financed for the Morrow Tourist Center building and the Morrow Conference Center. It is also important to note that in fiscal year 2010, total governmental expenses included a one-time transfer of \$10,982,072 of capital assets to the Downtown Development Authority of the City of Morrow.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Morrow's Changes in Net Assets June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 5,803,256	\$ 5,514,780	\$ 1,177,608	\$ 1,121,386	\$ 6,980,864	\$ 6,636,166
Operating grants and contributions	1,721,689	147,717	-	-	1,721,689	147,717
Capital grants and contributions	1,507,511	1,568,989	-	-	1,507,511	1,568,989
General revenues:						
Property taxes	1,634,577	1,769,748	-	-	1,634,577	1,769,748
Sales taxes	1,603,352	1,652,727	-	-	1,603,352	1,652,727
Franchise taxes	690,517	664,498	-	-	690,517	664,498
Other taxes	903,873	888,275	-	-	903,873	888,275
Miscellaneous	32,911	70,887	-	-	32,911	70,887
Unrestricted investment earnings	1,830	13,558	-	-	1,830	13,558
Gain on sale of capital assets	298	11,337	-	-	298	11,337
Total revenues	13,899,814	12,302,516	1,177,608	1,121,386	15,077,422	13,423,902
Expenses:						
General government	2,572,899	12,908,230	-	-	2,572,899	12,908,230
Judicial	384,023	353,217	-	-	384,023	353,217
Public safety	6,741,610	6,460,751	-	-	6,741,610	6,460,751
Public works	1,775,668	1,775,873	-	-	1,775,668	1,775,873
Economic development	275,328	161,156	-	-	275,328	161,156
Interest on long-term debt	250,639	250,977	-	-	250,639	250,977
Sanitation	-	-	836,005	923,938	836,005	923,938
Morrow Center	-	-	411,954	168,345	411,954	168,345
Total expenses	12,000,167	21,910,204	1,247,959	1,092,283	13,248,126	23,002,487
Increase (decrease) in net assets before transfers	1,899,647	(9,607,688)	(70,351)	29,103	1,829,296	(9,578,585)
Transfers	19,222	(4,956,494)	(19,222)	4,956,494	-	-
Special item	(243,216)	-	-	-	(243,216)	-
Change in net assets	1,675,653	(14,564,182)	(89,573)	4,985,597	1,586,080	(9,578,585)
Net assets, beginning of year	18,537,786	33,101,968	4,985,597	-	23,523,383	33,101,968
Net assets, end of year	\$ 20,456,655	\$ 18,537,786	\$ 4,896,024	\$ 4,985,597	\$ 25,109,463	\$ 23,523,383

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

Financial Analysis of the City's Funds

As noted earlier, the City of Morrow uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Morrow's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Morrow's financing requirements. Specifically, unassigned 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, 2011, the total Governmental Funds of the City of Morrow reported a combined fund balance of \$7,793,339, a 21% percent increase from the previous year, primarily due to SPLOST tax revenues used to reimburse the General Fund during the current fiscal year for interfund receivables/payables for SPLOST project expenditures in the previous fiscal year. The SPLOST fund balance increased from a deficit of \$897,403 in 2010 to a positive fund balance of \$601,746 at June 30, 2011, an increase of \$1,499,149.

The General Fund is the primary operating fund of the City of Morrow. At the end of fiscal year 2011, the fund balance of the General Fund was \$7,155,735. Of this amount, \$1,903,908 represents unassigned fund balance, which is available as working capital for current spending. The majority of general fund balance, \$5,232,214, is termed non-spendable to indicate that it is not available for new spending because it is not in spendable form. This amount is made up of prepaid expenditures (\$182,168), assets held for resale (\$1,634,276), and advances to the Downtown Development Authority (\$3,415,770). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned governmental fund balance represents 15% of total governmental funds expenditures, while total fund balance represents 61% of that same amount. Other Governmental Funds had a positive fund balance of \$35,858. These funds include special revenue funds.

City of Morrow's Governmental Fund Balance June 30, 2011

	2011	2010
General Fund	\$ 7,155,735	\$ 7,402,959
SPLOST Fund	601,746	(897,403)
Other Governmental Funds	35,858	(69,546)
Total Governmental Fund Balance	<u>\$ 7,793,339</u>	<u>\$ 6,436,010</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 budgeted fund is the General Fund.
- For the General Fund, the actual revenues of \$11,627,964 were less than the final budget amount of \$12,321,906 by \$693,942. The difference was primarily due to intergovernmental revenues anticipated from grants being less than budgeted.
- The general fund actual expenditures of \$11,789,358 were less than the budgeted amount of \$11,913,741 by \$124,383. The final budget for the year decreased by \$1.38 million from the original budget due primarily to decreased capital budgeted expenditures related to federal grant funded capital projects.

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, 2011, totals \$23,563,407 (net of accumulated depreciation), a \$200,614 increase from the previous year. This net increase includes net additions of capital assets of \$1,592,771, net disposals of \$102,326, and a decrease of \$1,289,831 for 2011 depreciation expenses. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The investment in capital assets for business-type activities includes the Morrow Conference Center.

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

- Jesters Creek Pathway projects (\$946,492)
- Pedestrian Underpass Tunnel at Highway 54 and Clayton State Blvd (\$482,585)
- Public Safety Equipment (\$136,514)
- Street & Sidewalk Construction (\$20,498)
- Land for Pathway Project (\$6,682)

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Morrow's Capital Assets, net of Accumulated Depreciation June 30, 2011

	Governmental Activities		Business -type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,702,735	\$ 4,696,053	\$ -	\$ -	\$ 4,702,735	\$ 4,696,053
Buildings, grounds and improvements	2,409,205	2,553,996	4,810,595	4,935,546	7,219,800	7,489,542
Machinery and equipment	320,082	467,463	7,439	8,314	327,521	475,777
Furniture & fixtures	13,737	22,896	19,192	24,675	32,929	47,571
Infrastructure in process	1,891,200	462,123	-	-	1,891,200	462,123
Infrastructure	8,410,675	9,060,801	-	-	8,410,675	9,060,801
Vehicles	346,043	401,880	-	-	346,043	401,880
Computer Software	25,627	63,498	-	-	25,627	63,498
Park Facilities	606,877	665,548	-	-	606,877	665,548
Total	\$ 18,726,181	\$ 18,394,258	\$ 4,837,226	\$ 4,968,535	\$ 23,563,407	\$ 23,362,793

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, 2011, the City of Morrow had total outstanding debt of \$6,793,787 comprised of \$5,135,000 in bonds payable, \$1,037,687 related to capital leases on the Morrow Tourist Center building and \$288,100 in compensated absences balances. At June 30, 2011, the City of Morrow also had short term balances payable on a line of credit of \$333,000, to be paid off before the end of calendar year 2012.

City of Morrow's Outstanding Long-Term Liabilities June 30, 2011

	Governmental Activities		Business -type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital leases	\$ 1,037,687	\$ 1,104,015	\$ -	\$ -	\$ 1,037,687	\$ 1,104,015
Bonds payable	5,135,000	5,135,000	-	-	5,135,000	5,135,000
Compensated absences	288,100	272,634	-	-	288,100	272,634
Total	\$ 6,460,787	\$ 6,511,649	\$ -	\$ -	\$ 6,460,787	\$ 6,511,649

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

Currently Known Conditions Affecting the Future Operations

The downturn in the economy continues to erode tax revenues from most sources. The significant decrease realized on real estate values, especially in Clayton County, over the past couple of years continues to challenge our future economic growth.

Factors Affecting the FY2011-12 Budget

The City Council of City of Morrow considered many factors when approving the City's 2012 budget and are very aware of present economic conditions, forecasts for a very slow recovery, and the effects on its citizens and the levels of service provided by the City. The City Council increased property taxes from a rate of 6 mills to 7.5 mills.

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

Budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, the Confiscated Assets Fund, the Rental Car Excise Fund, the E911 Communications Fund, the SPLOST Fund, the Sanitation Fund, and The Morrow Center Fund. Budgets for the Enterprise funds are prepared for planning and control purposes only. The legal level of budgetary control is the department level, with the City Council being the only body authorized to make amendments to the budget. During the year there was an approximate \$1.4 million decrease in budget appropriations between the original budget and the final amended budget for the City's General Fund. This decrease was due primarily to reduced appropriations in the public works department capital budget for federal grant funded capital projects that, when put out to bid, came in significantly lower than projected in the original budget.

Contacting the City's Financial Management

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

CITY OF MORROW, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total Primary Government	Downtown Development Authority	Morrow Business and Tourism Association	Morrow Housing Authority
Cash and cash equivalents	\$ 1,900,442	\$ 169,452	\$ 2,069,894	\$ 65,065	\$ 4,240	\$ 160
Investments	727,541	-	727,541	-	-	-
Taxes receivable	167,259	-	167,259	-	-	-
Accounts receivable	16,358	81,807	98,165	1,078,623	2,016	-
Due from component unit	3,464,786	-	3,464,786	-	-	-
Due from other governments	784,770	-	784,770	-	-	-
Inventory	-	8,274	8,274	-	-	-
Prepaid expenses	182,168	-	182,168	-	1,234	-
Other noncurrent asset	74,861	-	74,861	117,224	-	-
Assets held for resale	1,634,276	-	1,634,276	-	-	75,000
Capital assets:						
Nondepreciable	6,593,935	-	6,593,935	7,373,204	-	-
Depreciable, net of accumulated depreciation	12,132,246	4,837,226	16,969,472	14,573,809	-	-
Total assets	<u>27,678,642</u>	<u>5,096,759</u>	<u>32,775,401</u>	<u>23,207,925</u>	<u>7,490</u>	<u>75,160</u>
LIABILITIES						
Accounts payable	391,037	87,523	478,560	11,918	9,424	-
Accrued liabilities	280,379	1,203	281,582	29,342	7,383	-
Unearned revenues	-	93,781	93,781	-	-	-
Note payable	333,000	-	333,000	-	-	-
Customer deposits payable	-	18,228	18,228	-	-	-
Due to primary government	-	-	-	3,415,770	49,016	-
Capital leases due within one year	68,926	-	68,926	-	-	-
Capital leases due in more than one year	968,761	-	968,761	-	-	-
Notes payable due within one year	-	-	-	61,579	-	-
Notes payable due in more than one year	-	-	-	1,140,748	-	-
Bonds payable due within one year	1,220,000	-	1,220,000	448,926	-	-
Bonds payable due in more than one year	3,915,000	-	3,915,000	9,202,775	-	-
Compensated absences due within one year	240,300	-	240,300	-	-	-
Compensated absences due in more than one year	47,800	-	47,800	-	-	-
Total liabilities	<u>7,465,203</u>	<u>200,735</u>	<u>7,665,938</u>	<u>14,311,058</u>	<u>65,823</u>	<u>-</u>
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	12,553,494	4,837,226	17,390,720	11,092,985	-	-
Restricted for law enforcement	55,471	-	55,471	-	-	-
Restricted for other capital projects	601,746	-	601,746	-	-	-
Unrestricted (deficit)	7,002,728	58,798	7,061,526	(2,196,118)	(58,333)	75,160
Total net assets (deficit)	<u>\$ 20,213,439</u>	<u>\$ 4,896,024</u>	<u>\$ 25,109,463</u>	<u>\$ 8,896,867</u>	<u>\$ (58,333)</u>	<u>\$ 75,160</u>

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

CITY OF MORROW, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Program Revenues				Primary Government			Component Units					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Net (Expenses) Revenues and Changes in Net Assets					
								Downtown Development Authority	Business and Tourism Association	Morrow Housing Authority			
Functions/Programs													
Primary government:													
Governmental activities:													
General government	\$ 2,572,899	\$ 1,108,890	\$ -	\$ -	\$ (1,464,009)	\$ -	\$ (1,464,009)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial	384,023	-	-	-	(384,023)	-	(384,023)	-	-	-	-	-	-
Public safety	6,741,610	4,694,366	1,721,689	-	(325,555)	-	(325,555)	-	-	-	-	-	-
Public works	1,775,668	-	-	1,507,511	(268,157)	-	(268,157)	-	-	-	-	-	-
Economic development	275,328	-	-	-	(275,328)	-	(275,328)	-	-	-	-	-	-
Interest on long-term debt	250,639	-	-	-	(250,639)	-	(250,639)	-	-	-	-	-	-
Total governmental activities	12,000,167	5,803,256	1,721,689	1,507,511	(2,967,711)	-	(2,967,711)	-	-	-	-	-	-
Business-type activities:													
Sanitation	836,005	968,431	-	-	-	132,426	132,426	-	-	-	-	-	-
Morrow Center	411,954	206,177	-	-	-	(202,777)	(202,777)	-	-	-	-	-	-
Total business-type activities	1,247,959	1,174,608	-	-	-	(70,351)	(70,351)	-	-	-	-	-	-
Total primary government	\$ 13,248,126	\$ 6,980,864	\$ 1,721,689	\$ 1,507,511	\$ (2,967,711)	\$ (70,351)	\$ (3,038,062)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Component units:													
Downtown Development Authority	\$ 1,425,936	\$ 379,843	\$ 522,279	\$ -	-	-	-	(523,814)	-	-	-	-	-
Morrow Business and Tourism Association	304,774	8,728	6,458	-	-	-	-	-	(289,588)	-	-	-	74,559
Morrow Housing Authority	7,441	-	82,000	-	-	-	-	-	-	-	-	-	74,559
Total component units	\$ 1,738,151	\$ 388,571	\$ 610,737	\$ -	\$ -	\$ -	\$ -	\$ (523,814)	\$ (289,588)	\$ (289,588)	\$ (289,588)	\$ (289,588)	\$ 74,559
General revenues:													
Property taxes					1,634,577		1,634,577						
Sales taxes					1,603,352		1,603,352						
Insurance premium tax					262,807		262,807						
Alcoholic beverage taxes					125,564		125,564						
Other taxes					515,502		515,502			271,737			
Miscellaneous					32,911		32,911						
Franchise taxes					690,517		690,517						
Unrestricted investment earnings					298		298				11		
Gain on sale of capital assets					(243,216)		(243,216)						
Special item					19,222		19,222						
Transfers					4,624,142		4,624,142						
Total general revenues, special items, and transfers					1,675,653		1,675,653						
Change in net assets					18,537,786		18,537,786						
Net assets (deficit), beginning of year					20,213,439		20,213,439						
Net assets (deficit), end of year					4,896,024		4,896,024						
					\$ 25,109,463		\$ 25,109,463						
					\$ 8,896,867		\$ 8,896,867						

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

CITY OF MORROW, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

ASSETS	General	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 1,490,136	\$ 348,052	\$ 62,254	\$ 1,900,442
Investments	727,541	-	-	727,541
Taxes receivable	116,609	-	50,650	167,259
Accounts receivable	506	-	15,852	16,358
Advance to component unit	3,415,770	-	-	3,415,770
Due from component unit	49,016	-	-	49,016
Due from other governments	531,076	253,694	-	784,770
Due from other funds	81,311	-	-	81,311
Prepaid expenditures	182,168	-	-	182,168
Assets held for resale	1,634,276	-	-	1,634,276
Total assets	\$ 8,228,409	\$ 601,746	\$ 128,756	\$ 8,958,911
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 384,278	\$ -	\$ 6,759	\$ 391,037
Accrued liabilities	236,095	-	4,828	240,923
Deferred revenues	119,301	-	-	119,301
Note payable	333,000	-	-	333,000
Due to other funds	-	-	81,311	81,311
Total liabilities	1,072,674	-	92,898	1,165,572
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	182,168	-	-	182,168
Advances	3,415,770	-	-	3,415,770
Assets held for resale	1,634,276	-	-	1,634,276
Restricted for:				
Law enforcement	19,613	-	35,858	55,471
Other capital projects	-	601,746	-	601,746
Unassigned:	1,903,908	-	-	1,903,908
Total fund balances	7,155,735	601,746	35,858	7,793,339
Total liabilities and fund balances	\$ 8,228,409	\$ 601,746	\$ 128,756	

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.	18,726,181
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	119,301
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.	<u>(6,425,382)</u>
Net assets of governmental activities	\$ 20,213,439

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, 2011**

	<u>General</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Revenues				
Property taxes	\$ 1,629,148	\$ -	\$ -	\$ 1,629,148
Other taxes	1,991,722	-	554,663	2,546,385
Charges for services	807,430	-	154,887	962,317
Licenses and permits	1,093,682	-	-	1,093,682
Intergovernmental	2,168,553	1,508,523	-	3,677,076
Franchise fees	690,517	-	-	690,517
Fines and forfeitures	3,212,233	-	88,160	3,300,393
Interest revenue	1,768	753	62	2,583
Rental income	16,879	-	-	16,879
Other revenues	16,032	-	-	16,032
Total revenues	<u>11,627,964</u>	<u>1,509,276</u>	<u>797,772</u>	<u>13,935,012</u>
Expenditures				
Current:				
General government	2,483,815	-	-	2,483,815
Judicial	383,501	-	-	383,501
Public safety	6,194,083	-	385,092	6,579,175
Public works	2,439,957	-	-	2,439,957
Economic development	-	-	271,736	271,736
Capital outlay	-	10,127	-	10,127
Debt service:				
Principal	66,328	-	-	66,328
Interest	221,674	-	-	221,674
Total expenditures	<u>11,789,358</u>	<u>10,127</u>	<u>656,828</u>	<u>12,456,313</u>
Excess (deficiency) of revenues over expenditures	<u>(161,394)</u>	<u>1,499,149</u>	<u>140,944</u>	<u>1,478,699</u>
Other financing sources (uses)				
Transfers in	415,353	-	154,887	570,240
Transfers out	(268,091)	-	(282,927)	(551,018)
Proceeds from the sale of capital assets	10,124	-	92,500	102,624
Total other financing sources (uses)	<u>157,386</u>	<u>-</u>	<u>(35,540)</u>	<u>121,846</u>
Special item	<u>(243,216)</u>	<u>-</u>	<u>-</u>	<u>(243,216)</u>
Net change in fund balances	<u>(247,224)</u>	<u>1,499,149</u>	<u>105,404</u>	<u>1,357,329</u>
Fund balances (deficit), beginning of year	<u>7,402,959</u>	<u>(897,403)</u>	<u>(69,546)</u>	<u>6,436,010</u>
Fund balances, end of year	<u>\$ 7,155,735</u>	<u>\$ 601,746</u>	<u>\$ 35,858</u>	<u>\$ 7,793,339</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, 2011

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

Net change in fund balances - total governmental funds	\$	1,357,329
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.		434,249
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to decrease net assets		(102,326)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(35,496)
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.		36,883
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.		(14,986)
	\$	<u>1,675,653</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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,766,400	\$ 1,766,400	\$ 1,629,148	\$ (137,252)
Other taxes	2,087,000	2,087,000	1,991,722	(95,278)
Charges for services	1,085,250	1,085,250	807,430	(277,820)
Licenses and permits	1,014,936	1,014,936	1,093,682	78,746
Intergovernmental	4,183,620	2,880,620	2,168,553	(712,067)
Franchise fees	662,000	662,000	690,517	28,517
Fines and forfeitures	2,889,500	2,789,500	3,212,233	422,733
Interest revenue	20,000	20,000	1,768	(18,232)
Rental income	15,000	15,000	16,879	1,879
Other revenues	1,200	1,200	16,032	14,832
Total revenues	<u>13,724,906</u>	<u>12,321,906</u>	<u>11,627,964</u>	<u>(693,942)</u>
Expenditures:				
Current:				
General government:				
Mayor / Commission	217,778	217,778	213,087	4,691
General administration	635,370	1,266,370	1,341,407	(75,037)
Finance	353,431	382,431	381,016	1,415
Economic development	436,993	561,993	541,623	20,370
Capital outlay	125,000	-	6,682	(6,682)
Total general government	<u>1,768,572</u>	<u>2,428,572</u>	<u>2,483,815</u>	<u>(55,243)</u>
Judicial:				
Municipal court	474,450	474,450	383,501	90,949
Public safety:				
Police	3,096,230	3,200,230	3,188,212	12,018
Fire	2,958,650	2,878,650	2,869,357	9,293
Capital outlay	123,824	136,824	136,514	310
Total public safety	<u>6,178,704</u>	<u>6,215,704</u>	<u>6,194,083</u>	<u>21,621</u>
Public works:				
Administration	1,022,389	1,022,389	1,000,510	21,879
Capital outlay	3,568,000	1,483,000	1,439,447	43,553
Total public works	<u>4,590,389</u>	<u>2,505,389</u>	<u>2,439,957</u>	<u>65,432</u>
Debt service	<u>284,626</u>	<u>289,626</u>	<u>288,002</u>	<u>1,624</u>
Total expenditures	<u>13,296,741</u>	<u>11,913,741</u>	<u>11,789,358</u>	<u>124,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>428,165</u>	<u>408,165</u>	<u>(161,394)</u>	<u>(569,559)</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Transfers in	\$ 383,548	\$ 383,548	\$ 415,353	\$ 31,805
Transfers out	(334,051)	(314,051)	(268,091)	45,960
Proceeds from the sale of capital assets	-	-	10,124	10,124
Total other financing sources (uses)	<u>49,497</u>	<u>69,497</u>	<u>157,386</u>	<u>87,889</u>
Special item	-	-	(243,216)	(243,216)
Net change in fund balances	477,662	477,662	(247,224)	(724,886)
Fund balances, beginning of year	<u>7,402,959</u>	<u>7,402,959</u>	<u>7,402,959</u>	<u>-</u>
Fund balances, end of year	<u>\$ 7,880,621</u>	<u>\$ 7,880,621</u>	<u>\$ 7,155,735</u>	<u>\$ (724,886)</u>

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

CITY OF MORROW, GEORGIA

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2011**

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 55,392	\$ 114,060	\$ 169,452
Inventory	-	8,274	8,274
Accounts receivable	74,281	7,526	81,807
Total current assets	<u>129,673</u>	<u>129,860</u>	<u>259,533</u>
NONCURRENT ASSETS			
Capital assets - depreciable, net	-	4,837,226	4,837,226
Total noncurrent assets	<u>-</u>	<u>4,837,226</u>	<u>4,837,226</u>
Total assets	<u>129,673</u>	<u>4,967,086</u>	<u>5,096,759</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	75,768	11,755	87,523
Accrued liabilities	-	1,203	1,203
Customer deposits payable	-	18,228	18,228
Deferred revenues	53,905	39,876	93,781
Total current liabilities	<u>129,673</u>	<u>71,062</u>	<u>200,735</u>
NET ASSETS			
Invested in capital assets	-	4,837,226	4,837,226
Unrestricted	-	58,798	58,798
Total net assets	<u>\$ -</u>	<u>\$ 4,896,024</u>	<u>\$ 4,896,024</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, 2011**

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 968,431	\$ 209,177	\$ 1,177,608
Total operating revenues	<u>968,431</u>	<u>209,177</u>	<u>1,177,608</u>
OPERATING EXPENSES			
Personal services	-	89,891	89,891
Purchased or contracted services	836,005	190,754	1,026,759
Depreciation	-	131,309	131,309
Total operating expenses	<u>836,005</u>	<u>411,954</u>	<u>1,247,959</u>
Operating income (loss)	132,426	(202,777)	(70,351)
TRANSFERS			
Transfers in	-	113,204	113,204
Transfers out	(132,426)	-	(132,426)
Total transfers	<u>(132,426)</u>	<u>113,204</u>	<u>(19,222)</u>
Change in net assets	-	(89,573)	(89,573)
NET ASSETS, beginning of year	<u>-</u>	<u>4,985,597</u>	<u>4,985,597</u>
NET ASSETS, end of year	<u>\$ -</u>	<u>\$ 4,896,024</u>	<u>\$ 4,896,024</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, 2011**

	<u>Sanitation Fund</u>	<u>Morrow Center Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 977,037	\$ 211,222	\$ 1,188,259
Payments to suppliers	(841,828)	(156,104)	(997,932)
Payments to employees	-	(88,688)	(88,688)
Net cash provided by (used in) operating activities	<u>135,209</u>	<u>(33,570)</u>	<u>101,639</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	(132,426)	113,204	(19,222)
Net cash provided by (used in) noncapital financing activities	<u>(132,426)</u>	<u>113,204</u>	<u>(19,222)</u>
Increase in cash and cash equivalents	2,783	79,634	82,417
Cash and cash equivalents:			
Beginning of year	<u>52,609</u>	<u>34,426</u>	<u>87,035</u>
End of year	<u>\$ 55,392</u>	<u>\$ 114,060</u>	<u>\$ 169,452</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 132,426	\$ (202,777)	\$ (70,351)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	131,309	131,309
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	8,606	(7,526)	1,080
Decrease in due from other funds	-	9,571	9,571
Decrease in inventory	-	2,978	2,978
Increase (decrease) in accounts payable	(7,394)	5,611	(1,783)
Increase in accrued liabilities	1,571	1,203	2,774
Increase in deferred liabilities	-	30,305	30,305
Increase in customer deposits	-	11,603	11,603
Decrease in due to component unit	-	(15,847)	(15,847)
Net cash provided by (used in) operating activities	<u>\$ 135,209</u>	<u>\$ (33,570)</u>	<u>\$ 101,639</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, 2011.

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, 2011, 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, 2011, there were no encumbrances outstanding.

N. Fund Equity

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

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

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

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

NOTES TO FINANCIAL STATEMENTS

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.

P. Special Item

During the year ended June 30, 2011, the City contributed certain property held for resale within the City's General Fund at a value of \$326,256 to the City of Morrow Housing Authority. At the time of the contribution, the appraised value of the property had decreased to \$75,000 due to the overall decline in the housing market. As a result of this contribution, the City recorded a \$243,216 special item for the loss on the contributed property. This amount includes certain additional closing costs and professional fees.

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 \$6,425,382 difference are as follows:

Capital leases	\$	1,037,687
Bonds payable		5,135,000
Less: Deferred charge for issuance costs (to be amortized over life of debt)		(74,861)
Compensated absences		288,100
Accrued interest		39,456
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$	<u>6,425,382</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 \$434,249 difference are as follows:

Capital outlay	\$ 1,592,771
Depreciation expense	(1,158,522)
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>\$ 434,249</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 \$102,326 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.	<u>\$ (102,326)</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>\$ (102,326)</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 \$36,883 difference are as follows:

Principal retirement of long-term debt	\$ 66,328
Amortization of bond issuance cost	(29,445)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 36,883

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 \$14,986 difference are as follows:

Change in accrued interest	\$ 480
Change in compensated absences	(15,466)
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>	\$ (14,986)

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2011, are summarized as follows:

Amounts as presented on the entity wide Statement of Net Assets:	
Cash and cash equivalents	\$ 2,069,894
Investments	727,541
Component Units - cash and cash equivalents	69,465
Total	\$ 2,866,900
Cash deposited with financial institutions	\$ 2,139,359
Cash deposited with Georgia Fund 1	727,541
Total	\$ 2,866,900

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, 2011, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At June 30, 2011, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	59 day weighted average	<u>\$ 727,541</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, 2011, 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:

	General	SPLOST	Nonmajor Governmental	Sanitation	Morrow Center	Total
Receivables:						
Taxes	\$ 130,178	\$ -	\$ 91,854	\$ -	\$ -	\$ 222,032
Accounts	506	-	15,852	74,281	7,526	98,165
Due from						
other governments	531,075	253,694	-	-	-	784,769
Gross receivables	661,759	253,694	107,706	74,281	7,526	1,104,966
Less: allowance	(13,568)	-	(41,204)	-	-	(54,772)
Total receivables	<u>\$ 648,191</u>	<u>\$ 253,694</u>	<u>\$ 66,502</u>	<u>\$ 74,281</u>	<u>\$ 7,526</u>	<u>\$ 1,050,194</u>

Property Taxes

Property taxes were levied on August 2, 2010, (Levy Date) based upon property values assessed as of January 1. The billings were mailed on October 10, 2010, and payable on or before December 14, 2010, for the fiscal year 2011 tax. Taxes not paid within 30 days of the December 14th due date are subject to property tax liens on January 14, 2011. Property tax revenues are recognized when levied to the extent they result in current receivables.

The tax rate levied during fiscal year 2011 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, 2011, 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, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,696,053	\$ 6,682	\$ -	\$ 4,702,735
Infrastructure in process	462,123	1,429,077	-	1,891,200
Total capital assets, not being depreciated	<u>5,158,176</u>	<u>1,435,759</u>	<u>-</u>	<u>6,593,935</u>
Capital assets, being depreciated:				
Buildings, grounds, and improvements	4,373,384	-	-	4,373,384
Machinery and equipment	895,702	-	(105,624)	790,078
Furniture and fixtures	230,876	-	-	230,876
Infrastructure	10,049,127	20,498	-	10,069,625
Vehicles	2,810,686	136,514	(224,286)	2,722,914
Computer software	432,907	-	-	432,907
Park facilities and improvements	890,058	-	-	890,058
Total capital assets, being depreciated	<u>19,682,740</u>	<u>157,012</u>	<u>(329,910)</u>	<u>19,509,842</u>
Less accumulated depreciation for:				
Buildings, grounds, and improvements	(1,819,388)	(144,791)	-	(1,964,179)
Machinery and equipment	(428,239)	(75,683)	33,926	(469,996)
Furniture and fixtures	(207,980)	(9,159)	-	(217,139)
Infrastructure	(988,326)	(670,624)	-	(1,658,950)
Vehicles	(2,408,806)	(161,723)	193,658	(2,376,871)
Computer software	(369,409)	(37,871)	-	(407,280)
Park facilities and improvements	(224,510)	(58,671)	-	(283,181)
Total accumulated depreciation	<u>(6,446,658)</u>	<u>(1,158,522)</u>	<u>227,584</u>	<u>(7,377,596)</u>
Total capital assets, being depreciated, net	<u>13,236,082</u>	<u>(1,001,510)</u>	<u>(102,326)</u>	<u>12,132,246</u>
Governmental activities capital assets, net	<u>\$ 18,394,258</u>	<u>\$ 434,249</u>	<u>\$ (102,326)</u>	<u>\$ 18,726,181</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
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	5,034,190	-	-	5,034,190
Less accumulated depreciation for:				
Buildings, grounds, and improvements	(62,475)	(124,951)	-	(187,426)
Machinery and equipment	(438)	(875)	-	(1,313)
Furniture and fixtures	(2,742)	(5,483)	-	(8,225)
Total accumulated depreciation	(65,655)	(131,309)	-	(196,964)
Business-type activities capital assets, net	\$ 4,968,535	\$ (131,309)	\$ -	\$ 4,837,226

B. Primary Government (Continued)

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

Governmental activities:	
General government	\$ 100,831
Public safety	276,031
Public works	780,659
Economic development	1,001
Total depreciation expense - governmental activities	\$ 1,158,522

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Downtown Development Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,373,204	\$ -	\$ -	\$ 7,373,204
Total capital assets, not being depreciated	<u>7,373,204</u>	<u>-</u>	<u>-</u>	<u>7,373,204</u>
Capital assets, being depreciated:				
Buildings, grounds, and improvements	11,917,319	100,957	-	12,018,276
Infrastructure	4,845,232	-	-	4,845,232
Furniture and fixtures	110,998	-	-	110,998
Signs	53,131	-	-	53,131
Total capital assets, being depreciated	<u>16,926,680</u>	<u>100,957</u>	<u>-</u>	<u>17,027,637</u>
Less accumulated depreciation for:				
Buildings, grounds, and improvements	(1,414,679)	(567,593)	-	(1,982,272)
Infrastructure	(258,334)	(146,054)	-	(404,388)
Furniture and fixtures	(28,457)	(22,200)	-	(50,657)
Signs	(12,969)	(3,542)	-	(16,511)
Total accumulated depreciation	<u>(1,714,439)</u>	<u>(739,389)</u>	<u>-</u>	<u>(2,453,828)</u>
Total capital assets, being depreciated, net	<u>15,212,241</u>	<u>(638,432)</u>	<u>-</u>	<u>14,573,809</u>
Total capital assets, net	<u>\$ 22,585,445</u>	<u>\$ (638,432)</u>	<u>\$ -</u>	<u>\$ 21,947,013</u>

Included in the above amount is a development known as "Old Towne Morrow", whose assets had a net book value of approximately \$9.5 million as of June 30, 2011. Due to the continued downturn in the economy, the development has been temporarily closed.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

A. Primary Government

Long-term liability activity for the year ended June 30, 2011, 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	\$ 1,104,015	\$ -	\$ (66,328)	\$ 1,037,687	\$ 68,926
Bonds payable	5,135,000	-	-	5,135,000	1,220,000
Compensated absences	272,634	247,650	(232,184)	288,100	240,300
Governmental activity Long-term liabilities	<u>\$ 6,511,649</u>	<u>\$ 247,650</u>	<u>\$ (298,512)</u>	<u>\$ 6,460,787</u>	<u>\$ 1,529,226</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, 2011:

Fiscal year ending June 30,	
2012	\$ 107,982
2013	107,982
2014	107,982
2015	107,982
2016	107,982
2017-2021	539,912
2022-2024	223,018
Total minimum lease payments	<u>1,302,840</u>
Less amount representing interest	(265,153)
Present value of minimum lease payments	<u>\$ 1,037,687</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, 2011, 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:

Fiscal year ending June 30,	Principal	Interest	Total
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	\$ 449,092	\$ 5,584,092

B. Discretely Presented Component Unit – Downtown Development Authority

The following is a summary of long-term debt activity for the Downtown Development Authority for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Development Authority					
Bonds payable	\$ 10,088,015	\$ -	\$ (436,314)	\$ 9,651,701	\$ 448,926
Note payable	1,259,295	-	(56,968)	1,202,327	61,579
Development Authority Long-term liabilities	\$ 11,347,310	\$ -	\$ (493,282)	\$ 10,854,028	\$ 510,505

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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

Bonds Payable. The Downtown Development Authority of the City of Morrow, issued bonds in the amount of \$1,500,000. 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, 2011, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Welcome Center Building	3.86%	20 years	2024	\$ 1,500,000	\$ 1,037,701
Macy's Building	3.39%	10 years	2017	10,000,000	8,614,000
					<u>\$ 9,651,701</u>

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

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 448,926	\$ 331,071	\$ 779,997
2013	471,625	315,490	787,115
2014	494,430	299,125	793,555
2015	517,345	281,972	799,317
2016	534,374	264,027	798,401
2017 - 2021	6,971,621	309,318	7,280,939
2022 - 2024	213,380	9,651	223,031
Total	<u>\$ 9,651,701</u>	<u>\$ 1,810,654</u>	<u>\$ 11,462,355</u>

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

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Amount</u>
5.91%	3 years	2013	<u>\$ 1,202,327</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 61,579	\$ 69,305	\$ 130,884
2013	1,140,748	11,193	1,151,941
Total	<u>\$ 1,202,327</u>	<u>\$ 80,498</u>	<u>\$ 1,282,825</u>

NOTE 7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

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

At January 1, 2011, the date of the most recent actuarial valuation, there were 184 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	37
Vested terminated employees not yet receiving benefits	38
Active employees	109
Total	<u>184</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

As of the most recent valuation date, January 1, 2011, 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)
01/01/11	\$ 9,343,935	\$ 9,798,736	\$ 454,801	95.4 %	\$ 4,769,013	9.5 %

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, 2011.

B. Summary of Significant Accounting Policies

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

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

C. Funding Policy

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

C. Funding Policy (Continued)

The annual required contribution for the current year was determined as part of the January 1, 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 amortization method is closed level dollar for the remaining unfunded liability. The remaining amortization period varies for the bases, with a net effective amortization period of 11 years. These amortization periods are closed for this plan year.

D. Annual Pension Cost

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

NOTE 8. DEFINED CONTRIBUTION PENSION PLAN

The City participates in the Georgia Municipal Association 401(a) Defined Contribution Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, CitiStreet. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City. Employees are not required to contribute to the Plan. The City contributes an amount equal to 50% of the amount contributed by participants to the City's plan, except that the City shall not match in excess of 4% of the participant's annual compensation. The City's contribution for each employee is 100% vested after five (5) years of continuous service. For the fiscal year ending June 30, 2011, the City's contribution to the Plan was \$39,733.

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, 2011, expenditures exceeded budget appropriations, as follows:

Fund	Excess
General Fund	
General government - administration	\$ 75,037
Capital outlay	6,682

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

NOTE 10. HOTEL/MOTEL LODGING TAX

The City has levied an 8% lodging tax. For the fiscal year ended June 30, 2011, \$543,473 of hotel/motel tax was collected. Of the total collected, over 50% was used for the promotion of tourism within the City.

NOTE 11. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2011, are as follows:

Due To	Due From Nonmajor Governmental
General Fund	\$ 81,311

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, 2011, consisted of the following:

Transfer from	Transfer to			Total
	General	Nonmajor Governmental	Morrow Center	
General Fund	\$ -	\$ 154,887	\$ 113,204	\$ 268,091
Nonmajor Governmental	282,927	-	-	282,927
Sanitation	132,426	-	-	132,426
Total	\$ 415,353	\$ 154,887	\$ 113,204	\$ 683,444

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

NOTE 12. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). During its year ended June 30, 2011, the City's membership dues were paid by Clayton County, Georgia on the City's behalf. Membership in a regional commission (RC) is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the ARC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: Atlanta Regional Commission, 3715 Northside Parkway, 200 North Creek Suite 300, Atlanta, Georgia 30327.

NOTE 13. COMMITMENTS AND CONTINGENCIES

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT

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

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

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

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

NOTE 15. SHORT TERM DEBT

Line of Credit:

The City maintains, with a financial institution, an uncollateralized revolving line of credit in the amount of \$1,200,000, at an interest rate of 3.5%. As of June 30, 2011, \$333,000 was outstanding on this line of credit. This revolving line of credit expires on February 11, 2012.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Line of credit	\$ -	\$ 333,000	\$ -	\$ 333,000	\$ 333,000

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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, 2011**

ASSETS	Emergency Communication Fund	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Excise Tax Fund	Totals
Cash and cash equivalents	\$ -	\$ -	\$ 62,254	\$ -	\$ 62,254
Taxes receivable	-	49,213	-	1,437	50,650
Accounts receivable	15,852	-	-	-	15,852
Total assets	\$ 15,852	\$ 49,213	\$ 62,254	\$ 1,437	\$ 128,756
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,164	\$ 3,595	\$ -	\$ -	\$ 6,759
Accrued expenses	4,828	-	-	-	4,828
Due to other funds	7,860	45,618	26,396	1,437	81,311
Total liabilities	15,852	49,213	26,396	1,437	92,898
FUND BALANCES					
Restricted for:					
Law enforcement	-	-	35,858	-	35,858
Total fund balances	-	-	35,858	-	35,858
Total liabilities and fund balances	\$ 15,852	\$ 49,213	\$ 62,254	\$ 1,437	\$ 128,756

CITY OF MORROW, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Emergency Communication Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>Confiscated Assets Fund</u>	<u>Excise Tax Fund</u>	<u>Totals</u>
Revenues					
Other taxes	\$ -	\$ 543,473	\$ -	\$ 11,190	\$ 554,663
Charges for services	154,887	-	-	-	154,887
Fines and forfeitures	-	-	88,160	-	88,160
Interest revenue	-	-	62	-	62
Total revenues	<u>154,887</u>	<u>543,473</u>	<u>88,222</u>	<u>11,190</u>	<u>797,772</u>
Expenditures					
Public safety	309,774	-	75,318	-	385,092
Economic development	-	271,736	-	-	271,736
Total expenditures	<u>309,774</u>	<u>271,736</u>	<u>75,318</u>	<u>-</u>	<u>656,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(154,887)</u>	<u>271,737</u>	<u>12,904</u>	<u>11,190</u>	<u>140,944</u>
Other financing sources (uses)					
Transfers in	154,887	-	-	-	154,887
Transfers out	-	(271,737)	-	(11,190)	(282,927)
Proceeds from the sale of capital assets	-	-	92,500	-	92,500
Total other financing sources (uses)	<u>154,887</u>	<u>(271,737)</u>	<u>92,500</u>	<u>(11,190)</u>	<u>(35,540)</u>
Net change in fund balances	-	-	105,404	-	105,404
Fund balances (deficit), beginning of year	<u>-</u>	<u>-</u>	<u>(69,546)</u>	<u>-</u>	<u>(69,546)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,858</u>	<u>\$ -</u>	<u>\$ 35,858</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Charges for services	\$ 143,000	\$ 155,000	\$ 154,887	\$ (113)
Total revenues	<u>143,000</u>	<u>155,000</u>	<u>154,887</u>	<u>(113)</u>
Expenditures				
Public safety	770,344	803,344	309,774	493,570
Total expenditures	<u>770,344</u>	<u>803,344</u>	<u>309,774</u>	<u>493,570</u>
Deficiency of revenues under expenditures	<u>(627,344)</u>	<u>(648,344)</u>	<u>(154,887)</u>	<u>493,457</u>
Other financing sources				
Transfers in	627,344	648,344	154,887	(493,457)
Total other financing sources	<u>627,344</u>	<u>648,344</u>	<u>154,887</u>	<u>(493,457)</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Other taxes	\$ 543,872	\$ 588,872	\$ 543,473	\$ (45,399)
Expenditures				
Economic development	237,944	292,944	271,736	21,208
Total expenditures	<u>237,944</u>	<u>292,944</u>	<u>271,736</u>	<u>21,208</u>
Excess of revenues over expenditures	<u>305,928</u>	<u>295,928</u>	<u>271,737</u>	<u>(24,191)</u>
Other financing uses				
Transfers out	(305,928)	(295,928)	(271,737)	24,191
Total other financing uses	<u>(305,928)</u>	<u>(295,928)</u>	<u>(271,737)</u>	<u>24,191</u>
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
CONFISCATED ASSETS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Fines and forfeitures	\$ 50,000	\$ 80,000	\$ 88,160	\$ 8,160
Interest	-	-	62	62
Total revenues	<u>50,000</u>	<u>80,000</u>	<u>88,222</u>	<u>8,222</u>
Expenditures				
Public safety	50,000	80,000	75,318	4,682
Total expenditures	<u>50,000</u>	<u>80,000</u>	<u>75,318</u>	<u>4,682</u>
Excess of revenues over expenditures	-	-	12,904	12,904
Other financing sources (uses)				
Proceeds from the sale of capital assets	-	-	92,500	92,500
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>92,500</u>	<u>92,500</u>
Net change in fund balance	-	-	105,404	105,404
Fund balances (deficit), beginning of year	<u>-</u>	<u>-</u>	<u>(69,546)</u>	<u>(69,546)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,858</u>	<u>\$ 35,858</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Other taxes	\$ 11,200	\$ 11,200	\$ 11,190	\$ (10)
Other financing uses				
Transfers out	(11,200)	(11,200)	(11,190)	10
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 FISCAL YEAR ENDED JUNE 30, 2011**

<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	268,386	10,127	278,513
Pedestrian Path System Phase III	861,025	861,025	451,329	-	451,329
Barton Park Phase IV	377,901	377,901	-	-	-
Morrow Conference Center	4,051,626	4,051,626	5,095,143	-	5,095,143
Olde Morrow Creek Corridor	2,160,000	2,160,000	1,826,781	-	1,826,781
Pedestrian Path System Phase V	290,000	290,000	-	-	-
Pedestrian Path System Phase VI	290,000	290,000	-	-	-
Lee Street Pedestrian Facility	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 9,860,000</u>	<u>\$ 9,860,000</u>	<u>\$ 7,781,589</u>	<u>\$ 10,127</u>	<u>\$ 7,791,716</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, 2011**

	<u>Downtown Development Authority</u>	<u>Morrow Business and Tourism Association</u>	<u>Morrow Housing Authority</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 968,945	\$ 290,672	\$ -	\$ 1,259,617
Payments to suppliers	(288,163)	(179,276)	(7,441)	(474,880)
Payments to employees	-	(114,506)	-	(114,506)
Net cash provided by (used in) operating activities	<u>680,782</u>	<u>(3,110)</u>	<u>(7,441)</u>	<u>670,231</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from primary government	319,083	-	-	319,083
Contributions from primary government	-	-	7,000	7,000
Net cash provided by noncapital financing activities	<u>319,083</u>	<u>-</u>	<u>7,000</u>	<u>326,083</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases and construction of property and equipment	(100,957)	-	-	(100,957)
Principal paid on bonds	(56,968)	-	-	(56,968)
Principal paid on notes payable and capital leases	(436,314)	-	-	(436,314)
Interest paid	(420,142)	-	-	(420,142)
Net cash used in capital and related financing activities	<u>(1,014,381)</u>	<u>-</u>	<u>-</u>	<u>(1,014,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	41,688	-	-	41,688
Net cash provided by investing activities	<u>41,688</u>	<u>-</u>	<u>-</u>	<u>41,688</u>
Change in cash and cash equivalents	27,172	(3,110)	(441)	23,621
Cash and cash equivalents:				
Beginning of year	<u>37,893</u>	<u>7,350</u>	<u>601</u>	<u>45,844</u>
End of year	<u>\$ 65,065</u>	<u>\$ 4,240</u>	<u>\$ 160</u>	<u>\$ 69,465</u>
Noncash investing, capital, and financing activities:				
Contributed capital from primary government	\$ -	\$ -	\$ 75,000	\$ 75,000
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Net operating income (loss)	\$ (97,715)	\$ (17,840)	\$ (7,441)	\$ (122,996)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	739,389	-	-	739,389
Changes in assets and liabilities:				
Decrease in accounts receivable	72,926	475	-	73,401
Decrease in inventory	-	3,824	-	3,824
Increase in prepaid expenses	-	(1,232)	-	(1,232)
Increase in due to primary government	-	3,263	-	3,263
Increase (decrease) in accounts payable	(27,716)	7,216	-	(20,500)
Increase (decrease) in accrued liabilities	(6,102)	1,184	-	(4,918)
Net cash provided by (used in) operating activities	<u>\$ 680,782</u>	<u>\$ (3,110)</u>	<u>\$ (7,441)</u>	<u>\$ 670,231</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 - 64
<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	65 - 69
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i>	
Debt Capacity	70 - 72
<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	73 and 74
<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	75 - 78
<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 EIGHT FISCAL YEARS

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

CITY OF MORROW, GEORGIA

CHANGES IN NET ASSETS LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Primary government:								
Governmental activities:								
General government	\$ 1,321,684	\$ 1,152,346	\$ 1,685,149	\$ 2,693,482	\$ 1,916,132	\$ 1,692,191	\$ 12,908,230	\$ 2,572,899
Judicial	56,042	167,032	174,165	190,486	312,561	388,218	353,217	384,023
Public safety	4,444,719	4,504,847	4,570,661	5,117,869	6,179,546	6,759,090	6,460,751	6,741,610
Public works	722,379	805,648	1,024,683	570,783	1,286,678	1,546,931	1,775,873	1,775,668
Economic development	-	161,067	163,076	241,854	187,103	163,313	161,156	275,328
Interest and fiscal changes	-	54,812	52,728	50,289	48,488	73,201	250,977	250,639
Total governmental activities expenses	6,544,824	6,845,752	7,670,452	8,864,763	9,930,508	10,622,944	21,910,204	12,000,167
Business-type activities:								
Sanitation	972,091	964,547	975,755	1,175,632	1,081,972	1,001,787	923,938	836,005
Morrow Center	-	-	-	-	-	-	168,345	411,954
Total business-type activities expenses	972,091	964,547	975,755	1,175,632	1,081,972	1,001,787	1,092,283	1,247,959
Total primary government expenses	7,516,915	7,810,299	8,646,217	10,040,395	11,012,480	11,624,731	23,002,487	13,248,126
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	1,108,890
Public safety	1,760,057	1,983,424	2,600,898	3,531,926	4,357,563	4,705,219	4,432,995	4,694,366
Operating grants and contributions	168,777	193,820	25,403	201,476	-	-	147,717	1,721,689
Capital grants and contributions	-	-	-	-	3,143,132	576,188	1,568,989	1,507,511
Total governmental activities program revenues	3,072,149	3,694,863	3,977,550	5,019,326	8,813,257	6,317,668	7,231,486	9,032,456
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	1,177,608
Total business-type activities program revenues	1,163,091	1,236,396	1,118,367	1,372,292	1,240,150	1,167,594	1,121,386	1,177,608
Total primary government program revenues	4,235,240	4,931,259	5,095,917	6,391,618	10,053,407	7,485,262	8,352,872	10,210,064
Net (expense)/revenue	(3,472,675)	(3,150,889)	(3,692,912)	(3,845,437)	(1,117,251)	(4,305,276)	(14,678,718)	(2,967,711)
Governmental activities	191,000	271,849	142,612	196,660	158,178	165,807	29,103	(70,351)
Business-type activities	(3,281,675)	(2,879,040)	(3,550,300)	(3,648,777)	(959,073)	(4,139,469)	(14,649,615)	(3,038,062)

(Continued)

CITY OF MORROW, GEORGIA

CHANGES IN NET ASSETS LAST EIGHT FISCAL YEARS

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

^(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	\$ 6,898,682	\$ 8,583,916	\$ 9,117,936	\$ 15,968,044	\$ 12,311,400	\$ 9,309,720	\$ 7,402,959
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	\$ 152,282	\$ 154,982	\$ 193,109	\$ 524,006	\$ 71,702	\$ 4,030,704	\$ (966,949)

CITY OF MORROW, GEORGIA
FUND BALANCES, GOVERNMENTAL FUNDS
CURRENT FISCAL YEAR

	Fiscal Year 2011
General Fund	
Nondisposable	\$ 5,232,214
Restricted	19,613
Unassigned	1,903,908
Total General fund	7,155,735
All Other Governmental Funds	
Nondisposable, reported in:	\$ -
Special revenue funds	-
Capital projects funds	
Restricted, reported in:	
Special revenue funds	35,858
Capital projects funds	601,746
Total all other governmental funds	\$ 637,604
Total all governmental funds	\$ 7,793,339

Note: GASB 54 was implemented during fiscal year 2011.

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

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

(Continued)

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

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

(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

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>
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
2010	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

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

Tax Digest Year	Real Property			Motor Vehicles	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							
2004	\$ 59,469,758	\$ 229,527,529	\$ -	\$ 12,089,750	\$ 42,617,874	\$ (43,240,586)	\$ 300,464,325	4.00	\$ 751,160,813	40%
2005	67,187,097	227,682,973	-	11,916,590	42,299,241	(49,223,686)	299,862,215	4.00	749,655,538	40%
2006	74,472,627	238,603,261	-	11,499,110	45,188,601	(51,408,070)	318,355,529	5.00	795,888,823	40%
2007	86,063,353	240,437,907	-	12,361,360	46,887,405	(53,401,350)	332,348,675	5.00	830,871,688	40%
2008	91,255,372	247,037,731	-	13,200,010	45,340,561	(57,525,739)	339,307,935	5.00	848,269,838	40%
2009	84,532,382	231,618,951	-	13,611,450	46,431,470	(55,095,856)	321,098,397	6.00	802,745,993	40%
2010	73,773,415	213,382,165	-	11,652,700	45,377,795	(47,720,016)	296,466,059	6.00	741,165,148	40%

Source: Clayton County Tax Commissioner

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

CITY OF MORROW, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND SIX YEARS AGO

Taxpayer	2010 (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	\$ 26,509,400	1	8.94%	\$ 27,909,600	1	9.29%
DDRTC	16,499,400	2	5.57%			
Southlake Atlanta LLC	7,584,200	3	2.56%			
ECM Southlake	7,363,400	4	2.48%			
Costco	7,307,345	5	2.46%	7,362,696	3	2.45%
Sherwin Williams	6,850,314	6	2.31%	6,147,494	5	2.05%
Paccar Inc	6,332,926	7	2.14%	5,471,115	9	1.82%
Scott H Lee as Trustee	6,075,000	8	2.05%	6,073,621	7	2.02%
Glenwood Morrow	4,477,800	9	1.51%			
Clayton Place	4,053,790	10	1.37%			
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	203,412,484		68.61%	207,223,216		68.97%
Total	<u>\$ 296,466,059</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 SEVEN FISCAL YEARS**

Fiscal Year	Taxes Levied	Errors, Releases or Adjustments	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	% of Levy		Amount	% of Levy
2005	\$ 1,094,214	\$ -	\$ 1,094,214	\$ 1,073,981	98.15%	\$ 20,233	\$ 1,094,214	100.00%
2006	1,066,274	1,984	1,068,258	1,051,898	98.47%	16,360	1,068,258	100.00%
2007	1,366,192	14,787	1,380,979	1,344,975	97.39%	36,004	1,380,979	100.00%
2008	1,520,933	(19,307)	1,501,626	1,483,899	98.82%	17,727	1,501,626	100.00%
2009	1,550,823	(11,614)	1,539,209	1,497,633	97.30%	39,699	1,537,332	99.88%
2010	1,697,259	21,699	1,718,958	1,636,993	95.23%	43,371	1,680,364	97.75%
2011	1,567,965	(11,688)	1,556,277	1,501,774	96.50%	-	1,501,774	96.50%

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

CITY OF MORROW, GEORGIA

LOCAL OPTION SALES TAX HISTORY
LAST TEN FISCAL YEARS

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
July	\$ 130,014	\$ 143,054	\$ 129,633	\$ 141,590	\$ 148,824	\$ 147,778	\$ 148,490	\$ 179,390	\$ 136,062	\$ 127,269
August	134,874	129,951	127,552	120,262	154,530	149,708	137,592	147,924	164,788	129,785
September	135,965	129,925	124,577	162,901	146,804	181,762	137,362	184,280	145,208	124,262
October	112,265	124,976	129,745	150,591	176,290	170,091	127,180	175,408	138,145	121,287
November	138,256	113,979	140,343	139,505	156,849	194,440	143,040	120,291	135,900	117,782
December	129,285	146,802	107,492	135,643	150,803	113,268	171,375	162,189	143,843	181,375
January	119,932	121,894	139,221	136,788	125,776	143,592	142,258	127,109	125,081	138,284
February	134,748	133,496	131,328	149,329	173,497	168,296	153,206	100,307	128,428	145,420
March	253,268	124,068	140,000	112,397	153,052	128,364	135,482	80,860	142,603	146,243
April	-	124,887	124,063	148,986	84,146	127,969	142,195	94,804	134,106	136,481
May	146,796	114,060	137,410	154,249	210,912	150,267	139,954	135,404	127,869	140,156
June	-	135,838	144,191	159,443	166,573	163,590	184,664	142,468	121,396	134,166
Adjustment	-	-	6,989	6,585	7,103	7,327	3,008	-	10,792	-
Total	\$ 1,435,403	\$ 1,542,930	\$ 1,582,544	\$ 1,718,269	\$ 1,855,159	\$ 1,846,452	\$ 1,765,806	\$ 1,650,434	\$ 1,654,221	\$ 1,642,510

Source: City records.

CITY OF MORROW, GEORGIA

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

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Estimated Actual Value of Taxable Property	Percentage of Personal Income	Per Capita	Personal Income (thousands of dollars)	Population
	Revenue Bonds	Capital Leases						
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
2011	5,135,000	1,037,687	6,172,687	1.92%	7.21%	1,264.38	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>
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%
2011	296,466,059	29,646,606	6,172,687	23,473,919	20.82%

CITY OF MORROW, GEORGIA

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to the City of Morrow ^(a)</u>	<u>Amount Applicable to the City of Morrow</u>
Clayton County, Georgia- Overlapping Debt			
Capital leases payable	\$ 11,011,615	5.41%	\$ 596,086
Revenue bonds payable	23,495,973	5.41%	1,271,895
Subtotal Overlapping Debt			<u>1,867,981</u>
City of Morrow, Georgia- Direct Debt			<u>6,172,687</u>
Total Direct and Overlapping Debt			<u>\$ 8,040,668</u>

Sources: Assessed value data used to estimate applicable percentages provided by the County. Debt outstanding provided by the County (as of June 30, 2011) 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⁾
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
2011	6,445 (7)	85,649,808	19,225 (7)	30.5 (5)	10.40%	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
- (7) Calculated at last census - 2010

CITY OF MORROW, GEORGIA

**TEN LARGEST EMPLOYERS IN MORROW
CURRENT YEAR AND FIVE YEARS AGO**

<u>Business</u>	<u>2011</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	325	1	4.88%	477	1	6.12%
Macy's	221	2	3.32%	141	4	1.81%
Costco	140	3	2.10%	115	6	1.48%
Target	135	4	2.03%			
Bestbuy	107	5	1.61%	107	8	1.37%
Sears	94	6	1.41%	134	5	1.72%
Cracker Barrel	93	7	1.40%	110	7	1.41%
JC Penney	87	8	1.31%	213	3	2.73%
Barnes and Noble	59	9	0.89%	59	10	0.76%
Burlington Coat Factory	55	10	0.83%	60	9	0.77%
Sherwin Williams				325	2	4.17%

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>
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
2011	26	34	40	1	12	113

CITY OF MORROW, GEORGIA

PUBLIC SAFETY OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Citations issued	11,016	8,628	7,508	7,503	10,352	14,055	22,185	22,096	13,561	15,468
DUI Citations issued	38	67	61	48	76	124	260	109	122	94
Warnings issued	3,522	2,663	1,778	2,297	3,638	3,880	770	8,577	10,220	12,455
Crime Statistics:										
Aggravated Assault	9	23	13	18	8	13	8	9	14	10
Auto Theft	162	179	186	138	98	64	68	65	57	49
Murder	1	-	-	-	1	1	-	-	-	-
Rape	3	2	2	3	-	-	4	2	-	2
Robbery	42	42	31	32	33	33	24	21	13	21
Burglary	53	49	41	54	51	45	65	74	57	66
Theft	1,043	1,014	1,121	1,021	762	766	970	814	683	710
Fire										
Incident responses	1,833	1,739	1,833	1,966	1,978	2,100	2,000	1,963	2,120	2,213
Public Safety Education										
Events	78	82	113	78	113	115	115	112	113	114
Persons contacted	3,948	4,122	3,936	3,936	16,621	17,115	17,425	16,498	17,915	15,975

Source: City police and fire department records.

CITY OF MORROW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST EIGHT FISCAL YEARS

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

Sources: Various City departments.

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

CITY OF MORROW, GEORGIA

CONSTRUCTION ACTIVITY LAST TEN FISCAL YEARS

<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>
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
2011	51	114,354	195	3,137,092

Source: City's Planning and Zoning Department.

CITY OF MORROW, GEORGIA

SINGLE AUDIT OF FEDERAL PROGRAMS

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011
TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

CITY OF MORROW, GEORGIA
SINGLE AUDIT OF FEDERAL PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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CITY OF MORROW, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Identification Number	Eligible Expenditures
U.S. DEPARTMENT OF JUSTICE			
Direct programs:			
ARRA - Community Policing Grant	16.710	2009RKWX0268	\$ 143,565
Public Safety Partnership - Tactical Division Task Force	16.710		<u>9,843</u>
Total Department of Justice Grant Programs			<u>153,408</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Atlanta Regional Commission			
Local Community Initiative - Southlake Area	20.205		100,000
Passed through the Georgia Department of Transportation			
ARRA - Jesters Creek Path Project	20.205	0008098	914,281
ARRA - Underpass Path Project	20.205	0006793	<u>504,617</u>
Total Department of Transportation Grant Programs			<u>1,518,898</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct programs:			
2010 Firefighters Assistance Grant	97.044	EMV-2010-FO-05069	32,297
2009 Firefighters Assistance Grant	97.044	EMW-2009-FO-02223	<u>56,400</u>
Total Homeland Security Grant Programs			<u>88,697</u>
Total Federal Financial Assistance			<u>\$ 1,761,003</u>

CITY OF MORROW, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measurement Focus

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

Program Type Determination

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

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended June 30, 2011.

Amount Provided to Subrecipients

During 2011, the City did not pass through any federal funding to subrecipients.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City of Morrow, Georgia's basic financial statements and have issued our report thereon dated December 15, 2011. As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 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

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

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

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

Compliance and Other Matters

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 15, 2011

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

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

Compliance

We have audited the City of Morrow, Georgia's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Morrow, Georgia's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 15, 2011

CITY OF MORROW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

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

Reportable conditions identified not considered
to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

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

Reportable conditions identified not considered
to be material weaknesses? ___ yes X none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	U.S. Department of Transportation; Highway Planning and Construction

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

Auditee qualified as low-risk auditee? ___ yes X no

CITY OF MORROW, GEORGIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

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

None reported.

**SECTION IV
STATUS OF PRIOR YEAR FINDINGS**

None reported.

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined management's assertion included in the accompanying Annual Report of 9-1-1 Collections and Expenditures about City of Morrow, Georgia's compliance during the fiscal year ended June 30, 2011 with the requirement that information presented in the Annual Report of 9-1-1 Collections and Expenditures is accurate and correct and that 9-1-1 funds were expended in compliance with the expenditure requirements specified in the Official Code of Georgia Annotated, Section 46-5-134. Management is responsible for City of Morrow, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about City of Morrow, Georgia's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about City of Morrow, Georgia's compliance with the above mentioned requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on City of Morrow, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that City of Morrow, Georgia complied with the aforementioned requirement during the fiscal year ended June 30, 2011 is fairly stated, in all material respects.

This report is intended solely for the information and use of management 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 15, 2011

CITY OF MORROW, GEORGIA

Annual Report of 9-1-1 Collections and Expenditures

For the Year Ended JUNE 30, 2011

Line No.		O.C.G.A. Reference:	
1	Indicate UCOA Fund Type Used to Account for 9-1-1 Activity (choose one): <input checked="" type="checkbox"/> Special Revenue Fund <input type="checkbox"/> Enterprise Fund		
2	Monthly 9-1-1 charge billed to each exchange access facility subscriber:	46-5-134(a)(1)	\$ <u>1.50</u>
3	Total revenue from exchange access facility subscribers:		\$ <u>72,611</u>
4	Does 9-1-1 system provide automatic number identification of a wireless telecommunications connection? (choose one) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
5	If the answer to Line 4 is "yes", indicate below which of the following apply (choose one) <input checked="" type="checkbox"/> System provides location of base station or cell site <input type="checkbox"/> System provides automatic location identification	46-5-134(a)(2)(A) 46-5-134(a)(2)(B)	
6	If the answer to Line 4 is "yes", identify the monthly 9-1-1 charge billed to each wireless telecommunications connection subscriber:	46-5-134(a)(2)	\$ <u>1.50</u>
7	Total revenue from wireless telecommunications connection subscribers:		\$ <u>74,336</u>
8	Total Line 3 plus Line 7 (should equal UCOA Revenue Source 34.2500)		\$ <u>146,947</u>
9	Additional revenue sources:		
9a	Federal (UCOA Revenue Source 33.1000) Identify each funding agency individually. Attach list, if necessary.	46-5-134(j)	\$ <u>-</u>
	_____		\$ <u>-</u>
9b	State (UCOA Revenue Source 33.4000) Identify each funding agency individually. Attach list, if necessary.	46-5-134(j)	\$ <u>-</u>
	_____		\$ <u>-</u>
9c	Local (UCOA Revenue Source 33.6000) Identify each unit of local government individually. Attach list, if necessary.	46-5-134(j)	\$ <u>-</u>
	_____		\$ <u>-</u>
9d	Private (UCOA Revenue Source 37.1000) Identify each private source individually. Attach list, if necessary.	46-5-134(j)	\$ <u>-</u>
	_____		\$ <u>-</u>

CITY OF MORROW, GEORGIA

Annual Report of 9-1-1 Collections and Expenditures

For the Year Ended JUNE 30, 2011

Line No.	O.C.G.A. Reference:	
10		Investment Income (UCOA Revenue Source 36.1000 through 36.3000) \$ <u>-</u>
11		Other revenue sources not included above. Identify each source individually. Transfers from other funds of the local government should be reported on Line 25 and not included here.
		<u>Miscellaneous Revenue</u> \$ <u>7,940</u>
12		Total Revenues (total of all amounts reported on Lines 8 through 11) \$ <u>154,887</u>
		Expenditures (UCOA Activity 3800)
13	46-5-134(e)	Wireless service supplier cost recovery charges (identify each supplier individually on lines below - attach list, if necessary)
		<u>Cingular Wireless</u> \$ <u>3,915</u>
		<u>Metro PCS</u> \$ <u>4,158</u>
		<u>Sprint/Nextel</u> \$ <u>572</u>
		Total (wireless service supplier cost recovery charges) \$ <u>8,645</u>
14		Emergency telephone equipment, including necessary computer hardware, software, and data base provisioning, addressing, and nonrecurring costs of establishing a 9-1-1 system:
14a	46-5-134(f)(1)	Lease costs \$ <u>-</u>
14b	46-5-134(f)(1)	Purchase costs \$ <u>-</u>
14c	46-5-134(f)(1)	Maintenance costs \$ <u>43,380</u>
15	46-5-134(f)(2)	Rates associated with the service suppliers 9-1-1 service and other service suppliers recurring charges \$ <u>26,612</u>
16		Employees hired by the local government solely for the operation and maintenance of the emergency 9-1-1 system: Number of employees classified as: Full time <u>10</u> Part time <u>3</u>
16a	46-5-134(f)(3)	Salaries and wages \$ <u>541,944</u>
16b	46-5-134(f)(3)	Employee benefits \$ <u>123,916</u>
17	46-5-134(f)(3)	Cost of training of employees who work as dispatchers \$ <u>4,764</u>
18	46-5-134(f)(4)	Office supplies of the public safety answering points used directly in providing emergency 9-1-1 system services \$ <u>10,884</u>
19a		Building used as a public safety answering point:
19a1	46-5-134(f)(5)	Lease costs \$ <u>-</u>
19a2	46-5-134(f)(5)	Purchase costs \$ <u>-</u>

CITY OF MORROW, GEORGIA

Annual Report of 9-1-1 Collections and Expenditures

For the Year Ended JUNE 30, 2011

Line No.	O.C.G.A. Reference:	
19b	46-5-134(f)(5)	Has the local government completed its street addressing plan? (choose one) <u> X </u> Yes <u> </u> No
		\$ <u> </u> -
20		Computer hardware and software used at a public safety answering point, including computer assisted dispatch systems:
20a	46-5-134(f)(6)	Lease costs
		\$ <u> </u> -
20b	46-5-134(f)(6)	Purchase costs
		\$ <u> </u> -
20c	46-5-134(f)(6)	Maintenance costs
		\$ <u> </u> 1,433
21	46-5-134(f)(7)	Supplies directly related to providing emergency 9-1-1 system services, including the cost of printing emergency 9-1-1 public education materials
		\$ <u> </u> 1,642
22		Logging recorders used at a public safety answering point to record telephone and radio traffic:
22a	46-5-134(f)(8)	Lease costs
		\$ <u> </u> -
22b	46-5-134(f)(8)	Purchase costs
		\$ <u> </u> -
22c	46-5-134(f)(8)	Maintenance costs
		\$ <u> </u> 41
23		Other expenditures not included in Lines 13 through 22 above. Identify by object and purpose. Transfers to other funds of the local government should be reported on Line 26 and not included here.
		<u>Travel</u> \$ <u> </u> 155
		<u>Dues & Subscriptions</u> \$ <u> </u> 245
		<u>General Liability Insurance</u> \$ <u> </u> 20,320
		<u>Utilities</u> \$ <u> </u> 2,687
		<u>Small Equipment</u> \$ <u> </u> 10,011
		<u>Books and Periodicals</u> \$ <u> </u> 53
		<u>Postage & Shipping</u> \$ <u> </u> 17
24		Total Expenditures (total of all amounts reported on Lines 13 through 23 above)
		\$ <u> </u> 796,749
25		Transfers From Other Funds (identify by fund)
		<u>General Fund</u> \$ <u> </u> 154,887
		\$ <u> </u> -

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For the Year Ended JUNE 30, 2011

Line
No.

O.C.G.A.
Reference:

26 Transfers To Other Funds (identify by fund)

\$ _____ -

\$ _____ -

27 Proceeds from Capital Lease (identify by asset class and, if equipment, purpose)

\$ _____ -

\$ _____ -

28 Net Change in Fund Balance (Line 12 - Line 24 + Line 25 - Line 26 + Line 27)

\$ (486,975)

29 Fund Balance - Beginning of Year

\$ _____ -

30 Fund Balance - End of Year

\$ (486,975)

31a Do amounts on Lines 12, 24, 28, 29, and 30 agree to amounts reported in the government's audited financial statements submitted to the Georgia Department of Audits and Accounts?

Yes No

31b If the answer to Line 31a is "no", provide explanation (including amounts) to reconcile each line item specified in Line 31a above to government's audited financial statements. Reconciliation should be attached to this report.

Certification of Local Government Officials

I have reviewed the information presented in this report and certify that it is accurate and correct. I further certify that the 9-1-1 funds were expended in compliance with the expenditure requirements specified in the Official Code of Georgia Annotated (OCGA), Section 46-5-134. I understand that, in accordance with OCGA Section 46-5-134(m)(2), any local government which makes expenditures not in compliance with this Code section may be held liable for pro rata reimbursement to telephone and wireless telecommunications subscribers of amounts improperly expended. Further, the noncompliant local government shall be solely financially responsible for the reimbursement and for any costs associated with the reimbursement. Such reimbursement shall be accomplished by service providers abating the imposition of the 9-1-1 charges and 9-1-1 wireless enhanced charges until such abatement equals the total amount of the rebate.

Signature of Chief Elected Official Jim Milliron Date 10/17/2011

Print Name of Chief Elected Official Jim Milliron

Title of Chief Elected Official Mayor

Signature of Chief Financial Officer Daniel W Defrall Date 10/17/2011

Print Name of Chief Financial Officer Daniel W Defrall