# CITY OF MORROW, GEORGIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED
## JUNE 30, 2016

Prepared By:
Emory L. McHugh, III, Finance Officer

Submitted By:
Sylvia Redic, City Manager

# City of Morrow, Georgia
# Comprehensive Annual Financial Report
# For The Fiscal Year Ended June 30, 2016

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# INTRODUCTORY SECTION

come to morrow
MORROW, GEORGIA

November 3, 2016

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

Ladies and Gentlemen:

I would like to present to you the Comprehensive Annual Financial Report (CAFR) of the City of Morrow, Georgia, for the fiscal year ended June 30, 2016. In doing so, the City complies with State of Georgia's O.C.G.A. Section 36-81-7 which requires the governing authority of each unit of local government having a population in excess of 1,500 persons according to the latest estimate of population by the U.S. Bureau of the Census or expenditures of $300,000 or more shall provide for and cause to be made an annual audit of the financial affairs and transactions of all funds and activities of the local government for each fiscal year. The CAFR also satisfies the requirements of Section 6.30 of the City's charter which calls for an annual independent audit of all City accounts, funds and financial transactions by a certified public accountant selected by the City Council.

This report consists of management's representations concerning the operations and financial condition of the City of Morrow, Georgia. Consequently, management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control network that is designed both to protect its assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City of Morrow's financial statements in conformity with generally accepted accounting principles (GAAP).

Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatements. 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 City as measured by the financial activities of its various funds. All disclosures necessary to enable the reader to gain a reasonable understanding of the City's financial activities have been included.



city of morrow
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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**
The 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 Ended June 30, 2015.

**2) FINANCIAL SECTION**
The financial section includes the general purpose financial statements and schedules, management discussion and analysis (MD&A), 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, which can be found on pages 4 through 16 of this financial report, 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 Government Finance Officers Association (GFOA) program for the Certificate of Achievement for Excellence in Financial Reporting. Due to the untimely turnover of senior staff, the City failed to submit its CAFR for the 2014 fiscal year to GFOA so a track record of receiving the award for eighteen consecutive years was broken. For the 2015 fiscal year, the City again received the award and this report will be submitted to the GFOA for evaluation of its continued eligibility for the Certificate. 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, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the first component of the financial section of this report and can be found on pages 1 through 3.

Single Audit

The City of Morrow is not required to undergo an annual Single Audit in conformity with the provisions of the U.S. Office of Management and Budget's circular, "*Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*". During FY 2016, the City of Morrow did not reach the threshold level of $750,000 of federal awards expenditures which requires single audit presentation. Therefore, a single audit is not included in this report.

Management Discussion & Analysis

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

## THE PROFILE OF GOVERNMENT

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

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

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

The City Manager is responsible for carrying out the day-to-day operations of government and for nominating the heads of the various departments. The City's organization includes six major departments: Administration, Administrative Support Services, Fire (including E911), Police, Public Works and Services, and Planning & Economic Development. The City Manager is appointed by the Mayor and Council to directly supervise these departments. The City provides many services to Morrow's residents and visitors, including police and fire protection, emergency medical services, emergency communications, code enforcement, public works, sanitation, 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 operating budget serves as the foundation for the City of Morrow's financial planning and control. The annual budget process begins with preliminary budget discussions as early as January and meetings are held regularly with the Mayor, Council, City Manager, and Department Heads to reach a proposed draft budget on or about March 9th. The Mayor and Council, City Manager, and Department Heads are involved in the budget development from start to finish.

The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30 (the close of the City's fiscal year). The annual budget is prepared by fund, function, and department: for example: General Fund, Public Safety, and Police Department. Budgets are adopted at the Department level as required by the City Charter, so Directors are not required to make transfers between individual object code accounts. Appropriations transfers between Departments are not allowed, except by specific action of the City Council.

Budget to actual comparisons are provided in this report for each individual fund for which an appropriated budget has been adopted except for the Proprietary Funds. For the General Fund, this comparison extends to the department level. Budget-to-actual comparisons for all governmental funds are presented in the Financial Section of the financial statements.

## ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which the City operates. The City of Morrow's local economy has primarily been driven by a predominantly retail business sector. With a major regional retail mall located within the city limits, the City continues to cope with the changing financial environment and all current economic predictions point to a very slow economic recovery.

Locally while it has been a tedious process, we are seeing signs of an economic recovery. In recent years, we have seen many major retail store closings due to national retailer's weak balance sheets and changes in their business strategies. While we hope that the greatest closure movements have already taken place, we expect a few more before the trend stops. In conjunction with a modest increase in commercial activity, occupational tax and sales tax revenues have begun to show positive trends in recent months.

Construction by the Georgia Department of Transportation was completed in 2012 on the $46 million construction contract for the Highway 54 and Interstate 75 interchange and related bridges. The improvements included expanded lanes that have reduced traffic delays, a new bridge for Lee Street that has reduced congestion on Highway 54, and high mast lighting that has improved safety and visibility.

Completion of the interstate improvements has significantly alleviated the previous traffic congestion of this center point of the City. But unfortunately, these efforts have suffered setbacks with multiple thefts of copper wiring that have disabled much of the lighting. The City of Morrow has worked closely with Georgia Power and the Georgia Department of Transportation to restore the functions of the newly installed Interstate 75 interchange and have implemented enhanced security measures in hopes of reducing the occurrence of thefts.

The City of Morrow has also worked with the Georgia Department of Transportation to restore the interstate exchange to its condition before construction. These efforts include ROW fence repair, concrete barrier removal, signage, and working to add additional landscaping improvements all of which contribute to Crime Prevention Through Environmental Design (or "CPTED"). Such improvements to the City's entry way are important.

The effects of closing nearby Fort Gillem in Forest Park have been mitigated by the development of the Gillem Logistics Center which includes a 253 acre Kroger Distribution Center, direct connectivity to I-285, mixed use and industrial zoning for redevelopment opportunities. Clayton County continues to strengthen its position in the market for film and television.

The opening of the new Porsche facility, North America's first, in Hapeville has injected the area with a new appeal. Hapeville continues to experience positive changes including new high end hotels along the 75 corridor, a growing number of restaurants, and new housing that we anticipate will have a spill-over effect into neighboring Clayton County.

Hartsfield-Jackson International Airport with access to Interstate 75 is located within 10 minutes of the City of Morrow. The airport serves as an important economic engine for the south side of Atlanta and continues to add value to the area for new development. Continued interests and investments in and around the airport have lead to new Community Improvement Districts and a plan for a new Airport City through the Atlanta Aerotropolis which will include hotels, office space, and travel plaza adjacent to the airport.

The closing of long-standing Turner Field has opened an opportunity for the expansion of Georgia State University's fledgling football program, "Go Panthers"!

The City of Morrow has traditionally produced a conservative budget and this has been extremely beneficial in the current economic market. Our work environment has stabilized after cuts were made to minimize excess and has led to a strengthening of our financial solvency. We believe Georgia and the City of Morrow are seeing a positive growth in our economies, albeit very slowly.

## MAJOR INITIATIVES

During 2016, 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***

- Continued to support Arts Clayton in order to strengthen the Art presence in Morrow; and
- Create an Art Committee to work with Clayton University students and establish public art venues throughout the city; and
- Work to become more involved with the Clayton Chamber of Commerce under the new leadership of recently appointed President Jeremy Stratton; and
- Prepare for upcoming public engagement sessions for expanding MARTA in Clayton County; and
- Clayton County Board of Commissioners; and
- Reynolds Nature Preserve; and
- Face to face relationship development with local businesses; and
- Working to establish a new Destination Marketing Organization; and
- Georgia Power Company through our new liaison Lisa Smith; and
- Clayton County Economic Development and Film Office under their new Director Courtney Pogue; and
- Clayton State University through extended programs with using student volunteers to participate in visioning sessions, to use their services for strategic planning and facilitation; and
- Establishing a new monthly information exchange with all City Managers in Clayton County; and
- Continued involvement with the first ever Tri-Cities Urban Redevelopment Plan (with Morrow, Lake City, and Forest Park); and
- Working with Clayton County and its municipalities to establish a county-wide Enterprise Zone.

***Infrastructure Developments***

- Engineering and Design Phase of Pedestrian Pathway System Phase 3 continues and an expanded scope of work was approved by Mayor and Council; and
- Partnership with Clayton County Water Authority through a CDBG grant to upgrade Milton Daniel Park; and
- Continue efforts to resolve issues related to the repairs of the bridges and boardwalks on pedestrian path system; and
- Georgia Department of Transportation cleaning up the interchange at Exit 233; and
- Assessing cell tower and fiber optic permits, partnerships, and fee structures; and
- Approval of a new LED marquee sign at the Morrow Municipal Complex; and
- Seeking grants to support the rehabilitation of city-owned property along Reynolds Road to offer services to the growing senior citizen population; and
- Identify road improvements along major corridors through SPLOST funding; and
- Schedule maintenance for sense of place amenities to include neighborhood markers, street pavers, community parks, etc; and
- Present Proclamations during Council Meetings to long standing businesses and community partners to foster stronger relations; and
- Replace standard lighting with upgraded LEDs throughout the city.

***Service Enhancements***

- Merging E911 services with Clayton County; and
- Offer face to face meetings with any business owner to discuss the details of their permits, code requirements; variance, and conditional use applications; and
- Connect businesses with common interests and customers; and
- Hiring of a new Police Chief; and
- Working to hire a new Fire Chief; and
- Investigation partnerships with Clayton County Sheriff for proactive crime enforcement;
- Partnering with Georgia State Patrol to reduce highway risks; and
- Working closely with commercial property owners to hear and address concerns related to signage, visibility, crimes, etc; and
- Working to partner with neighboring city to increase the street sweeping services for high impact of cleanliness as well as possible collaborations for fleet maintenance; and
- Partnering with Clayton State University for local art to mitigate graffiti in designated areas; and
- Consistent Social Media Campaign on Facebook and improved presence for the Police Department on Twitter; and
- Amazing partnerships and support through citizen based organizations such as Neighborhood Watch, Neighbors Helping Neighbors, CERT, and other volunteer and service groups; and
- Organizing, hosting, and promoting Health Fairs and Job Fairs for public benefit; and
- Engaging Retail Strategies to promote business development in our commercial areas; and
- Engaging Commercial Real Estate Broker to determine the best use of Morrow's commercial properties; and
- Engaging Civentum as a Specialized DMO to market the Morrow Center and Trade Show space and to work with local hotels to increase occupancy rates; and
- Annual Certificate of Achievement for Excellence in Financial Reporting

***Planning Initiatives***

- Assessment of zoning and sign codes; and
- Strategic Plan by Council and short terms goals; and
- Enhanced marketing to extol the assets of the City of Morrow; and
- Responsive website design to better serve the community and customers; and
- Participation in county-wide Enterprise Zone exploration; and
- Discussions with the Georgia American Vietnamese Chamber of Commerce for expanded DMO services; and
- Increased outreach and collaboration with Vietnamese Communities throughout Clayton County; and
- New chair and vice chair of the Planning and Zoning Board; and
- Greater participation by Morrow Mayor in initiatives/discussions throughout Clayton County to include District Attorney, School Board, Board of Commissioners, and various committees.

***Funding Partnerships***

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

Morrow understands that relationships are important. A changing environment sometimes calls for an amended approach. An approach where it is understood that every little thing has an impact on how the city is perceived; not only by residents, but by everyone who comes into the City. We will not succeed alone.

Our citizens are the priority but we cannot provide services without the tax revenue generated by our commercial entities. So we must consider their importance and needs as we develop our services and strategies. We must take a stand to prevent growth that does not add value to our City while doing everything we can to help businesses, families, visitors, stakeholders, partners, and neighbors thrive.

We have to keep our streets clean and safe, we have to create a brand that attracts people and businesses, and we have to strengthen our visibility to lure more people off the interstate and into our restaurants, gas stations, shops, and even homes. We have to make strategic moves and work for what we want; it will not happen accidentally.

We are excited about three new partnerships that will assist us as we work forward to achieve these goals. Retail Strategies, Civentum, and Ackerman & Company all have a unique set of skills that will enable Morrow to market its assets, plan its land use, and identify itself more effectively than we have in recent years.

## LONG TERM FINANCIAL PLANNING

### Relevant Financial Policies and Practices

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

### Budgetary Controls

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

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

Planning and Economic Development

Budget cuts alone will not make Morrow successful in terms of revenue versus expenditures. We must find ways to increase revenue and that means building a destination. Our destination may be for the traveler who is looking for a nice hotel and a bite to eat. Our destination may be for the family shopping for a new home, or a young professional wanting a cool place to live that is close to downtown Atlanta. Our destination may be for a logistics company looking for affordable rent but finding a place where the airport is easy to access. Our destination may be for a filming crew that needs some great shots and keeps the talent closer to home with only a 10 minute drive to the busiest passenger airport in the world. Our destination may be for a new kiosk at the mall or a new restaurant ready to serve the 260,000 hungry citizens of Clayton County.

The Planning and Economic Development Department of the City of Morrow must work to brand Morrow as a destination for all these and more. The partnerships retail partners, DMO's, real estate brokers, established business, and new businesses will all have an important role in making this happen.

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

We have seen some new business take root and work to come into Morrow. Nam Dae Mun will occupy the former Target Space along Mt. Zion. U-Haul will occupy the old restaurant supply building which is also located along the Mt. Zion corridor. Some of our top brands such as AMC and Southlake Mall have just finished major renovations. Others are gearing up and we have had exciting news about new retailers at Southlake Mall. H&M and Forever 21 have set their roots down in our mall corridors, and this is great news for Clayton County and the City of Morrow. Even nationwide closings of the popular department store Macy's do not affect Morrow; our Macy's will remain open. There are three new sit-down restaurants under process along Mt. Zion and this is critical to the corridor's long-term success.

The hiring of a new Police Chief and the hiring of a new Fire Chief will help our Public Safety team strengthen to address issues of public health and safety. We have a new slogan for the Police Department, ***#notinMorrow***. That means, we will not allow activity that robs our citizens and stakeholders of a quality of life that they desire.

Morrow is a serious city. We are serious about protecting our citizens, we are serious about offering our business community a safe place to do business, and we are serious about understanding that our community partners and neighboring cities are important to our well-being. Morrow is a great place to live, a great place to work, a great place to be and we will make every effort to keep it that way.

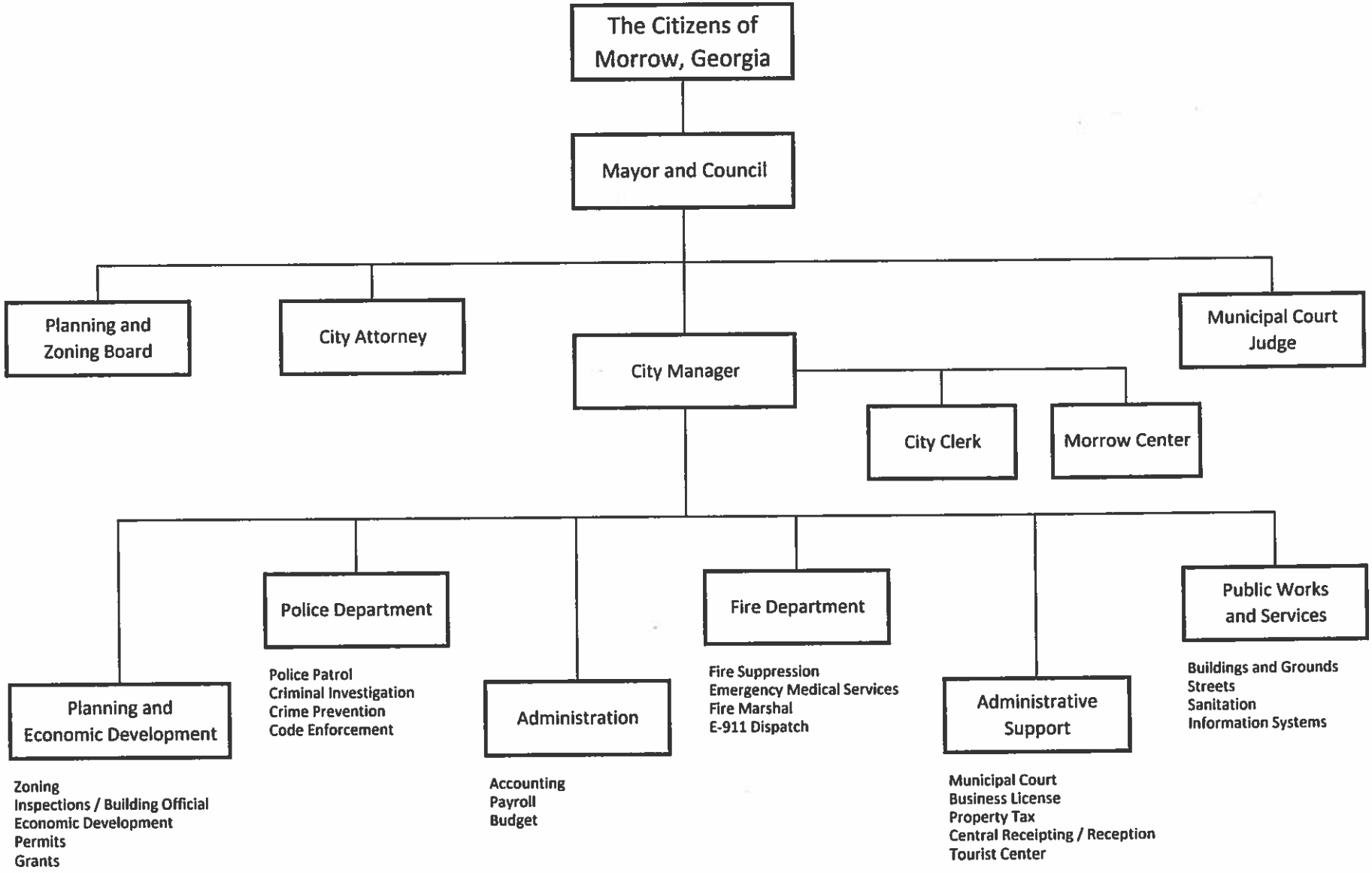
**ACKNOWLEDGEMENTS**

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, specifically Finance Director Emory McHugh, 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,

Sylvia Redic
City Manager

# City of Morrow, Georgia
## Organizational Chart



# City of Morrow, Georgia
# List of Principal Officials
# June 30, 2016

## Elected Officials

| | |
|---|---|
| Mayor | Jeffrey A. DeTar |
| Mayor Pro Tem | Jeanell Bridges |
| Council Member | Larry Ferguson |
| Council Member | Christopher Mills |
| Council Member | Hang Tran |

## Appointed Officials

| | |
|---|---|
| City Manager | Sylvia Redic |
| City Attorney | Steve Fincher |
| Municipal Court Judge | Ronald J. Freeman |
| Municipal Court Prosecutor | Jerry Patrick |

## Planning and Zoning Board

| | |
|---|---|
| Chairman | Gilda Hutcheson |
| Vice-Chairman | Wayne Collins |
| Board Member | Joyce Bean |
| Board Member | Aaron I. Mauldin, P.E. |
| Board Member | Tamara Patridge |

## Supervisory Staff Positions

| | |
|---|---|
| City Clerk | Yasmin Julio |
| Police Chief | James Callaway |
| Fire Chief (Interim) | Elton Poss |
| Public Works Director | Anou Sothsavath |
| Municipal Court Administrator | Essie West |
| Finance Officer | Emory L. McHugh, III |

## Contracted Professionals

| | |
|---|---|
| Independent Auditors | Mauldin & Jenkins, LLC |

Government Finance Officers Association

# 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, 2015**

Executive Director/CEO

# FINANCIAL SECTION

MAULDIN & JENKINS

# INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Morrow, Georgia** (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Morrow, Georgia's basic financial statements as listed in the table of contents.

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

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

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

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

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***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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 16), the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 57), and the Schedule of the City's Contributions (on page 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016, on our consideration of the City of Morrow, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Morrow, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
November 3, 2016

# City of Morrow, Georgia

## Management's Discussion and Analysis (MD&A)

As management of the City of Morrow, we offer readers of the City of Morrow's financial statements this narrative overview and analysis of the financial activities of the City of Morrow for the fiscal year ended June 30, 2016. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for the Fiscal Year Ended June 30, 2016 are as follows:

- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by $21,522,787 (*net position*). Of this amount, $5,146,728 (*unrestricted net position)* may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased $1,873,929 during the 2016 fiscal year. The majority of the increase can be directly attributed to the lack of expenditure activity in three of the City's funds. The assets of the 2014 Special Purpose Local Option Sales Tax (SPLOST) Capital Projects Fund increased by $732,042 because the City postponed certain capital outlay expenditures while the possible outsourcing of the City's E-911 function was being deliberated. The assets of the Hotel / Motel Tax and Product Development Special Revenue Funds increased by $441,392 and $187,293, respectively, due to the City not selecting a new Destination Marketing Organization (DMO) while it was in litigation concerning the contractual rights and obligations of the previous DMO and then having to go through the lengthy process of contracting with the next DMO.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of $10,032,008, an increase of $2,093,181 in comparison to the prior year. Approximately 35% of this total amount, or $3,518,035, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the fund balance for the General Fund was $7,232,041 which represents roughly 90% of total General Fund expenditures for the fiscal year. The fund balance for the General Fund increased by $678,588, or about 10.35%, during the current fiscal year.
- As of the close of the 2016 fiscal year, the combined fund balances for the two Special Purpose Local Option Sales Tax (SPLOST) Capital Project Funds was $1,793,619, which was restricted for other capital projects.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

# Management's Discussion And Analysis (MD&A)

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

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

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

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

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

***Governmental Funds.*** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year.

Most of the City's basic services are accounted for in one of the eight different governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her

determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City of Morrow has five Special Revenue Funds: (1) Emergency Communication Fund, (2) Hotel / Motel Tax Fund, (3) Product Development Fund, (4) Confiscated Assets Fund, and (5) Rental Car Excise Tax Fund. The basic governmental fund financial statements can be found on pages 20 and 21 of this report.

***Proprietary Funds.*** Proprietary funds are activities that a City operates similar to a business in that it attempts to recover costs through charges to the user. The City of Morrow has only one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Morrow uses two enterprise funds to account for its sanitation activity and conference center activity. Proprietary fund statements use the accrual basis of accounting similar to the government-wide statements. The basic proprietary fund financial statements can be found on pages 25 through 27 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 29 through 55 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 61 through 71 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Morrow exceeded liabilities by $21,522,787 as of June 30, 2016. The City's net position increased by $1,873,929 for the fiscal year ended June 30, 2016. As indicated earlier, the majority of the

increase for Fiscal Year 2016 can be traced to the postponing of expenditures in the 2014 SPLOST Capital Projects Fund, and the Hotel / Motel Tax and Product Development Special Revenue Funds until future periods. A comparison of the City's Net Position for the two most recent fiscal years is provided in the following table.

**City of Morrow's Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| Current and Other Assets | $ 10,728,621 | $ 8,613,878 | $ 209,910 | $ 193,648 | $ 10,938,531 | $ 8,807,526 |
| Capital Assets, Net | 14,865,202 | 15,442,571 | - | - | 14,865,202 | 15,442,571 |
| Total Assets | $ 25,593,823 | $ 24,056,449 | $ 209,910 | $ 193,648 | $ 25,803,733 | $ 24,250,097 |
| Deferred Outflows of Resources | $ 982,079 | $ 481,041 | $ - | $ - | $ 982,079 | $ 481,041 |
| Other Liabilities | $ 479,534 | $ 555,417 | $ 199,840 | $ 193,648 | $ 679,374 | $ 749,065 |
| Long-Term Liabilities Outstanding | 3,867,794 | 3,569,138 | - | - | 3,867,794 | 3,569,138 |
| Total Liabilities | $ 4,347,328 | $ 4,124,555 | $ 199,840 | $ 193,648 | $ 4,547,168 | $ 4,318,203 |
| Deferred Inflows of Resources | $ 715,857 | $ 764,077 | $ - | $ - | $ 715,857 | $ 764,077 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | $ 13,576,092 | $ 13,883,120 | $ - | $ - | $ 13,576,092 | $ 13,883,120 |
| Restricted | 2,799,967 | 1,385,374 | - | - | 2,799,967 | 1,385,374 |
| Unrestricted | 5,136,658 | 4,380,364 | 10,070 | - | 5,146,728 | 4,380,364 |
| Total Net Position | $ 21,512,717 | $ 19,648,858 | $ 10,070 | $ - | $ 21,522,787 | $ 19,648,858 |

The largest portion of the City's net position for both FY 2016 and FY 2015, (63.1% and 70.7%, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Although the City of Morrow's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion (i.e., 13.0%) of the City's FY 2016 net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (i.e., $5,146,728) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities during the fiscal year ended June 30, 2016, increased the City of Morrow's net position by $1,863,859. Business-type activities during the same period increased net position by $10,070. Key elements of this total increase of $1,873,929 in net position are shown in the following tabular information.

# Management's Discussion And Analysis (MD&A)

## City of Morrow's Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| Revenues: | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| Program Revenues: | | | | | | |
| Charges for Services | $ 1,773,269 | $ 1,953,607 | $ 1,129,152 | $ 1,228,486 | $ 2,902,421 | $ 3,182,093 |
| Operating Grants and Contributions | 187,675 | 375,000 | - | - | 187,675 | 375,000 |
| Capital Grants and Contributions | 341,577 | 48,336 | - | - | 341,577 | 48,336 |
| General Revenues: | | | | | | |
| Property Taxes | 2,375,633 | 2,323,174 | - | - | 2,375,633 | 2,323,174 |
| Sales Taxes | 2,979,764 | 2,999,232 | - | - | 2,979,764 | 2,999,232 |
| Insurance Premium Taxes | 378,019 | 345,938 | - | - | 378,019 | 345,938 |
| Business and Occupation Taxes | 949,779 | 873,879 | - | - | 949,779 | 873,879 |
| Franchise Taxes | 674,693 | 650,166 | - | - | 674,693 | 650,166 |
| Hotel / Motel Taxes | 1,008,895 | 609,777 | - | - | 1,008,895 | 609,777 |
| Other Taxes | 153,360 | 176,695 | - | - | 153,360 | 176,695 |
| Miscellaneous | 169,326 | 285,139 | - | - | 169,326 | 285,139 |
| Unrestricted Investment Earning | 5,530 | 5,163 | - | - | 5,530 | 5,163 |
| Gain on Sale of Capital Assets | 12,664 | 37,435 | - | - | 12,664 | 37,435 |
| Total Revenues | $ 11,010,184 | $ 10,683,541 | $ 1,129,152 | $ 1,228,486 | $ 12,139,336 | $ 11,912,027 |
| Expenses: | | | | | | |
| General Government | $ 1,085,997 | $ 1,309,864 | $ - | $ - | $ 1,085,997 | $ 1,309,864 |
| Judicial | 371,820 | 461,246 | - | - | 371,820 | 461,246 |
| Public Safety | 5,149,353 | 5,826,054 | - | - | 5,149,353 | 5,826,054 |
| Public Works | 1,822,152 | 3,691,972 | - | - | 1,822,152 | 3,691,972 |
| Housing and Development | 737,779 | 565,371 | - | - | 737,779 | 565,371 |
| Interest on Long-Term Debt | 44,183 | 85,360 | - | - | 44,183 | 85,360 |
| Sanitation | - | - | 848,292 | 886,173 | 848,292 | 886,173 |
| Morrow Conference Center | - | - | 205,831 | 401,316 | 205,831 | 401,316 |
| Total Expenses | $ 9,211,284 | $ 11,939,867 | $ 1,054,123 | $ 1,287,489 | $ 10,265,407 | $ 13,227,356 |
| Change in Net Position Before Transfers, Special Item and Extraordinary Item | $ 1,798,900 | $ (1,256,326) | $ 75,029 | $ (59,003) | $ 1,873,929 | $ (1,315,329) |
| Special Item | $ - | $ - | $ - | $ (4,314,731) | $ - | $ (4,314,731) |
| Extraordinary Item | - | (238,038) | - | - | - | (238,038) |
| Transfers | 64,959 | 128,362 | (64,959) | (128,362) | - | - |
| Change in Net Position | $ 1,863,859 | $ (1,366,002) | $ 10,070 | $ (4,502,096) | $ 1,873,929 | $ (5,868,098) |
| Net Position, Beginning | 19,648,858 | 21,014,860 | - | 4,502,096 | 19,648,858 | 25,516,956 |
| Net Position, Ending | $ 21,512,717 | $ 19,648,858 | $ 10,070 | $ - | $ 21,522,787 | $ 19,648,858 |

**Governmental Activities.** As shown on the previous table, the Governmental Activities had an excess of revenues compared to expenses in the amount of $1,798,900 for the 2016 fiscal year but a negative amount of $1,256,326 for FY 2015. One of the primary reasons for this variance between the two fiscal years is that $1,529,427 was recognized as an infrastructure impairment expense in the Public Works department in FY 2015 due to the closing of the Olde Town Morrow project. Another principal reason was the postponement of expenditures in the 2014 SPLOST Capital Projects Fund, the Hotel / Motel Tax Special Revenue Fund and the Product Development Special Revenue Fund during the 2016 fiscal year.

The FY 2016 revenues for the Governmental Activities totaled $11,010,184 which was $326,643 more than the previous fiscal year. The overall net increase in revenues can be primarily attributed to FEMA grant revenues in the amount of $336,306 that were received by the Fire Department during the 2016 fiscal year. Hotel / Motel Taxes show an annual increase of $399,118 which is principally due to the write-off of approximately $240,000 in hotel / motel tax receivables that were deemed uncollectible when the previous business owner declared bankruptcy in FY 2015. The decrease in the Operating Grants and Contributions category resulted from the decision of the City of Lake City to terminate its contract at mid-year for fire and emergency services with the City of Morrow. The principal cause of the decrease in the Charges for Services classification is declining fines and forfeitures that resulted from a change in traffic enforcement strategies.

The tabular information also shows that expenses related to Governmental Activities totaled $9,211,284 for FY 2016 which was a substantial decrease of $2,728,583, or 22.85%, compared to FY 2015. In explaining the large decrease in the Public Works function for FY 2016, there was the one-time infrastructure impairment loss of $1.53 million in FY 2015 that was discussed earlier. The decreases in the General Government and Public Safety functions were primarily due to personnel reductions approved in the 2016 fiscal year budget. The increase in the Housing and Development category was primarily due to higher debt service payments on the 2015 Urban Redevelopment Agency bonds.

**Business-Type Activities.** The business-type activities of the City consist of the Sanitation Department and the Morrow Conference Center. The Sanitation Department provides trash collection services to the city residents and businesses. The revenue of the Sanitation Department is derived from user fees charged for services related to solid waste disposal. The Morrow Conference Center was opened and began offering conference space and services during the 2010 fiscal year. The revenue of the Morrow Conference Center is derived from user fees charged for conference space rental and other conference center services.

For FY 2016, the business-type activities had an increase in net position of $10,070 which is all attributable to the Morrow Conference Center. These operating results are favorable to the negative change in net position of $4,502,096 that occurred in FY 2015. That large negative change in the prior fiscal year primarily resulted from the sale of the capital assets of the Morrow Conference Center to the Urban Redevelopment Agency. With all of the sales proceeds from that that transaction going to the Downtown Development Authority, it resulted in a loss on the sale of $4,314,731 for the Morrow Conference Center enterprise fund.

**Financial Analysis of the City's Funds**

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

# Management's Discussion And Analysis (MD&A)

**Governmental Funds.** The focus of the City of Morrow's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Morrow's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2016, the total Governmental Funds of the City of Morrow reported a combined fund balance of $10,032,008 which represented an increase of $2,093,181 or 26.4%, from the previous year. This significant increase can be primarily attributed to the three different causes. First, the 2014 SPLOST Capital Projects Fund fund balance increased by $732,042 because the City chose to hold off on making capital expenditures until the issue of whether or not to merge its E-911 function with the County was resolved. Secondly, the General Fund fund balance increased by $678,588 primarily because of personnel turnover in the Public Safety functions, lower gasoline prices and a reduction in large liability insurance claims. And thirdly, increases in the fund balances of the Hotel / Motel Tax and Product Development Special Revenue Funds in the amount of $441,392 and $187,293, respectively, resulted from the City not selecting a new Destination Marketing Organization (DMO) while it was in litigation with the previous DMO.

A comparison of governmental fund balances for FY 2016 and FY 2015 are provided in the following table:

**City of Morrow's Governmental Fund Balances**

| | FY 2016 | FY 2015 | Increase (Decrease) |
|---|---|---|---|
| General Fund | $7,232,041 | $6,553,453 | $ 678,588 |
| Special Purpose Local Option Sales Tax (SPLOST) - | | | |
| 2008 Capital Projects Fund | 740,799 | 752,339 | (11,540) |
| 2014 Capital Projects Fund | 1,052,820 | 320,778 | 732,042 |
| NonMajor Special Revenue Funds: | | | |
| Hotel Motel Tax | 622,110 | 180,718 | 441,392 |
| Product Development | 219,999 | 32,706 | 187,293 |
| Confiscated Assets | 164,239 | 98,833 | 65,406 |
| Total Governmental Fund Balances | $10,032,008 | $7,938,827 | $2,093,181 |

The General Fund is the primary operating fund of the City of Morrow. At the end of fiscal year 2016, the fund balance of the General Fund was $7,232,041 which represented an increase of $678,588 from the previous fiscal year. Of the total fund balance at June 30, 2016, $3,518,035 represents unassigned fund balance, which is available as working capital or to meet any future spending needs. The majority of the General Fund fund balance, $3,714,006, is termed non-spendable to indicate that it is not available for new spending because it is already committed for prepaid expenditures ($156,859), assets held for resale ($103,619), and advances to one of the City's component units, the Downtown Development Authority ($3,453,528).

As a measure of the General Fund's liquidity and its ability to meet cyclical cash flows, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned General Fund fund balance represents 43.86% of the total General Fund expenditures that occurred during the 2016 fiscal year, while total General Fund fund balance represents 90.16% of that same amount.

The 2014 SPLOST Capital Projects Fund fund balance increased by $732,042 for the 2016 fiscal year. Even though the City continued to receive the special purpose local option sales tax revenues each month, it postponed making those capital expenditures identified in the tax referendum until the Mayor and Council had performed its due diligence on the ramifications of outsourcing the emergency communications service and reached a decision on whether or not to consolidate the City's E-911 function with that of Clayton County. If the City had decided to retain its emergency dispatch center, the SPLOST monies collected during FY 2016 would have been needed immediately for significant technological improvements to E-911. With the City leaders having decided to outsource the dispatch service in July of 2016, new capital expenditure priorities are being set for the use of those tax dollars in future fiscal years.

The fund balance of the Hotel Motel Tax and Product Development Special Revenue Funds increased by $441,392 and $187,293, respectively, during FY 2016. Proceeds from the eight-percent hotel-motel tax represent the sole source of revenue for both of these special revenue funds. In February of 2015, the City chose to opt out of its contract with the Morrow Business and Trade Association (MBTA) to serve as the City's destination marketing organization (DMO). As a result of the decision to discontinue that long-term relationship, a lawsuit was filed involving the two parties. Because of the pending litigation, the City chose not to select a new DMO which is required by State statute to serve as the conduit for spending the hotel / motel tax funds. Once the litigation was settled, the City began working on the process for selecting a new DMO. Thus, the hotel / motel tax revenues accumulated during FY 2016 and 2015 will be spent in future fiscal years when a new destination marketing organization is selected.

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

**Operating Budgets**

Operating 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 Sanitation Fund, and The Morrow Center Fund. Budgets for the Enterprise funds are prepared for planning and control purposes only. The legal level of budgetary control is the department level, with the City Council being the only body authorized to make amendments to the budget. For the 2016 fiscal year, several changes were made to the appropriations contained in the original budget.

For the most part, these adjustments to the General Fund redistributed the original appropriations among the various cost centers which resulted in no increase in the total budget. The need to bring the original adopted budget into conformance with the requirements of the Georgia Department of Community Affair's Uniform Chart of Accounts was the primary driver for these reallocations. In addition to the reallocation adjustments, two grants were received by the Fire Department after the budget was approved. The recognition of these new grant revenues and appropriations did result in an increase in the General Fund budget for FY 2016.

**Budgetary Highlights:**

- The City's budget is prepared according to Georgia law and the City's charter. The most significant budget fund is the General Fund.

- For the General Fund, the actual revenues of $8,545,890 were lower than the final budget amount of $8,771,417 by $225,527. The net unfavorable budget variance was primarily due to a decline in construction activity as several subdivisions previously under construction were completed, the unanticipated loss of the Lake City contract for fire and emergency services, and a decrease in fines and forfeitures revenues from historical norms.
- The General Fund actual expenditures of $8,021,396 were less than the final budgeted amount of $8,903,964 by $882,568. The net favorable budget variance was primarily due to personnel vacancies in the Public Safety functions, lower than anticipated liability insurance claims and lower gasoline prices.
- The original General Fund budget was increased by $375,567 during the fiscal year. The adjustment represented the revenues and expenditures for two grants that the Fire Department obtained after the preparation of the original budget.

## Capital Asset and Debt Administration

**Capital Assets.** The City of Morrow's investment in capital assets, net of accumulated depreciation, for its governmental and business–type activities as of June 30, 2016, totals $14,865,202. Capital assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. Capital assets were all in Governmental Activities. A comparison of the City's investment in capital assets as of June 30, 2016 and 2015 is provided in the following table.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| Capital Asset Class | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | $ 5,013,235 | $ 5,013,235 | $ - | $ - | $ 5,013,235 | $ 5,013,235 |
| Construction in Process | 249,898 | 238,358 | - | - | 249,898 | 238,358 |
| Buildings, Grounds and Improvements | 2,049,174 | 2,175,056 | - | - | 2,049,174 | 2,175,056 |
| Machinery and Equipment | 687,979 | 204,318 | - | - | 687,979 | 204,318 |
| Furniture and Fixtures | - | - | - | - | - | - |
| Infrastructure | 5,653,386 | 6,339,666 | - | - | 5,653,386 | 6,339,666 |
| Vehicles | 764,269 | 962,669 | - | - | 764,269 | 962,669 |
| Computer Equipment and Software | 14,886 | 8,073 | - | - | 14,886 | 8,073 |
| Park Facilities and Improvements | 432,375 | 501,196 | - | - | 432,375 | 501,196 |
| Total | $14,865,202 | $ 15,442,571 | $ - | $ - | $ 14,865,202 | $ 15,442,571 |

The net investment in capital assets balance of $14,865,202 represents a $577,369 decrease from the previous year's total of $15,442,571. This 3.74% decrease for FY 2016 represents the net of additions of capital assets of $629,214 and FY 2016 depreciation expense in the amount of $1,206,583.

Of the additions amount for FY 2016, $335,025 represented SPLOST funded radio equipment and a firewall server, $14,722 was spent for a Police Department intoximeter and software, $267,927 was expended for various Fire Department equipment and $11,540 represented pedestrian pathway improvements.

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

**Long-Term Debt**

As of June 30, 2016, the City of Morrow had total outstanding long-term debt of $3,867,794 which was all identified with the Governmental Activities. A comparison of the long-term liabilities at June 30, 2016 and 2015 are shown in the following table.

**City of Morrow's Outstanding Long-Term Liabilities**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| Capital Leases | $1,289,110 | $1,559,451 | $ -- | $ -- | $1,289,110 | $1,559,451 |
| Compensated Absences | 223,820 | 226,644 | -- | -- | 223,820 | 226,644 |
| Net Pension Liability | 2,354,864 | 1,783,043 | -- | -- | 2,354,864 | 1,783,043 |
| Total | $3,867,794 | $3,569,138 | $ -- | $ -- | $3,867,794 | $3,569,138 |

During FY 2016, the City's total outstanding long-term liabilities increased by a net amount of $298,656. The principal cause of this growth in long-term liabilities was that the Net Pension Liability increased by $571,821. The increase in this liability component was primarily due to investment earnings for the plan year being lower than actuarial expectations. In analyzing long-term liability decreases, activity in the Capital Leases obligation reflects principal payments on the four outstanding leases of $270,341. Also during FY 2016, there was a reduction of $2,824 in the Compensated Absences balance as a result of reductions in the work force.

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

**Currently Known Facts, Decisions or Conditions Affecting Future Operations**

For a number of different reasons, Clayton County and the City of Morrow have been slower to bounce back from the effects of the "2008 Great Recession" than most Atlanta-area submarkets. However more recently, local economic conditions have begun to improve and are even showing some signs of resurgence. Based on the comparative strata information from the 2016 and 2015 tax digests, commercial, industrial and residential real estate values have all finally begun to stabilize. This recent economic improvement arises from inherent strengths in attributes such as location, transportation infrastructure, and natural resources.

## Management's Discussion And Analysis (MD&A)

The City of Morrow benefits greatly from its close proximity to the Hartsfield-Jackson Atlanta International Airport. While the airport has been a significant economic driver in the past, leaders from the Atlanta region's public and private sectors officially launched the *Atlanta Aerotropolis Alliance* in March of 2014. Discussions have focused on the future of the airport area and how it might become a nexus for increased local and global economic activity to attract international corporations, logistics companies and others that benefit from proximity to the world's busiest airport. The new Alliance is working to enhance metro Atlanta's position as a global economic leader with a vision of transforming the airport vicinity into a world-class aerotropolis.

An "aerotropolis", a term coined by Dr. John Kasarda at the University of North Carolina's Kenan-Flagler Business School, describes an urban development that emerges around a central airport to connect workers, suppliers, executives and goods. The Alliance is coordinating plans for the creation of an "Airport City" that will attract new commercial office space, first-class hotels, entertainment venues, condominiums, apartments, and other residences. One company that has already chosen the Hartsfield-Jackson area for its new home is Porsche Cars North America. And in terms of construction activity, Hartsfield-Jackson recently unveiled its 20-year master plan that included $6 billion in total projects with approximately $1 billion being programmed to occur in the short-term.

As a retail center, the City of Morrow is benefiting economically from other new development that is occurring in the surrounding area. For example, the Forest Park Urban Redevelopment Agency is developing 1,168 acres of the former Fort Gillem Army base for new industries and distribution centers. The retail grocery chain, Kroger, has invested about $175 million in its new 1.3 million square feet distribution center which is already operational and has 120 employees. Castellini Group, a large distributor of fresh produce, has completed a $52 million distribution facility that is creating 300 new jobs.

In November of 2014, the voters of Clayton County overwhelmingly approved a one-percent sales tax to fund an expansion of the Metropolitan Atlanta Rapid Transit Authority (MARTA) service that brought public transit back to Clayton County. By May of 2016, more than ten bus lines were already operational with several of them serving the Morrow area and its retail businesses. As an additional benefit, MARTA is renting office space within the City for its law enforcement function. The City's future will also be heavily influenced by MARTA's decision to bring rail service to the County within the next five years. Based on the most recent information, those expansion discussions are to begin in October of 2016 and will include the City of Morrow as one of the stops on the rail line.

In May of 2014, the voters of Clayton approved a six-year extension of the special purpose local option sales tax (SPLOST) to fund certain capital needs. As part of that voter referendum, the City of Morrow submitted projects totaling $6,751,921 to be funded from those proceeds. When the project list was submitted, it included certain capital expenditures for equipment and technology replacements that were needed for the E-911 dispatch center. During the FY 2016 budget preparation process, the possibility of merging the City's E-911 function with the County's was discussed. After the Mayor and Council performed its due diligence on the ramifications of outsourcing this function, it chose to go forward with the consolidation. As a result of that decision, additional funds will now become available to meet the City's other capital needs such as vehicle replacement and road improvements.

During the time that the City of Morrow began discussing the possibility of consolidating its E-911 function with the County, the City of Lake City chose not to renew its contract with Morrow for the provision of fire services. As a result of Lake City's decision to have Clayton County provide their fire services beginning in January of 2016, the City of Morrow will no longer receive the annual contractual services payment in the amount of $375,000 as well as the E-911 phone surcharges generated in Lake City. The loss of these revenues in future periods will be largely offset by the savings generated from outsourcing the E-911 function to the County.

In March of 2016, the City reached a settlement agreement which resolved its legal dispute with the Morrow Business and Tourism Association (MBTA) over the rights, obligations and liabilities of the parties arising from a destination marketing organization (DMO) contract. In September of 2016, the City contracted with a specialized DMO to jump start its marketing effort. And the City has begun its efforts to identify a new DMO (or DMOs) and expects to begin spending the restricted portion of those hotel-motel tax funds collected in FY 2016 in the near future.

In June of 2015, the Urban Redevelopment Agency of the City of Morrow, Georgia issued a taxable revenue bond in the amount of $9,165,000. As security for meeting the debt service requirements of the revenue bond, the City of Morrow pledged its full faith and credit, and taxing power for such payment and performance. The debt service schedule for the revenue bond reflects an increase of at least $640,000 beginning in FY 2018. The need to meet this debt service obligation will have an impact on future operations and was materially addressed during the preparation of the FY 2017 budget.

**Factors Affecting the FY 2016 - 17 Budget**

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

The City Council of Morrow considered many factors when approving the City's FY 2017 budget. In making those difficult budgetary decisions, the Mayor and Council were very aware of the present economic conditions, the URA debt service payment schedule, Lake City's decision to opt out of its contract for fire services from Morrow, forecasts for a very slow recovery, and the effects on its citizens and the levels of service provided by the City.

To help address a proposed budget shortfall of $623,527 primarily due to declining revenues and a decision to budget $330,000 for contingencies, two revenue enhancements were approved. In the Sanitation Fund, residential rates were increased by $5 a month in order to recover the indirect costs of providing this service which had not been captured when setting rates in prior years. In the General Fund, an annual street light fee of $60 for single-family residential properties was approved.

On the appropriations side, the FY 2017 budget included a reduction in the workforce of two positions in the Police Department as part of a re-organization by the new Chief of Police. Four positions in the Fire Department that were previously designated as full-time employees with benefits will be filled by equivalent part-time personnel in FY 2017. The E-911 function will be consolidated with the County so only four months of operating costs were budgeted for the transition period.

The tax millage rate of 9.638 mils was programmed to remain the same as the prior year. As a result of these actions, the General Fund budget, including the $330,000 in the contingency accounts, was balanced with only $69,449 needing to come from prior year reserves.

**Contacting the City's Financial Management**

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

# BASIC FINANCIAL STATEMENTS

**City of Morrow, Georgia**
**Statement of Net Position**
**June 30, 2016**

| | Primary Government | | | Component Units | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Downtown Development Authority | Urban Redevelopment Agency | Morrow Housing Authority |
| **ASSETS** | | | | | | |
| Cash and Cash Equivalents | $ 3,442,060 | $ 188,707 | $ 3,630,767 | $ 179,957 | $ 657,319 | $ 696 |
| Investments | 2,748,498 | - | 2,748,498 | - | - | - |
| Taxes Receivable (Net) | 357,727 | - | 357,727 | - | - | - |
| Accounts Receivable | 49,751 | 87,804 | 137,555 | 675,486 | 24,799 | - |
| Interest Receivable | - | - | - | 6,419 | - | - |
| Due From Primary Government | - | - | - | - | 18,119 | - |
| Due From Component Unit | - | - | - | - | 13,143 | - |
| Due From Other Governments | 349,978 | - | 349,978 | - | - | - |
| Prepaid Expenses | 156,859 | - | 156,859 | - | - | - |
| Internal Balances | 66,601 | (66,601) | - | - | - | - |
| Advance To Component Unit | 3,453,528 | - | 3,453,528 | - | - | - |
| Assets Held For Resale | 103,619 | - | 103,619 | - | - | 61,000 |
| Capital Assets, Nondepreciable | 5,263,133 | - | 5,263,133 | 292,019 | 2,657,339 | - |
| Capital Assets , Depreciable, Net of Accumulated Depreciation | 9,602,069 | - | 9,602,069 | 3,178,009 | 2,733,264 | - |
| Total Assets | $ 25,593,823 | $ 209,910 | $ 25,803,733 | $ 4,331,890 | $ 6,103,983 | $ 61,696 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| Pension | $ 982,079 | $ - | $ 982,079 | $ - | $ - | $ - |
| **LIABILITIES** | | | | | | |
| Accounts Payable | $ 127,114 | $ 82,749 | $ 209,863 | $ 2,463 | $ 450,908 | $ - |
| Accrued Liabilities | 132,113 | 1,143 | 133,256 | 6,419 | 18,826 | - |
| Customer Deposits Payable | - | 25,672 | 25,672 | 3,500 | 20,590 | - |
| Unearned Revenues | 202,188 | 90,276 | 292,464 | - | 22,481 | - |
| Due To Component Unit | 18,119 | - | 18,119 | 13,143 | - | - |
| Advance From Primary Government | - | - | - | 3,453,528 | - | - |
| Capital Leases Due Within One Year | 277,933 | - | 277,933 | - | - | - |
| Capital Leases Due In More Than One Year | 1,011,177 | - | 1,011,177 | - | - | - |
| Bonds Payable Due Within One Year | - | - | - | 83,504 | - | - |
| Bonds Payable Due In More Than One Year | - | - | - | 581,710 | 9,165,000 | - |
| Compensated Absences Due In One Year | 174,246 | - | 174,246 | - | - | - |
| Compensated Absences Due In More Than One Year | 49,574 | - | 49,574 | - | - | - |
| Net Pension Liability | 2,354,864 | - | 2,354,864 | - | - | - |
| Total Liabilities | $ 4,347,328 | $ 199,840 | $ 4,547,168 | $ 4,144,267 | $ 9,677,805 | $ - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Pension | $ 715,857 | $ - | $ 715,857 | $ - | $ - | $ - |
| **NET POSITION** | | | | | | |
| Net Investment In Capital Assets | $ 13,576,092 | $ - | $ 13,576,092 | $ 3,470,028 | $ (3,774,397) | $ - |
| Restricted For: | | | | | | |
| Tourism | 622,110 | - | 622,110 | - | - | - |
| Product Development | 219,999 | - | 219,999 | - | - | - |
| Law Enforcement | 164,239 | - | 164,239 | - | - | - |
| Other Capital Projects | 1,793,619 | - | 1,793,619 | - | - | - |
| Unrestricted | 5,136,658 | 10,070 | 5,146,728 | (3,288,202) | 200,575 | 61,696 |
| Total Net Position | $ 21,512,717 | $ 10,070 | $ 21,522,787 | $ 181,826 | $ (3,573,822) | $ 61,696 |

**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, 2016

| Functions / Programs | Expenses | Program Revenues: Charges For Services | Program Revenues: Operating Grants And Contributions | Program Revenues: Capital Grants And Contributions | Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities | Primary Government: Business-Type Activities | Primary Government: Total | Component Units: Downtown Development Authority | Component Units: Urban Redevelopment Agency | Component Units: Morrow Housing Authority |
|---|---|---|---|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | $ 1,085,997 | $ 15,630 | $ - | $ - | $ (1,070,367) | $ - | $ (1,070,367) | $ - | $ - | $ - |
| Judicial | 371,820 | - | - | - | (371,820) | - | (371,820) | - | - | - |
| Public Safety | 5,149,353 | 1,593,283 | 187,675 | 341,577 | (3,026,818) | - | (3,026,818) | - | - | - |
| Public Works | 1,822,152 | 3,870 | - | - | (1,818,282) | - | (1,818,282) | - | - | - |
| Housing and Development | 737,779 | 160,486 | - | - | (577,293) | - | (577,293) | - | - | - |
| Interest on Long-Term Debt | 44,183 | - | - | - | (44,183) | - | (44,183) | - | - | - |
| Total Governmental Activities | $ 9,211,284 | $1,773,269 | $ 187,675 | $ 341,577 | $ (6,908,763) | $ - | $ (6,908,763) | $ - | $ - | $ - |
| Business Type Activities: | | | | | | | | | | |
| Sanitation | $ 848,292 | $ 968,121 | $ - | $ - | $ - | $ 119,829 | $ 119,829 | $ - | $ - | $ - |
| Morrow Center | 205,831 | 161,031 | - | - | - | (44,800) | (44,800) | - | - | - |
| Total Business-Type Activities | $ 1,054,123 | $1,129,152 | $ - | $ - | $ - | $ 75,029 | $ 75,029 | $ - | $ - | $ - |
| Total Primary Government | $ 10,265,407 | $2,902,421 | $ 187,675 | $ 341,577 | $ (6,908,763) | $ 75,029 | $ (6,833,734) | $ - | $ - | $ - |
| **Component Units:** | | | | | | | | | | |
| Downtown Development Authority | $ 207,934 | $ 103,881 | $ - | $ - | $ - | $ - | $ - | $ (104,053) | $ - | $ - |
| Urban Redevelopment Agency | 1,086,610 | 229,289 | - | 451,834 | - | - | - | - | (405,487) | - |
| Morrow Housing Authority | 55 | - | - | - | - | - | - | - | - | (55) |
| Total Component Units | $ 1,294,599 | $ 333,170 | $ - | $ 451,834 | $ - | $ - | $ - | $ (104,053) | $ (405,487) | $ (55) |
| General Revenues: | | | | | | | | | | |
| Property Taxes | | | | | $ 2,375,633 | $ - | $ 2,375,633 | $ - | $ - | $ - |
| Sales Taxes | | | | | 2,979,764 | - | 2,979,764 | - | - | - |
| Insurance Premium Taxes | | | | | 378,019 | - | 378,019 | - | - | - |
| Business and Occupation Taxes | | | | | 949,779 | - | 949,779 | - | - | - |
| Franchise Taxes | | | | | 674,693 | - | 674,693 | - | - | - |
| Hotel / Motel Taxes | | | | | 1,008,895 | - | 1,008,895 | - | - | - |
| Other Taxes | | | | | 153,360 | - | 153,360 | - | - | - |
| Miscellaneous Revenues | | | | | 169,326 | - | 169,326 | 1,151 | - | - |
| Unrestricted Investment Earnings | | | | | 5,530 | - | 5,530 | 26,852 | 250 | - |
| Gain on Sale of Capital Assets | | | | | 12,664 | - | 12,664 | - | - | - |
| Transfers (Net) | | | | | 64,959 | (64,959) | - | - | - | - |
| Total General Revenues, Other Items and Transfers | | | | | $ 8,772,622 | $ (64,959) | $ 8,707,663 | $ 28,003 | $ 250 | $ - |
| Change in Net Position | | | | | $ 1,863,859 | $ 10,070 | $ 1,873,929 | $ (76,050) | $ (405,237) | $ (55) |
| Net Position, Beginning of Year | | | | | 19,648,858 | - | 19,648,858 | 257,876 | (3,168,585) | 61,751 |
| Net Position, End of Year | | | | | $ 21,512,717 | $ 10,070 | $ 21,522,787 | $ 181,826 | $ (3,573,822) | $ 61,696 |

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

**City of Morrow, Georgia**
**Balance Sheet**
**Governmental Funds**
**For the Fiscal Year Ended June 30, 2016**

| | General | Special Purpose Local Option Sales Tax (SPLOST) 2008 | Special Purpose Local Option Sales Tax (SPLOST) 2014 | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Cash and Cash Equivalents | $ 867,284 | $ 740,781 | $ 871,128 | $ 962,867 | $ 3,442,060 |
| Investments | 2,748,498 | - | - | - | 2,748,498 |
| Taxes Receivable (Net) | 261,948 | - | - | 95,779 | 357,727 |
| Accounts Receivable | 35,717 | - | - | 14,034 | 49,751 |
| Advance To Component Unit | 3,453,528 | - | - | - | 3,453,528 |
| Due From Other Governments | 168,307 | - | 181,671 | - | 349,978 |
| Due From Other Funds | 76,225 | 18 | 21 | - | 76,264 |
| Prepaid Items | 156,859 | - | - | - | 156,859 |
| Real Estate Held For Resale | 103,619 | - | - | - | 103,619 |
| Total Assets | $ 7,871,985 | $ 740,799 | $ 1,052,820 | $ 1,072,680 | $ 10,738,284 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:** | | | | | |
| **Liabilities:** | | | | | |
| Accounts Payable | $ 126,758 | $ - | $ - | $ 356 | $ 127,114 |
| Accrued Liabilities | 116,647 | - | - | 7,769 | 124,416 |
| Unearned Revenues | 153,605 | - | - | 48,583 | 202,188 |
| Due To Component Unit | 18,119 | - | - | - | 18,119 |
| Due To Other Funds | 39 | - | - | 9,624 | 9,663 |
| Total Liabilities | $ 415,168 | $ - | $ - | $ 66,332 | $ 481,500 |
| **Deferred Inflows of Resources:** | | | | | |
| Unavailable Revenue - Property Taxes | $ 224,776 | $ - | $ - | $ - | $ 224,776 |
| Total Deferred Inflows of Resources | $ 224,776 | $ - | $ - | $ - | $ 224,776 |
| **Fund Balances:** | | | | | |
| Nonspendable: | | | | | |
| Prepaid Expenditures | $ 156,859 | $ - | $ - | $ - | $ 156,859 |
| Advances To Component Units | 3,453,528 | - | - | - | 3,453,528 |
| Assets Held For Resale | 103,619 | - | - | - | 103,619 |
| Restricted For: | | | | | |
| Tourism | - | - | - | 622,110 | 622,110 |
| Product Development | - | - | - | 219,999 | 219,999 |
| Law Enforcement | - | - | - | 164,239 | 164,239 |
| Other Capital Projects | - | 740,799 | 1,052,820 | - | 1,793,619 |
| Unassigned | 3,518,035 | - | - | - | 3,518,035 |
| Total Fund Balances | $ 7,232,041 | $ 740,799 | $ 1,052,820 | $ 1,006,348 | $ 10,032,008 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 7,871,985 | $ 740,799 | $ 1,052,820 | $ 1,072,680 | |

| | |
|---|---|
| Amounts Reported for Governmental Activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | 14,865,202 |
| Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds. | 224,776 |
| Pension related deferred inflows and outflows are not reported in the funds. | 266,222 |
| Certain liabilities are not due and payable in the current period and therefore, are not reported in the funds. | (3,875,491) |
| Net Position of Governmental Activities | $ 21,512,717 |

**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, 2016**

| | General | Special Purpose Local Option Sales Tax (SPLOST) 2008 | Special Purpose Local Option Sales Tax (SPLOST) 2014 | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Property Taxes | $ 2,279,325 | $ - | $ - | $ - | $ 2,279,325 |
| Local Option Sales Taxes (LOST) | 1,912,697 | - | - | - | 1,912,697 |
| Insurance Premium Taxes | 378,019 | - | - | - | 378,019 |
| Business and Occupation Taxes | 949,779 | - | - | - | 949,779 |
| Franchise Taxes | 674,693 | - | - | - | 674,693 |
| Hotel / Motel Taxes | - | - | - | 1,008,895 | 1,008,895 |
| Other Taxes | 109,880 | - | - | 43,480 | 153,360 |
| Charges for Services | 251,023 | - | - | 140,366 | 391,389 |
| Licenses and Permits | 256,843 | - | - | - | 256,843 |
| Intergovernmental | 523,981 | - | 1,067,067 | - | 1,591,048 |
| Fines and Forfeitures | 1,121,572 | - | - | 95,514 | 1,217,086 |
| Interest Revenue | 5,530 | - | - | - | 5,530 |
| Rental Income | 26,781 | - | - | - | 26,781 |
| Other Revenues | 55,767 | - | - | - | 55,767 |
| Total Revenues | $ 8,545,890 | $ - | $ 1,067,067 | $ 1,288,255 | $ 10,901,212 |
| **EXPENDITURES:** | | | | | |
| Current: | | | | | |
| General Government | $ 1,056,148 | $ - | $ - | $ - | $ 1,056,148 |
| Judicial | 370,881 | - | - | - | 370,881 |
| Public Safety | 4,573,359 | - | - | 515,818 | 5,089,177 |
| Public Works | 1,017,010 | - | - | - | 1,017,010 |
| Housing and Development | 688,337 | - | - | 1,875 | 690,212 |
| Capital Outlay | - | 11,540 | 335,025 | - | 346,565 |
| Debt Service: | | | | | |
| Principal | 270,341 | - | - | - | 270,341 |
| Interest | 45,320 | - | - | - | 45,320 |
| Total Expenditures | $ 8,021,396 | $ 11,540 | $ 335,025 | $ 517,693 | $ 8,885,654 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | $ 524,494 | $ (11,540) | $ 732,042 | $ 770,562 | $ 2,015,558 |
| **OTHER FINANCING SOURCES (USES):** | | | | | |
| Transfers In | $ 541,644 | $ - | $ - | $ 534,512 | $ 1,076,156 |
| Transfers Out | (400,214) | - | - | (610,983) | (1,011,197) |
| Proceeds From Sale of Capital Assets | 12,664 | - | - | - | 12,664 |
| Total Other Financing Sources (Uses) | $ 154,094 | $ - | $ - | $ (76,471) | $ 77,623 |
| Net Change in Fund Balance | $ 678,588 | $ (11,540) | $ 732,042 | $ 694,091 | $ 2,093,181 |
| Fund Balances, Beginning of Year | 6,553,453 | 752,339 | 320,778 | 312,257 | 7,938,827 |
| Fund Balances, End of Year | $ 7,232,041 | $ 740,799 | $ 1,052,820 | $ 1,006,348 | $ 10,032,008 |

**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, 2016**

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

| | |
|---|---|
| Net Change in Fund Balances - Total Governmental Funds | $ 2,093,181 |
| Governmental Funds report Capital Outlays as Expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and generally reported as Depeciation Expense. This is the amount by which Depreciation Expense exceeded Capital Outlays in the current period. | (577,369) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as Revenues in the Funds. | 96,308 |
| The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of principal of the long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 270,341 |
| Accrued pension related expenses for the fiscal year are recognized on the Statement of Activities but are not reported as expenditures in the Governmental Funds since they do not require the use of current financial resources. | (22,563) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds. | 3,961 |
| Change in Net Position - Governmental Activities | $ 1,863,859 |

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

**City of Morrow, Georgia**
**General Fund**
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Fiscal Year Ended June 30, 2016**

| | Original Budget Amounts | Final Budget Amounts | Actual Amounts | Variance With Final Budget |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Property Taxes | $ 2,326,000 | $ 2,326,000 | $ 2,279,325 | $ (46,675) |
| Local Option Sales Tax (LOST) | 1,685,000 | 1,685,000 | 1,912,697 | 227,697 |
| Insurance Premium Taxes | 346,000 | 346,000 | 378,019 | 32,019 |
| Occupation Taxes | 850,000 | 850,000 | 949,779 | 99,779 |
| Franchise Taxes | 660,000 | 660,000 | 674,693 | 14,693 |
| Other Taxes | 98,000 | 98,000 | 109,880 | 11,880 |
| Charges For Services | 205,400 | 205,400 | 251,023 | 45,623 |
| Licenses and Permits | 418,450 | 418,450 | 256,843 | (161,607) |
| Intergovernmental | 460,000 | 830,296 | 523,981 | (306,315) |
| Fines and Forfeitures | 1,305,000 | 1,305,000 | 1,121,572 | (183,428) |
| Interest Revenue | 1,000 | 1,000 | 5,530 | 4,530 |
| Rental Income | 30,000 | 30,000 | 26,781 | (3,219) |
| Other Revenues | 11,000 | 16,271 | 55,767 | 39,496 |
| Total Revenues | $ 8,395,850 | $ 8,771,417 | $ 8,545,890 | $ (225,527) |
| **EXPENDITURES:** | | | | |
| **Current:** | | | | |
| **General Government:** | | | | |
| Mayor, Council and Manager | $ 466,864 | $ 354,081 | $ 310,893 | $ 43,188 |
| Elections | 3,700 | 6,130 | 6,125 | 5 |
| General Administration | 254,730 | 489,014 | 483,486 | 5,528 |
| Finance | 318,415 | 291,739 | 255,644 | 36,095 |
| Total General Government | $ 1,043,709 | $ 1,140,964 | $ 1,056,148 | $ 84,816 |
| **Judicial:** | | | | |
| Municipal Court | $ 588,734 | $ 518,700 | $ 370,881 | $ 147,819 |
| Total Judicial | $ 588,734 | $ 518,700 | $ 370,881 | $ 147,819 |
| **Public Safety:** | | | | |
| Police | $ 2,404,872 | $ 2,305,525 | $ 1,996,965 | $ 308,560 |
| Fire | 2,443,392 | 2,756,066 | 2,576,394 | 179,672 |
| Total Public Safety | $ 4,848,264 | $ 5,061,591 | $ 4,573,359 | $ 488,232 |
| **Public Works:** | | | | |
| Administration | $ 1,175,856 | $ 1,155,856 | $ 1,017,010 | $ 138,846 |
| Total Public Works | $ 1,175,856 | $ 1,155,856 | $ 1,017,010 | $ 138,846 |

**(Continued)**

**City of Morrow, Georgia**
**General Fund**
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Fiscal Year Ended June 30, 2016**

| | Original Budget Amounts | Final Budget Amounts | Actual Amounts | Variance With Final Budget |
|---|---|---|---|---|
| **EXPENDITURES:** (continued) | | | | |
| **Current:** (continued) | | | | |
| **Housing and Development:** | | | | |
| Planning and Zoning | $ 100,807 | $ 144,989 | $ 131,889 | $ 13,100 |
| Economic Development | 55,500 | 496,200 | 486,795 | 9,405 |
| Tourism | - | 70,000 | 69,653 | 347 |
| Total Housing and Development | $ 156,307 | $ 711,189 | $ 688,337 | $ 22,852 |
| **Debt Service:** | | | | |
| Principal | $ 641,233 | $ 270,343 | $ 270,341 | $ 2 |
| Interest | 44,294 | 45,321 | 45,320 | 1 |
| Total Debt Service | $ 685,527 | $ 315,664 | $ 315,661 | $ 3 |
| Total Expenditures | $ 8,498,397 | $ 8,903,964 | $ 8,021,396 | $ 882,568 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | $ (102,547) | $ (132,547) | $ 524,494 | $ 657,041 |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Transfers In | $ 488,000 | $ 488,000 | $ 541,644 | $ 53,644 |
| Transfers Out | (559,808) | (529,808) | (400,214) | 129,594 |
| Proceeds From Sale of Capital Assets | - | - | 12,664 | 12,664 |
| Total Other Financing Sources (Uses) | $ (71,808) | $ (41,808) | $ 154,094 | $ 195,902 |
| Net Change in Fund Balance | $ (174,355) | $ (174,355) | $ 678,588 | $ 852,943 |
| Fund Balance, Beginning of Year | 6,553,453 | 6,553,453 | 6,553,453 | - |
| Fund Balance, End of Year | $ 6,379,098 | $ 6,379,098 | $ 7,232,041 | $ 852,943 |

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

**City of Morrow, Georgia**
**Statement of Net Position**
**Proprietary Funds**
**June 30, 2016**

| | Sanitation Fund | Morrow Center Fund | Totals |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS:** | | | |
| Cash and Cash Equivalents | $ 78,700 | $ 110,007 | $ 188,707 |
| Accounts Receivable | 78,470 | 9,334 | 87,804 |
| Total Current Assets | $ 157,170 | $ 119,341 | $ 276,511 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES:** | | | |
| Accounts Payable | $ 79,398 | $ 3,351 | $ 82,749 |
| Accrued Liabilities | - | 1,143 | 1,143 |
| Customer Deposits Payable | 3,072 | 22,600 | 25,672 |
| Unearned Revenues | 74,700 | 15,576 | 90,276 |
| Due To Other Funds | - | 66,601 | 66,601 |
| Total Current Liabilities | $ 157,170 | $ 109,271 | $ 266,441 |
| **NET POSITION** | | | |
| Unrestricted | $ - | $ 10,070 | $ 10,070 |
| Total Net Position | $ - | $ 10,070 | $ 10,070 |

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

**City of Morrow, Georgia**
**Statement of Revenues, Expenses And Changes in Fund Net Position**
**Proprietary Funds**
**For the Fiscal Year June 30, 2016**

| | Sanitation Fund | Morrow Center Fund | Totals |
|---|---|---|---|
| **OPERATING REVENUES:** | | | |
| Charges For Services: | | | |
| Sanitation Fees | $ 968,121 | $ - | $ 968,121 |
| Rental Income | - | 161,031 | 161,031 |
| Total Operating Revenues | $ 968,121 | $ 161,031 | $ 1,129,152 |
| **OPERATING EXPENSES:** | | | |
| Personal Services and Employee Benefits | $ - | $ 52,494 | $ 52,494 |
| Purchased or Contracted Services | 848,292 | 153,337 | 1,001,629 |
| Total Operating Expenses | $ 848,292 | $ 205,831 | $ 1,054,123 |
| Operating Income (Loss) Before Transfers | $ 119,829 | $ (44,800) | $ 75,029 |
| **TRANSFERS:** | | | |
| Transfers In | $ - | $ 54,870 | $ 54,870 |
| Transfers Out | (119,829) | - | (119,829) |
| Total Transfers | $ (119,829) | $ 54,870 | $ (64,959) |
| Change in Net Position | $ - | $ 10,070 | $ 10,070 |
| **NET POSITION, BEGINNING OF YEAR** | - | - | - |
| **NET POSITION, END OF YEAR** | $ - | $ 10,070 | $ 10,070 |

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

**City of Morrow, Georgia**
**Statement of Cash Flows**
**Proprietary Funds**
**For the Fiscal Year June 30, 2016**

| | Sanitation Fund | Morrow Center Fund | Totals |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts From Customers and Users | $ 959,837 | $ 171,619 | $ 1,131,456 |
| Payments To Suppliers | (841,814) | (160,764) | (1,002,578) |
| Payments To Employees | - | (54,423) | (54,423) |
| Net Cash Provided By (Used In) Operating Activities | $ 118,023 | $ (43,568) | $ 74,455 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | |
| Transfers To Other Funds | $ (119,829) | $ - | $ (119,829) |
| Transfers From Other Funds | - | 54,870 | 54,870 |
| Net Cash Provided By (Used In) Noncapital Financing Activities | $ (119,829) | $ 54,870 | $ (64,959) |
| Increase (Decrease) in Cash and Cash Equivalents | $ (1,806) | $ 11,302 | $ 9,496 |
| **CASH AND CASH EQUIVALENTS:** | | | |
| Beginning of Year | 80,506 | 98,705 | 179,211 |
| End of Year | $ 78,700 | $ 110,007 | $ 188,707 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:** | | | |
| Operating Income (Loss) | $ 119,829 | $ (44,800) | $ 75,029 |
| Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities: | | | |
| (Increase) Decrease in Current Assets: | | | |
| Accounts Receivable | (9,734) | 4,238 | (5,496) |
| Increase (Decrease) in Current Liabilities: | | | |
| Accounts Payable | 6,478 | (7,427) | (949) |
| Accrued Liabilities | - | (658) | (658) |
| Customer Deposits Payable | - | 10,325 | 10,325 |
| Unearned Revenues | 1,450 | (3,975) | (2,525) |
| Due To Other Funds | - | (1,271) | (1,271) |
| Net Cash Provided By (Used In) Operating Activities | $ 118,023 | $ (43,568) | $ 74,455 |

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

# NOTES TO THE FINANCIAL STATEMENTS

# City of Morrow, Georgia
# Notes to the Financial Statements
# June 30, 2016

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. The Financial Reporting Entity

The City of Morrow was incorporated in 1943 and operates under an elected Council-Manager form of government. The City Manager is the head of the administrative branch of government. As such, she is responsible for the day-to-day operations of City government. The legislative branch of the City is vested in the Mayor and four Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police, fire and E-911); highways and streets; sanitation; parks and recreation; community development; planning and zoning; and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units which are legally separate entities for which the City is financially accountable.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 and as amended by GASB Statements 39 and 61, it was determined that the City has three discretely presented component units as of June 30, 2016 and they are described below. In terms of the comparability of the financial information, each of the component units also has a fiscal year ending on June 30.

**City of Morrow Downtown Development Authority:** The City of Morrow Downtown Development Authority (DDA) was formed during the fiscal year ended June 30, 2001 to become the City's redevelopment tool for commercial revitalization. Property acquisition, renovation and demolition are only a few priorities of the DDA. The City provides resources that represent a substantial portion of the DDA's budget, maintains its accounting records and appoints a voting majority of its board.

**Urban Redevelopment Agency of the City of Morrow, Georgia:** The Urban Redevelopment Agency of the City of Morrow, Georgia (URA) was activated by a resolution adopted by the Mayor and Council of the City of Morrow on March 24, 2009. Its purpose is to exercise the City's "urban redevelopment project powers" under the Urban Redevelopment Law. The City provides resources that represent a substantial portion of the URA's budget, has pledged the taxing power of the City to pay debt service on outstanding URA bonds, maintains its accounting records and appoints a voting majority of its board.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. The Financial Reporting Entity** (continued)

**City of Morrow Housing Authority:** The City of Morrow Housing Authority (Housing Authority) was formed during the fiscal year ended June 30, 2009 to provide affordable housing to the citizens of Morrow. After a period of dormancy, the Housing Authority was reestablished on January 12, 2016. The City provides a substantial portion of the Housing Authority's budget, maintains its accounting records and appoints a voting majority of its board.

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

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

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

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

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

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

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

The City reports the following major governmental funds:

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

The **2008 Special Purpose Local Option Sales Tax (SPLOST) Fund** is a capital projects fund used to account for the revenues and expenditures related to the 1% Special Purpose Local Option Sales Tax that was approved by the County's voters in calendar year 2008 to begin in 2009 and last for six years.

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

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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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. 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.

Additionally, the City reports the following fund types:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are user fees charged by the City's sanitation and conference center funds to 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.

**D. Budgets and Budgetary Accounting**

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

1. Budget requests are completed in April.
2. Proposed budgets are reviewed and prepared by the City Manager for submission to the Mayor and the City Council in May.
3. Public hearings on the proposed budget are held in May and June.
4. The budget is legally adopted by the Mayor and City Council prior to June 30.
5. All budget revisions or changes must be approved as required by Georgia law and the City's Charter. The legal level of budgetary control is at the department or cost center level with the budget being adopted at that level of detail. Revisions that alter the total expenditures of any department or fund must be approved by the City Council. The City Council made several supplemental budget appropriations during the year. In addition to reallocating funds among the various cost centers, two grants were awarded to the Fire Department after the original budget was adopted.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Budgets and Budgetary Accounting** (continued)

6. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and managerial control purposes only.
7. Budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
8. Revenues and expenditures of the Capital Projects Fund are budgeted on a project-length basis and are, therefore, excluded from presentation in the financial statements.

**E. Cash and Cash Equivalents**

Cash is considered to be cash on hand (e.g., petty cash and change funds) and demand deposits. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

**F. Deposits and Investments**

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

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). The investment in the Georgia Fund 1 represents the City's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, bankers' acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in the Georgia Fund 1 is reported at fair value.

Investments are reported at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income. 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.

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

### G. Inventories

Inventories are valued at cost, which approximates market, using the first in, first out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

### H. 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.

### I. Short-Term Interfund Receivables / Payables

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

### J. 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.

### K. 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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**K. 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, 2016, 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 |

**L. Long-Term Liabilities**

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

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

**M. Compensated Absences**

City employees accrue vacation or annual leave in different amounts, according to the number of years of service. Employees with less than five years of service accrue two weeks of vacation each year. Upon reaching five years of service, employees then accrue three weeks per year. This annual leave time is vested and can be taken either through time off or by payment upon termination.

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.

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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**N. Deferred Outflows / Inflows of Resources**

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

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has two items related to the City's defined benefit pension plan that qualified for reporting in this category. The pension investment earnings difference and the contributions made subsequent to the measurement date are deferred and will be recognized as pension expense in future years.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance/net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items that qualify for reporting in this category.

As one type of deferred inflow of resources, unavailable revenue related to property taxes arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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

**O. 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, Emergency Communications Special Revenue Fund, the 2008 SPLOST Capital Projects Fund and the 2014 SPLOST Capital Projects Fund. Encumbrances outstanding at year end are reported as committed or assigned fund balances since they do not constitute expenditures or liabilities.

Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the 2008 and 2014 Capital Projects Funds which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2016, there were no encumbrances outstanding.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**P. Fund Equity**

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

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

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

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

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

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

### Q. 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.

### R. Pensions

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

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

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

The *Governmental Funds Balance Sheet* includes a reconciliation between *Fund Balance – Total Governmental Funds* and *Net Position – Governmental Activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "certain liabilities are not due and payable in the current period and therefore, are not reported in the funds." The details of this $3,875,491 difference are as follows

| | |
|---|---|
| Capital Leases | $ (1,289,110) |
| Compensated Absences | (223,820) |
| Net Pension Liability | (2,354,864) |
| Accrued Interest | (7,697) |
| Net Adjustment to Decrease *Fund Balance - Total Governmental Funds* To Arrive at *Net Position - Governmental Activities* | $ (3,875,491) |

**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 Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* includes a reconciliation between *Net Changes in Fund Balances – Total Governmental Funds* and *Changes in Net Position of Governmental Activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the *Statement of Activities,* the cost of those assets is allocated over their useful lives and generally reported as depreciation expense. The details of this $577,369 difference are as follows:

| | |
|---|---|
| Capital Outlay | $ 629,214 |
| Depreciation Expense | (1,206,583) |
| Net Adjustment to Decrease *Net Changes in Fund Balances - Total Governmental Funds* to Arrive at *Changes in Net Position of Governmental Funds* | $ (577,369) |

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The detail of this $270,341 difference is as follows:

| | |
|---|---|
| Principal Retirement of Long-Term Debt (Capital Leases) | $270,341 |
| Net Adjustment to Increase *Net Changes in Fund Balances - Total Governmental Funds* to Arrive at *Changes in Net Position of Governmental Activities* | $270,341 |

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 $3,961 difference are as follows:

| | |
|---|---|
| Change in Accrued Interest | $ 1,137 |
| Change in Compensated Absences | 2,824 |
| Net Adjustment to Increase *Net Changes in Fund Balances - Total Governmental Funds* to Arrive at *Changes in Net Position of Governmental Activities* | $ 3,961 |

## NOTE 3. DEPOSITS AND INVESTMENTS

Total cash, cash equivalents and investments as of June 30, 2016, are summarized as follows:

| | |
|---|---|
| Amounts As Presented On the Entity-Wide Statement of Net Position: | |
| Cash and Cash Equivalents | $3,630,767 |
| Investments | 2,748,498 |
| Component Units – Cash and Cash Equivalents | 837,972 |
| Total Cash, Cash Equivalents and Investments | $7,217,237 |

| | |
|---|---|
| Amounts Classified by Depositor / Holder: | |
| Cash On Hand | $ 9,434 |
| Cash On Deposit With Financial Institutions | 4,459,305 |
| Cash On Deposit With 401(a) Pension Service Manager | 1,676 |
| Cash Invested With Georgia Fund 1 | 2,746,822 |
| Total Cash, Cash Equivalents and Investments | $7,217,237 |

**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, 2016, the City's investment in Georgia Fund 1 was rated AAAf by Standard & Poor's.

At June 30, 2016, the City had the following investments:

| Investment | Maturities | Fair Value |
|---|---|---|
| Georgia Fund 1 | 42 Day Weighted Average | $2,746,822 |

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

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

**Interest Rate Risk.** When investing idle funds, there is the risk that changes in interest rates will adversely affect the fair value of that investment. The City does not currently 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. However, Georgia Fund 1, which is the City's principal investment, had only a 42 day weighted average in maturities at June 30, 2016 which limits that risk.

**NOTE 3. DEPOSITS AND INVESTMENTS** (continued)

**Fair Value Measurements.** The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the City is not required to disclose investment in the Georgia Fund 1 within the fair value hierarchy as set forth in GASB Statement No. 79.

**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, 2016, all of the City's and its discretely presented component units bank balances were covered by either federal depository insurance; by collateral held by the City's agent in the City's name; or by collateral held by a third party custodian bank as part of the Georgia Office of the State Treasurer's Pooled Funds program.

**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 | 2014 SPLOST | NonMajor Governmental | Sanitation | Morrow Center | Total |
|---|---|---|---|---|---|---|
| Receivables: | | | | | | |
| Taxes | $ 319,429 | $ - | $ 95,779 | $ - | $ - | $ 415,208 |
| Accounts | 35,717 | - | 14,034 | 78,470 | 9,334 | 137,555 |
| Due From Other Governments | 168,307 | 181,671 | - | - | - | 349,978 |
| Gross Receivables | $ 523,453 | $ 181,671 | $ 109,813 | $ 78,470 | $ 9,334 | $ 902,741 |
| Less: Allowance For Uncollectible Accounts | (57,481) | - | - | - | - | (57,481) |
| Total Net Receivables | $ 465,972 | $ 181,671 | $ 109,813 | $ 78,470 | $ 9,334 | $ 845,260 |

**NOTE 5. PROPERTY TAXES**

Property taxes were levied on September 24, 2015, (Levy Date) based upon property values assessed as of January 1, 2015. The billings were mailed on November 20, 2015, and payable on or before January 22, 2016, for the fiscal year 2016 tax. Taxes not paid within 30 days of the January 22th due date are subject to property tax liens on February 22, 2016. Property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate levied during fiscal year 2016 for the City's operations was 9.638 mills (mill equals $1 per thousand dollars of assessed value).

## NOTE 6. CAPITAL ASSETS

### A. Primary Government

The capital asset activity for the Primary Government for the fiscal year ended June 30, 2016 is as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | $ 5,013,235 | $ - | $ - | $ - | $ 5,013,235 |
| Construction In Process | 238,358 | 11,540 | - | - | 249,898 |
| Total Capital Assets, Not Being Depreciated | $ 5,251,593 | $ 11,540 | $ - | $ - | $ 5,263,133 |
| Capital Assets, Being Depreciated | | | | | |
| Buildings, Grounds and Improvements | $ 4,654,174 | $ - | $ - | $ - | $ 4,654,174 |
| Machinery and Equipment | 874,577 | 603,063 | (79,654) | (115,065) | 1,282,921 |
| Furniture and Fixtures | 230,877 | - | (43,044) | - | 187,833 |
| Infrastructure | 11,313,830 | - | - | - | 11,313,830 |
| Vehicles | 3,432,271 | - | (291,537) | - | 3,140,734 |
| Computer Equipment and Software | 24,380 | 14,611 | - | 115,065 | 154,056 |
| Park Facilities and Improvements | 1,051,080 | - | - | - | 1,051,080 |
| Total Capital Assets, Being Depreciated | $ 21,581,189 | $ 617,674 | $ (414,235) | $ - | $ 21,784,628 |
| Less Accumulated Depreciation For: | | | | | |
| Buildings, Grounds and Improvements | $ (2,479,120) | $ (125,880) | $ - | $ - | $ (2,605,000) |
| Machinery and Equipment | (670,259) | (119,402) | 79,654 | 115,065 | (594,942) |
| Furniture and Fixtures | (230,877) | - | 43,044 | - | (187,833) |
| Infrastructure | (4,974,163) | (686,281) | - | - | (5,660,444) |
| Vehicles | (2,469,602) | (198,400) | 291,537 | - | (2,376,465) |
| Computer Equipment and Software | (16,307) | (7,798) | - | (115,065) | (139,170) |
| Park Facilities and Improvements | (549,883) | (68,822) | - | - | (618,705) |
| Total Accumulated Depreciation | $ (11,390,211) | $ (1,206,583) | $ 414,235 | $ - | $ (12,182,559) |
| Total Capital Assets, Being Depreciated, Net | $ 10,190,978 | $ (588,909) | $ - | $ - | $ 9,602,069 |
| Governmental Activities Capital Assets, Net | $ 15,442,571 | $ (577,369) | $ - | $ - | $ 14,865,202 |

Depreciation expense was charged to functions/programs of the primary government as shown in the following tabular information:

**NOTE 6. CAPITAL ASSETS** (continued)

**A. Primary Government** (continued)

| | |
|---|---|
| Governmental Activities: | |
| General Government | $26,726 |
| Public Safety | 333,466 |
| Public Works | 799,822 |
| Housing and Development | 46,569 |
| Total Depreciation Expense – Governmental Activities | $1,206,583 |

**B. Discretely Presented Component Unit – Downtown Development Authority**

The capital asset activity for the Downtown Development Authority for the fiscal year ended June 30, 2016 is as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital Assets, Not Being Depreciated | | | | | |
| Land | $ 292,019 | $ - | $ - | $ - | $ 292,019 |
| Total Capital Assets, Not Being Depreciated | $ 292,019 | $ - | $ - | $ - | $ 292,019 |
| Capital Assets, Being Depreciated | | | | | |
| Buildings and Improvements | $ 3,225,769 | $ - | $ - | $ - | $ 3,225,769 |
| Land Improvements | 52,464 | - | - | - | 52,464 |
| Infrastructure | 1,887,176 | - | - | - | 1,887,176 |
| Furniture and Fixtures | 93,796 | - | (93,796) | - | - |
| Total Capital Assets, Being Depreciated | $ 5,259,205 | $ - | $ (93,796) | $ - | $ 5,165,409 |
| Less Accumulated Depreciation For: | | | | | |
| Buildings and Improvements | $(1,185,487) | $ (84,500) | $ - | $ (12,291) | $ (1,282,278) |
| Land Improvements | (39,213) | (2,838) | - | 12,291 | (29,760) |
| Infrastructure | (638,641) | (36,721) | - | - | (675,362) |
| Furniture and Fixtures | (93,796) | - | 93,796 | - | - |
| Total Accumulated Depreciation | $(1,957,137) | $ (124,059) | $ 93,796 | $ - | $ (1,987,400) |
| Total Capital Assets, Being Depreciated, Net | $ 3,302,068 | $ (124,059) | $ - | $ - | $ 3,178,009 |
| Total Capital Assets, Net | $ 3,594,087 | $ (124,059) | $ - | $ - | $ 3,470,028 |

**NOTE 6. CAPITAL ASSETS** (continued)

**C. Discretely Presented Component Unit – Urban Redevelopment Agency**

The capital asset activity for the Urban Redevelopment Agency for the fiscal year ended June 30, 2016 is as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital Assets, Not Being Depreciated | | | | | |
| Land | $2,657,339 | $ - | $ - | $ - | $ 2,657,339 |
| Total Capital Assets, Not Being Depreciated | $2,657,339 | $ - | $ - | $ - | $ 2,657,339 |
| Capital Assets, Being Depreciated | | | | | |
| Buildings and Building Improvements | $2,735,751 | $ 11,262 | $ - | $ - | $ 2,747,013 |
| Land Improvements | 100,878 | - | - | - | 100,878 |
| Machinery and Equipment | 2,241 | - | - | - | 2,241 |
| Total Capital Assets, Being Depreciated | $2,838,870 | $ 11,262 | $ - | $ - | $ 2,850,132 |
| Less Accumulated Depreciation For: | | | | | |
| Buildings and Building Improvements | $ - | $ (102,657) | $ - | $ - | $ (102,657) |
| Land Improvements | - | (13,763) | - | - | (13,763) |
| Machinery and Equipment | - | (448) | - | - | (448) |
| Total Accumulated Depreciation | $ - | $ (116,868) | $ - | $ - | $ (116,868) |
| Total Capital Assets, Being Depreciated, Net | $2,838,870 | $ (105,606) | $ - | $ - | $ 2,733,264 |
| Total Capital Assets, Net | $5,496,209 | $ (105,606) | $ - | $ - | $ 5,390,603 |

The additions of $11,262 during the 2016 fiscal year to the Building and Building Improvements category represents leasehold improvements that were made to the Executive Center office complex.

## NOTE 7. LONG-TERM DEBT

### A. Primary Government

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

| | Beginning Balances | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Capital Leases | $ 1,559,451 | $ - | $ (270,341) | $ 1,289,110 | $ 277,933 |
| Compensated Absences | 226,644 | 202,171 | (204,995) | 223,820 | 174,246 |
| Net Pension Liability | 1,783,043 | 1,404,955 | (833,134) | 2,354,864 | - |
| Governmental Activities Long-Term Liabilities | $ 3,569,138 | $ 1,607,126 | $ (1,308,470) | $ 3,867,794 | $ 452,179 |

Compensated absences and the net pension liability are substantially liquidated by the General Fund.

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

During August 2003, the Downtown Development Authority of the City of Morrow, a component unit of the City, issued bonds in the amount of $1,500,000. The proceeds of these bonds were used to purchase the building from the County. Additionally, the Authority and the City executed a new capital lease agreement with an interest rate of 3.86% covering the building. The gross amount of the building recorded on the City's books as a capital asset under this capital lease was $1,500,000.

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

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

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

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2016:

**NOTE 7. LONG-TERM DEBT** (continued)

**A. Primary Government** (continued)

| **Fiscal Year Ending June 30,** | |
|---|---|
| 2017 | $ 315,661 |
| 2018 | 277,501 |
| 2019 | 219,554 |
| 2020 | 160,190 |
| 2021 | 160,190 |
| 2022 – 2024 | 288,643 |
| Total Minimum Lease Payments | $1,421,739 |
| Less: Amount Representing Interest | (132,629) |
| Present Value of Minimum Lease Payments | $1,289,110 |

The City's capital leases had a total purchase price of $2,829,425, current year depreciation expense of $166,684, accumulated depreciation of $1,021,124 and net book values of $1,808,301 as of June 30, 2016.

**B. Discretely Presented Component Unit – Downtown Development Authority**

The following is a summary of long-term debt activity for the Downtown Development Authority (DDA) for the fiscal year ended June 30, 2016:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Downtown Development Authority** | | | | | |
| Bonds Payable | $745,571 | $ -- | $(80,357) | $665,214 | $83,504 |

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

Bonds payable at June 30, 2016 are as follows:

| Series | Purpose of Issue | Interest Rate | Term | Due Date | Original Amount | Outstanding Amount |
|---|---|---|---|---|---|---|
| 2003 | Welcome Center Building | 3.86% | 20 Years | 2024 | $1,500,000 | $665,214 |

**NOTE 7. LONG-TERM DEBT** (continued)

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

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

| | Principal | Interest | Total |
|---|---|---|---|
| Fiscal Year Ending June 30, | | | |
| 2017 | $ 83,504 | $ 24,478 | $ 107,982 |
| 2018 | 86,774 | 21,208 | 107,982 |
| 2019 | 90,173 | 17,810 | 107,983 |
| 2020 | 93,704 | 14,278 | 107,982 |
| 2021 | 97,374 | 10,609 | 107,983 |
| 2022 - 2024 | 213,685 | 9,698 | 223,383 |
| Total Debt Service | $ 665,214 | $ 98,081 | $ 763,295 |

**C. Discretely Presented Component Unit – Urban Redevelopment Agency**

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

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

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

| | Principal | Interest | Total |
|---|---|---|---|
| Fiscal Year Ending June 30, | | | |
| 2017 | $ - | $ 451,835 | $ 451,835 |
| 2018 | 640,000 | 451,834 | 1,091,834 |
| 2019 | 660,000 | 420,283 | 1,080,283 |
| 2020 | 680,000 | 387,744 | 1,067,744 |
| 2021 | 705,000 | 354,220 | 1,059,220 |
| 2022 - 2025 | 6,480,000 | 1,058,472 | 7,538,472 |
| Total Debt Service | $ 9,165,000 | $ 3,124,388 | $ 12,289,388 |

## NOTE 8. DEFINED BENEFIT PENSION PLAN

### A. Plan Description

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

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

With the City having opted out of Social Security, the City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the rate for the 2016 fiscal year is 9.60% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees.

*Plan membership:* At January 1, 2016, the date of the most recent actuarial valuation, there were 181 participants consisting of the following:

| | |
|---|---|
| Retirees and Beneficiaries Currently Receiving Benefits | 41 |
| Vested Terminated Employees Not Yet Receiving Benefits | 51 |
| Active Employees | 89 |
| Total Participants | 181 |

*Contributions:* The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. City contributions to the Plan were $431,384 for the year ended June 30, 2016.

**NOTE 8. DEFINED BENEFIT PENSION PLAN** (continued)

**B. Net Pension Liability of the City**

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

The City's net pension liability was measured as of September 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015.

*Actuarial assumptions.* The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation: | 3.25% |
| Salary increases: | 3.25%, plus age and service based merit increases |
| Investment rate of return: | 7.75 % |

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

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

**NOTE 8. DEFINED BENEFIT PENSION PLAN** (continued)

**B. Net Pension Liability of the City** (continued)

| Asset Class | Asset Target Allocation | Long-Term Expected Real Rate of Return * |
|---|---|---|
| Domestic Equity | 50.00% | 5.95% |
| International Equity | 15.00% | 6.45% |
| Fixed Income | 25.00% | 1.55% |
| Real Estate | 10.00% | 3.75% |
| Cash | 0.00% | |
| Total | 100.00% | |

* Rates of return shown are net of the 3.25% assumed rate of inflation

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

*Changes in the Net Pension Liability of the City.* The changes in the components of the net pension liability of the City for the year ended June 30, 2016, were as follows:

| | Total Pension Liability (A) | Plan Fiduciary Net Position (B) | Net Pension Liability (A - B) |
|---|---|---|---|
| **Beginning Balance** | $ 13,509,945 | $ 11,726,902 | $ 1,783,043 |
| **Changes For The Year:** | | | |
| Service Cost | $ 359,638 | $ - | $ 359,638 |
| Interest | 1,026,035 | - | 1,026,035 |
| Differences Between Expected and Actual Experience | (149,908) | - | (149,908) |
| Contributions - Employer | - | 552,938 | (552,938) |
| Net Investment Income | - | 130,288 | (130,288) |
| Benefit Payments | (541,580) | (541,580) | - |
| Administrative Expense | - | (19,282) | 19,282 |
| Net Changes | $ 694,185 | $ 122,364 | $ 571,821 |
| **Ending Balance** | $ 14,204,130 | $ 11,849,266 | $ 2,354,864 |

**NOTE 8. DEFINED BENEFIT PENSION PLAN** (continued)

**B. Net Pension Liability of the City** (continued)

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

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

| | One Percent Decrease 6.75% | Current Discount Rate 7.75% | One Percent Increase 8.75% |
|---|---|---|---|
| City's Net Pension Liability | $4,395,467 | $2,354,864 | $661,664 |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2015 and the current sharing pattern of costs between employer and employee.

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

For the year ended June 30, 2016, the City recognized pension expense of $453,947. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|---|---|
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | $ 622,592 | $ (229,989) |
| Differences Between Expected and Actual Experience | - | (412,884) |
| Changes in Actuarial Assumptions | - | (72,984) |
| City Contributions Subsequent to the Measurement Date | 359,487 | - |
| Total | $ 982,079 | $ (715,857) |

City contributions subsequent to the measurement date of $359,487 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTE 8. DEFINED BENEFIT PENSION PLAN** (continued)

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

| Fiscal Year Ending June 30, | Amount Recognized |
|---|---|
| 2017 | $ (42,482) |
| 2018 | (42,482) |
| 2019 | (42,482) |
| 2020 | 34,181 |
| Total | $ (93,265) |

**NOTE 9. DEFINED CONTRIBUTION PENSION PLAN**

The City participates in the Georgia Municipal Association 401(a) Defined Contribution Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, Nationwide Retirement Solutions. 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, 66% vested after four (4) years and 33% after three (3) years. For the fiscal year ending June 30, 2016, the City made no contributions to the Plan due to fiscal constraints.

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

**NOTE 10. BUDGET COMPLIANCE AND DEFICIT FUND EQUITY / NET POSITION**

The City Charter requires that an ordinance be approved at two Council meetings to effect any changes in the original budget appropriations. During the 2016 fiscal year, the Council did formally approve a number of adjustments to the original budget. The majority of the adjustments were to reallocate appropriations among the various cost centers which was needed to bring the budget into compliance with the Department of Community Affairs Uniform Chart of accounts and to fund certain unanticipated expenditures. In addition, the overall budget was increased to reflect two Fire Department grants that were received after the budget was adopted.

**A. Excess of Expenditures Over Appropriations**

For the fiscal year ended June 30, 2016, there were no unfavorable appropriation variances for the budgets of the General Fund or any of the Special Revenue Funds at the legal level of control.

## NOTE 10. BUDGET COMPLIANCE AND DEFICIT FUND EQUITY / NET POSITION (continued)

### B. Deficit Fund Equity

The Urban Redevelopment Agency, which is a component unit of the City, had a deficit Net Position of $3,573,822 as of June 30, 2016. The deficit will be reduced in future periods as the City pays down the outstanding bond obligation.

## NOTE 11. HOTEL / MOTEL LODGING TAXES

Pursuant to certain provisions of State law, the City has levied an 8% lodging tax. For the fiscal year ended June 30, 2016, $1,008,895 in hotel/motel taxes was collected. Of the total collected, only $1,875 was used for the promotion of tourism within the City during the 2016 fiscal year. In February of 2015, the Mayor and Council chose to discontinue their contractual relationship with the Morrow Business and Tourism Association (MBTA) as its Destination Marketing Organization (DMO). With the termination of services resulting in litigation between the two parties, the City did not select a new DMO during the current fiscal year.

By State law, only a Destination Marketing Organization meeting certain specific criteria can spend the portion of the tax revenues designated for tourism. The City did select a specialized DMO in September of 2016 to perform certain tourism marketing functions and is currently exploring options for multiple future DMOs. The excess funds that have been collected through the end of the 2016 fiscal year were appropriated as part of the FY 2017 operating budget.

## NOTE 12. INTERFUND BALANCES AND TRANSFERS

### A. Interfund Balances

Interfund receivable and payable balances as of June 30, 2016, are as follows:

| | Due From | | | |
|---|---|---|---|---|
| | General Fund | NonMajor Governmental | Morrow Center | Total |
| **Due To** | | | | |
| General Fund | $ - | $ 9,624 | $ 66,601 | $ 76,225 |
| SPLOST Fund - Series 2008 | 18 | - | - | 18 |
| SPLOST Fund - Series 2014 | 21 | - | - | 21 |
| Total | $ 39 | $ 9,624 | $ 66,601 | $ 76,264 |

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.

## NOTE 12. INTERFUND BALANCES AND TRANSFERS (continued)

### B. Interfund Transfers

Interfund transfers for the fiscal year June 30, 2016, consisted of the following:

| | Transfers To | | | |
|---|---|---|---|---|
| | General Fund | NonMajor Governmental | Morrow Center | Total |
| **Transfers From** | | | | |
| General Fund | $ - | $ 345,344 | $ 54,870 | $ 400,214 |
| NonMajor Governmental | 421,815 | 189,168 | - | 610,983 |
| Sanitation Fund | 119,829 | - | - | 119,829 |
| Total | $ 541,644 | $ 534,512 | $ 54,870 | $ 1,131,026 |

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 13. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). During its year ended June 30, 2016, 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, 40 Courtland Street NE, Atlanta, Georgia 30303.

## NOTE 14. COMMITMENTS AND CONTIGENCIES

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

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

## NOTE 15. RISK MANAGEMENT

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

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

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

During a portion of the 2016 fiscal year, the City chose to carry commercial insurance for its property, automobile and general liability coverages.

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

# REQUIRED SUPPLEMENTARY INFORMATION

## City of Morrow, Georgia

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

| | 2016 | 2015 |
|---|---|---|
| **Changes in Total Pension Liability for the Year:** | | |
| Service Cost | $ 359,638 | $ 443,408 |
| Interest on Total Pension Liability | 1,026,035 | 996,071 |
| Differences Between Expected and Actual Experience | (149,908) | (439,431) |
| Changes of Assumptions | - | (109,478) |
| Benefit Payments | (541,580) | (466,299) |
| **Net Change in Total Pension Liability for the Year** | $ 694,185 | $ 424,271 |
| **Total Pension Liability - Beginning** | 13,509,945 | 13,085,674 |
| **Total Pension Liability - Ending ( A )** | $ 14,204,130 | $ 13,509,945 |
| **Changes in Plan Fiduciary Net Position for the Year:** | | |
| Contributions - Employer | $ 552,938 | $ 528,868 |
| Net Investment Income | 130,288 | 1,197,510 |
| Benefit Payments | (541,580) | (466,299) |
| Administrative Expenses | (19,282) | (15,243) |
| **Net Change in Plan Fiduciary Net Positions for the Year** | $ 122,364 | $ 1,244,836 |
| **Plan Fiduciary Net Position - Beginning** | 11,726,902 | 10,482,066 |
| **Plan Fiduciary Net Position - Ending ( B )** | $ 11,849,266 | $ 11,726,902 |
| **City's Net Pension Liability - Ending ( A - B )** | $ 2,354,864 | $ 1,783,043 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability ( B / A )** | 83.42% | 86.80% |
| **Covered Employee Payroll** | $ 3,831,939 | $ 4,423,020 |
| **Net Pension Liability as a Percentage of Covered Employee Payroll** | 61.45% | 40.31% |

**Notes to the Schedule:**

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

## City of Morrow, Georgia

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

| | 2016 | 2015 |
|---|---|---|
| Actuarially Determined Contribution | $ 431,384 | $ 577,249 |
| Contributions in Relation to the Actuarially Determined Contribution | 431,384 | 577,249 |
| Contribution Deficiency (Excess) | $ - | $ - |
| Covered Employee Payroll | $ 4,423,020 | $ 4,915,662 |
| Contributions as a Percentage of Covered Employee Payroll | 9.75% | 11.74% |

**Notes to the Schedule:**

| | |
|---|---|
| Valuation Dates | January 1, 2015 and 2014 |
| Methods and Assumptions Used to Determine Contribution Rates: | |
| Actuarial Cost Method | Projected Unit Credit |
| Actuarial Asset Valuation Method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Assumed Rate of Return on Investments | 7.75% |
| Projected Salary Increases | 3.25 % plus age and service based merit increases |
| Cost-of-Living Adjustment | 0.00% |
| Amortization Method | Closed level dollar for remaining unfunded liability |
| Remaining Amortization Period | Varies for the bases, with a net effective amortization period of 10 years |

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

# COMBINING STATEMENTS AND SCHEDULES

**City of Morrow, Georgia**
**NonMajor Governmental Funds**

## Special Revenue Funds

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

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

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

The **Product Development Fund** is used to account for the portion of the hotel / motel taxes that the Mayor and Council have specifically designated for tourism product development purposes such as facilities. Operating transfers are made from the Hotel Motel Tax Special Revenue Fund.

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

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

**City of Morrow, Georgia**
**Combining Balance Sheet**
**NonMajor Governmental Funds**
**For the Fiscal Year Ended June 30, 2016**

| | Emergency Communications | Hotel / Motel Tax | Product Development | Confiscated Assets | Rental Car Excise Tax | Total NonMajor Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS:** | | | | | | |
| Cash and Cash Equivalents | $ - | $ 530,046 | $ 219,999 | $ 212,822 | $ - | $ 962,867 |
| Taxes Receivable | - | 92,064 | - | - | 3,715 | 95,779 |
| Accounts Receivable | 14,034 | - | - | - | - | 14,034 |
| Total Assets | $ 14,034 | $ 622,110 | $ 219,999 | $ 212,822 | $ 3,715 | $ 1,072,680 |
| **LIABILITIES AND FUND BALANCES:** | | | | | | |
| **Liabilities:** | | | | | | |
| Accounts Payable | $ 356 | $ - | $ - | $ - | $ - | $ 356 |
| Accrued Liabilities | 7,769 | - | - | - | - | 7,769 |
| Unearned Revenues | - | - | - | 48,583 | - | 48,583 |
| Due To Other Funds | 5,909 | - | - | - | 3,715 | 9,624 |
| Total Liabilities | $ 14,034 | $ - | $ - | $ 48,583 | $ 3,715 | $ 66,332 |
| **Fund Balances:** | | | | | | |
| Restricted For: | | | | | | |
| Tourism | $ - | $ 622,110 | $ - | $ - | $ - | $ 622,110 |
| Product Development | - | - | 219,999 | - | - | 219,999 |
| Law Enforcement | - | - | - | 164,239 | - | 164,239 |
| Total Fund Balances | $ - | $ 622,110 | $ 219,999 | $ 164,239 | $ - | $ 1,006,348 |
| Total Liabilities and Fund Balances | $ 14,034 | $ 622,110 | $ 219,999 | $ 212,822 | $ 3,715 | $ 1,072,680 |

City of Morrow, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
NonMajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

| | Emergency Communications | Hotel / Motel Tax | Product Development | Confiscated Assets | Rental Car Excise Tax | Total NonMajor Governmental Funds |
|---|---|---|---|---|---|---|
| **REVENUES:** | | | | | | |
| Hotel / Motel Taxes | $ - | $ 1,008,895 | $ - | $ - | $ - | $ 1,008,895 |
| Other Taxes | - | - | - | - | 43,480 | 43,480 |
| Charges for Services | 140,366 | - | - | - | - | 140,366 |
| Fines and Forfeitures | - | - | - | 95,514 | - | 95,514 |
| Total Revenues | $ 140,366 | $ 1,008,895 | $ - | $ 95,514 | $ 43,480 | $ 1,288,255 |
| **EXPENDITURES:** | | | | | | |
| Public Safety | $ 485,710 | $ - | $ - | $ 30,108 | $ - | $ 515,818 |
| Housing and Development | - | - | 1,875 | - | - | 1,875 |
| Total Expenditures | $ 485,710 | $ - | $ 1,875 | $ 30,108 | $ - | $ 517,693 |
| Excess (Deficency) of Revenues Over (Under) Expenditures | $ (345,344) | $ 1,008,895 | $ (1,875) | $ 65,406 | $ 43,480 | $ 770,562 |
| **OTHER FINANCING SOURCES (USES):** | | | | | | |
| Transfers In | $ 345,344 | $ - | $ 189,168 | $ - | $ - | $ 534,512 |
| Transfers Out | - | (567,503) | - | - | (43,480) | (610,983) |
| Total Other Financing Sources (Uses) | $ 345,344 | $ (567,503) | $ 189,168 | $ - | $ (43,480) | $ (76,471) |
| Net Change in Fund Balance | $ - | $ 441,392 | $ 187,293 | $ 65,406 | $ - | $ 694,091 |
| Fund Balance, Beginning of Year | - | 180,718 | 32,706 | 98,833 | - | 312,257 |
| Fund Balance, End of Year | $ - | $ 622,110 | $ 219,999 | $ 164,239 | $ - | $ 1,006,348 |

**City of Morrow, Georgia**
**Emergency Communications Special Revenue Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Fiscal Year Ended June 30, 2016**

| | Original and Final Budget Amounts | Actual Amounts | Variance With Final Budget |
|---|---|---|---|
| **REVENUES:** | | | |
| Charges for Services: | | | |
| E911 Phone Charges | $ 139,000 | $ 140,366 | $ 1,366 |
| Total Revenues | $ 139,000 | $ 140,366 | $ 1,366 |
| **EXPENDITURES:** | | | |
| Public Safety | $ 648,938 | $ 485,710 | $ 163,228 |
| Total Expenditures | $ 648,938 | $ 485,710 | $ 163,228 |
| Deficiency of Revenues Under Expenditures | $ (509,938) | $ (345,344) | $ 164,594 |
| **OTHER FINANCING SOURCES:** | | | |
| Transfers In | $ 504,938 | $ 345,344 | $ (159,594) |
| Total Other Financing Sources | $ 504,938 | $ 345,344 | $ (159,594) |
| Net Change in Fund Balance | $ (5,000) | $ - | $ 5,000 |
| Fund Balance, Beginning of Year | - | - | - |
| Fund Balance, End of Year | $ (5,000) | $ - | $ 5,000 |

**City of Morrow, Georgia**
**Hotel / Motel Tax Special Revenue Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Fiscal Year Ended June 30, 2016**

| | Original and Final Budget Amounts | Actual Amounts | Variance With Final Budget |
|---|---|---|---|
| **REVENUES:** | | | |
| Taxes: | | | |
| Hotel / Motel Taxes | $ 720,000 | $ 1,008,895 | $ 288,895 |
| Total Revenues | $ 720,000 | $ 1,008,895 | $ 288,895 |
| **EXPENDITURES:** | | | |
| Housing and Development | $ 350,000 | $ - | $ 350,000 |
| Total Expenditures | $ 350,000 | $ - | $ 350,000 |
| Excess of Revenues Over Expenditures | $ 370,000 | $ 1,008,895 | $ 638,895 |
| **OTHER FINANCING USES:** | | | |
| Transfers Out | $ 350,000 | $ 567,503 | $ (217,503) |
| Total Other Financing Uses | $ 350,000 | $ 567,503 | $ (217,503) |
| Net Change in Fund Balance | $ 20,000 | $ 441,392 | $ 421,392 |
| Fund Balance, Beginning of Year | 180,718 | 180,718 | - |
| Fund Balance, End of Year | $ 200,718 | $ 622,110 | $ 421,392 |

**City of Morrow, Georgia**
**Product Development Special Revenue Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Fiscal Year Ended June 30, 2016**

| | Original and Final Budget Amounts | Actual Amounts | Variance With Final Budget |
|---|---|---|---|
| **REVENUES:** | | | |
| Taxes: | | | |
| Other | $ - | $ - | $ - |
| Total Revenues | $ - | $ - | $ - |
| **EXPENDITURES:** | | | |
| Housing and Development | $ - | $ 1,875 | $ (1,875) |
| Total Expenditures | $ - | $ 1,875 | $ (1,875) |
| Deficiency of Revenues Under Expenditures | $ - | $ (1,875) | $ (1,875) |
| **OTHER FINANCING SOURCES:** | | | |
| Transfers In | $ - | $ 189,168 | $ 189,168 |
| Total Other Financing Sources | $ - | $ 189,168 | $ 189,168 |
| Net Change in Fund Balance | $ - | $ 187,293 | $ 187,293 |
| Fund Balance, Beginning of Year | 32,706 | 32,706 | - |
| Fund Balance, End of Year | $ 32,706 | $ 219,999 | $ 187,293 |

**City of Morrow, Georgia**
**Confiscated Assets Special Revenue Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Fiscal Year Ended June 30, 2016**

| | Original and Final Budget Amounts | Actual Amounts | Variance With Final Budget |
|---|---|---|---|
| **REVENUES:** | | | |
| Fines and Forfeitures | $ 50,000 | $ 95,514 | $ 45,514 |
| Total Revenues | $ 50,000 | $ 95,514 | $ 45,514 |
| **EXPENDITURES:** | | | |
| Public Safety | $ 50,000 | $ 30,108 | $ 19,892 |
| Total Expenditures | $ 50,000 | $ 30,108 | $ 19,892 |
| Net Change in Fund Balance | $ - | $ 65,406 | $ 65,406 |
| Fund Balance, Beginning of Year | 98,833 | 98,833 | - |
| Fund Balance, End of Year | $ 98,833 | $ 164,239 | $ 65,406 |

**City of Morrow, Georgia**
**Rental Car Excise Tax Special Revenue Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Fiscal Year Ended June 30, 2016**

| | Original and Final Budget Amounts | Actual Amounts | Variance With Final Budget |
|---|---|---|---|
| **REVENUES:** | | | |
| Taxes: | | | |
| Other | $ 34,000 | $ 43,480 | $ 9,480 |
| Total Revenues | $ 34,000 | $ 43,480 | $ 9,480 |
| **EXPENDITURES:** | | | |
| Housing and Development | $ - | $ - | $ - |
| Total Expenditures | $ - | $ - | $ - |
| Excess of Revenues Over Expenditures | $ 34,000 | $ 43,480 | $ 9,480 |
| **OTHER FINANCING USES:** | | | |
| Transfers Out | $ 15,000 | $ 43,480 | $ (28,480) |
| Total Other Financing Uses | $ 15,000 | $ 43,480 | $ (28,480) |
| Net Change in Fund Balance | $ 19,000 | $ - | $ (19,000) |
| Fund Balance, Beginning of Year | - | - | - |
| Fund Balance, End of Year | $ 19,000 | $ - | $ (19,000) |

**City of Morrow, Georgia**
**Schedule of Expenditures of Special Purpose Local Option Sales Tax (SPLOST)**
**2008 Issue**
**For the Fiscal Year Ended June 30, 2016**

| Description of Project | Original Estimated Cost | Current Estimated Cost | Prior Years | Current Year | Totals |
|---|---|---|---|---|---|
| Pedestrian Path System Phase I | $ 139,448 | $ 139,448 | $ 139,950 | $ - | $ 139,950 |
| Pedestrian Path System Phase II | 690,000 | 690,000 | 302,672 | - | 302,672 |
| Pedestrian Path System Phase III | 861,025 | 861,025 | 556,739 | 11,540 | 568,279 |
| Barton Park Phase IV | 377,901 | 377,901 | - | - | - |
| Morrow Conference Center | 4,051,626 | 4,051,626 | 5,095,143 | - | 5,095,143 |
| Olde Morrow Creek Corridor | 2,160,000 | 2,160,000 | 1,826,781 | - | 1,826,781 |
| Pedestrian Path System Phase V | 290,000 | 290,000 | - | - | - |
| Pedestrian Path System Phase VI | 290,000 | 290,000 | - | - | - |
| Lee Street Pedestrian Facility | 1,000,000 | 1,000,000 | - | - | - |
| Totals | $ 9,860,000 | $ 9,860,000 | $ 7,921,285 | $ 11,540 | $ 7,932,825 |

**City of Morrow, Georgia**
**Schedule of Expenditures of Special Purpose Local Option Sales Tax (SPLOST)**
**2014 Issue**
**For the Fiscal Year Ended June 30, 2016**

| Description of Project | Original Estimated Cost | Current Estimated Cost | Prior Years | Current Year | Totals |
|---|---|---|---|---|---|
| Communication and RMS Software | $2,201,126 | $2,201,126 | $ - | $335,025 | $335,025 |
| Street Resurfacing and Road Improvements | 1,559,694 | 1,559,694 | 58,896 | - | 58,896 |
| Facilities Improvements | 1,114,067 | 1,114,067 | 155,456 | - | 155,456 |
| Vehicles | 1,600,205 | 1,600,205 | - | - | - |
| Equipment | 249,821 | 249,821 | - | - | - |
| Comprehensive Plan | 27,008 | 27,008 | - | - | - |
| Totals | $6,751,921 | $6,751,921 | $214,352 | $335,025 | $549,377 |

## City of Morrow, Georgia
## Component Units

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

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

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

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

**City of Morrow, Georgia**
**Statement of Cash Flows**
**Component Units**
**For the Fiscal Year Ended June 30, 2016**

| | Downtown Development Authority | Urban Redevelopment Agency | Morrow Housing Authority | Totals |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Receipts From Customers and Users | $ 174,432 | $ 235,125 | $ - | $ 409,557 |
| Payments To Suppliers | (56,079) | (67,090) | (55) | (123,224) |
| Net Cash Provided By (Used In) Operating Activities | $ 118,353 | $ 168,035 | $ (55) | $ 286,333 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | | |
| Contributions From Primary Government | $ - | $ 451,834 | $ - | $ 451,834 |
| Net Cash Provided By Noncapital Financing Activities | $ - | $ 451,834 | $ - | $ 451,834 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Purchases of Property and Equipment | $ - | $ (11,262) | $ - | $ (11,262) |
| Principal Paid on Bonds | (80,357) | - | - | (80,357) |
| Interest Paid | (27,625) | (451,835) | - | (479,460) |
| Net Cash Used in Capital and Related Financing Activities | $ (107,982) | $ (463,097) | $ - | $ (571,079) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Interest Received | $ 27,627 | $ 251 | $ - | $ 27,878 |
| Net Cash Provided By Investing Activities | $ 27,627 | $ 251 | $ - | $ 27,878 |
| Change in Cash and Cash Equivalents | $ 37,998 | $ 157,023 | $ (55) | $ 194,966 |
| Cash and Cash Equivalents: | | | | |
| Beginning of Year | 141,959 | 500,296 | 751 | 643,006 |
| End of Year | $ 179,957 | $ 657,319 | $ 696 | $ 837,972 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:** | | | | |
| Net Operating Income (Loss) | $ (76,050) | $ (405,487) | $ (55) | $ (481,592) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used in) Operating Activities: | | | | |
| Depreciation | 124,059 | 116,869 | - | 240,928 |
| (Increase) Decrease in Assets: | | | | |
| Accounts Receivable | 73,089 | (24,799) | - | 48,290 |
| Due From Primary Government | - | 707 | - | 707 |
| Due From Component Unit | - | 7,987 | - | 7,987 |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | 770 | 450,817 | - | 451,587 |
| Customer Deposits Payable | (1,500) | 2,660 | - | 1,160 |
| Unearned Revenues | 5,797 | 19,281 | - | 25,078 |
| Due to Component Unit | (7,987) | - | - | (7,987) |
| Advance From Primary Government | 175 | - | - | 175 |
| Net Cash Provided By (Used In) Operating Activities | $ 118,353 | $ 168,035 | $ (55) | $ 286,333 |

# STATISTICAL SECTION

# City of Morrow, Georgia
# Statistical Section

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

**Contents** **Pages**

**Financial Trends** ..... 73 – 79
*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

**Revenue Capacity** ..... 80 – 84
*These schedules contain trend information to help the reader assess the City's most significant local revenue sources.*

**Debt Capacity** ..... 85 – 87
*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.*

**Demographic and Economic Information** ..... 88 – 89
*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

**Operating Information** ..... 90 – 93
*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.*

***Sources:*** Unless otherwise noted, the information in these schedules is derived from the City's financial reports for the relevant year.

# City of Morrow, Georgia

## Net Position By Activity
## Last Ten Fiscal Years

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | | | | | |
| Net Investment in Capital Assets | $ 9,908,611 | $ 19,813,630 | $ 23,866,983 | $ 12,155,243 | $ 12,553,494 | $ 12,922,300 | $ 14,388,529 | $ 15,145,014 | $ 13,883,120 | $ 13,576,092 |
| Restricted | - | - | - | - | 657,217 | 1,014,757 | 1,301,836 | 1,459,254 | 1,385,374 | 2,799,967 |
| Unrestricted | 16,204,109 | 12,132,191 | 9,234,985 | 6,382,543 | 7,002,728 | 8,858,861 | 7,253,161 | 4,410,592 | 4,380,364 | 5,136,658 |
| Total Governmental Activities Net Position | $ 26,112,720 | $ 31,945,821 | $ 33,101,968 | $ 18,537,786 | $ 20,213,439 | $ 22,795,918 | $ 22,943,526 | $ 21,014,860 | $ 19,648,858 | $ 21,512,717 |
| Business-Type Activities: | | | | | | | | | | |
| Net Investment in Capital Assets | $ - | $ - | $ - | $ 4,968,535 | $ 4,837,226 | $ 4,705,917 | $ 4,574,608 | $ 4,443,299 | $ - | $ - |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | - | - | - | 17,062 | 58,798 | 58,797 | 58,797 | 58,797 | - | 10,070 |
| Total Business-Type Activities Net Position | $ - | $ - | $ - | $ 4,985,597 | $ 4,896,024 | $ 4,764,714 | $ 4,633,405 | $ 4,502,096 | $ - | $ 10,070 |
| Primary Government: | | | | | | | | | | |
| Net Investment in Capital Assets | $ 9,908,611 | $ 19,813,630 | $ 23,866,983 | $ 17,123,778 | $ 17,390,720 | $ 17,628,217 | $ 18,963,137 | $ 19,588,313 | $ 13,883,120 | $ 13,576,092 |
| Restricted | - | - | - | - | 657,217 | 1,014,757 | 1,301,836 | 1,459,254 | 1,385,374 | 2,799,967 |
| Unrestricted | 16,204,109 | 12,132,191 | 9,234,985 | 6,399,605 | 7,061,526 | 8,917,658 | 7,311,958 | 4,469,389 | 4,380,364 | 5,146,728 |
| Total Primary Government Net Position | $ 26,112,720 | $ 31,945,821 | $ 33,101,968 | $ 23,523,383 | $ 25,109,463 | $ 27,560,632 | $ 27,576,931 | $ 25,516,956 | $ 19,648,858 | $ 21,522,787 |

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

# City of Morrow, Georgia

## Changes in Net Position
## Last Ten Fiscal Years

| Expenses: | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary Government: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | $ 2,693,482 | $ 1,916,132 | $ 1,692,191 | $ 12,908,230 | $ 2,572,899 | $ 2,219,595 | $ 2,330,884 | $ 2,659,889 | $ 1,309,864 | $ 1,085,997 |
| Judicial | 190,486 | 312,561 | 388,218 | 353,217 | 384,023 | 414,825 | 299,269 | 207,361 | 461,246 | 371,820 |
| Public Safety | 5,117,869 | 6,179,546 | 6,759,090 | 6,460,751 | 6,741,610 | 6,129,433 | 5,837,934 | 6,063,898 | 5,826,054 | 5,149,353 |
| Public Works | 570,783 | 1,286,678 | 1,546,931 | 1,775,873 | 1,775,668 | 2,094,630 | 2,250,389 | 2,012,159 | 3,691,972 | 1,822,152 |
| Housing and Development | 241,854 | 187,103 | 163,313 | 161,156 | 275,328 | 307,398 | 295,928 | 319,228 | 565,371 | 737,779 |
| Interest and Fiscal Charges | 50,289 | 48,488 | 73,201 | 250,977 | 250,639 | 243,719 | 171,835 | 130,073 | 85,360 | 44,183 |
| Total Governmental Activities Expenses | $ 8,864,763 | $ 9,930,508 | $ 10,622,944 | $ 21,910,204 | $ 12,000,167 | $ 11,409,600 | $ 11,186,239 | $ 11,392,608 | $ 11,939,867 | $ 9,211,284 |
| Business-Type Activities: | | | | | | | | | | |
| Sanitation | $ 1,175,632 | $ 1,081,972 | $ 1,001,787 | $ 923,938 | $ 836,005 | $ 833,225 | $ 837,610 | $ 891,957 | $ 886,173 | $ 848,292 |
| Morrow Center | - | - | - | 168,345 | 411,954 | 419,601 | 411,498 | 390,376 | 401,316 | 205,831 |
| Total Business-Type Activities Expenses | $ 1,175,632 | $ 1,081,972 | $ 1,001,787 | $ 1,092,283 | $ 1,247,959 | $ 1,252,826 | $ 1,249,108 | $ 1,282,333 | $ 1,287,489 | $ 1,054,123 |
| Total Primary Government Expenses | $ 10,040,395 | $ 11,012,480 | $ 11,624,731 | $ 23,002,487 | $ 13,248,126 | $ 12,662,426 | $ 12,435,347 | $ 12,674,941 | $ 13,227,356 | $ 10,265,407 |
| **Program Revenues:** | | | | | | | | | | |
| Primary Government: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | $ 1,285,924 | $ 1,312,562 | $ 1,036,261 | $ 1,081,785 | $ 1,108,890 | $ 1,084,186 | $ 1,058,252 | $ 1,087,830 | $ 17,061 | $ 15,630 |
| Public Safety | 3,531,926 | 4,357,563 | 4,705,219 | 4,432,995 | 4,694,366 | 5,045,952 | 2,990,715 | 2,677,990 | 1,699,591 | 1,593,283 |
| Public Works | - | - | - | - | - | - | - | - | - | 3,870 |
| Housing and Development | - | - | - | - | - | - | - | - | 236,955 | 160,486 |
| Operating Grants and Contributions | 201,476 | - | - | 147,717 | 1,721,689 | 884,916 | 215,044 | 257,600 | 375,000 | 187,675 |
| Capital Grants and Contributions | - | 3,143,132 | 576,188 | 1,568,989 | 1,507,511 | 1,583,609 | 1,615,952 | 1,445,656 | 48,336 | 341,577 |
| Total Governmental Activities Program Revenues | $ 5,019,326 | $ 8,813,257 | $ 6,317,668 | $ 7,231,486 | $ 9,032,456 | $ 8,598,663 | $ 5,879,963 | $ 5,469,076 | $ 2,376,943 | $ 2,302,521 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Sanitation | $ 1,372,292 | $ 1,240,150 | $ 1,167,594 | $ 1,065,842 | $ 968,431 | $ 920,189 | $ 956,336 | $ 1,029,827 | $ 1,033,592 | $ 968,121 |
| Morrow Center | - | - | - | 55,544 | 209,177 | 253,367 | 160,788 | 164,441 | 194,894 | 161,031 |
| Total Business-Type Activities Program Revenues | $ 1,372,292 | $ 1,240,150 | $ 1,167,594 | $ 1,121,386 | $ 1,177,608 | $ 1,173,556 | $ 1,117,124 | $ 1,194,268 | $ 1,228,486 | $ 1,129,152 |
| Total Primary Government Program Revenues | $ 6,391,618 | $ 10,053,407 | $ 7,485,262 | $ 8,352,872 | $ 10,210,064 | $ 9,772,219 | $ 6,997,087 | $ 6,663,344 | $ 3,605,429 | $ 3,431,673 |

(continued)

# City of Morrow, Georgia

## Changes in Net Position
## Last Ten Fiscal Years

| Net (Expenses) Revenues: | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary Government: | | | | | | | | | | |
| Governmental Activities | $ (3,845,437) | $ (1,117,251) | $ (4,305,276) | $ (14,678,718) | $ (2,967,711) | $ (2,810,937) | $ (5,306,276) | $ (5,923,532) | $ (9,562,924) | $ (6,908,763) |
| Business-Type Activities | 196,660 | 158,178 | 165,807 | 29,103 | (70,351) | (79,270) | (131,984) | (88,065) | (59,003) | 75,029 |
| Total Primary Government Net (Expenses) Revenues | $ (3,648,777) | $ (959,073) | $ (4,139,469) | $ (14,649,615) | $ (3,038,062) | $ (2,890,207) | $ (5,438,260) | $ (6,011,597) | $ (9,621,927) | $ (6,833,734) |
| **General Revenues and Other Changes in Net Position:** | | | | | | | | | | |
| Primary Government: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes | $ 1,501,023 | $ 1,597,665 | $ 1,618,013 | $ 1,769,748 | $ 1,634,577 | $ 1,896,885 | $ 1,926,089 | $ 2,431,997 | $ 2,323,174 | $ 2,375,633 |
| Sales Taxes | 1,825,740 | 1,827,986 | 1,687,170 | 1,652,727 | 1,603,352 | 1,654,007 | 1,707,532 | 1,609,741 | 2,999,232 | 2,979,764 |
| Insurance Premium Tax | 255,839 | 266,845 | 273,237 | 270,673 | 262,807 | 302,298 | 321,091 | 332,459 | 345,938 | 378,019 |
| Business and Occupation Taxes | - | - | - | - | - | - | - | - | - | 949,779 |
| Franchise Taxes | 620,378 | 686,643 | 712,704 | 664,498 | 690,517 | 715,923 | 659,513 | 636,838 | 650,166 | 674,693 |
| Alcoholic Beverage Taxes | 147,614 | 139,404 | 132,601 | 125,279 | 125,564 | 124,532 | 94,882 | 99,894 | 137,883 | - |
| Hotel / Motel Taxes | - | - | - | - | - | - | - | - | - | 1,008,895 |
| Other Taxes | 607,527 | 600,742 | 573,511 | 492,323 | 515,502 | 551,195 | 629,398 | 930,692 | 1,522,468 | 153,360 |
| Miscellaneous | 141,607 | 348,283 | 222,254 | 70,887 | 32,911 | 73,732 | 140,608 | 77,997 | 285,139 | 169,326 |
| Investment Earnings | 254,551 | 417,152 | 76,126 | 13,558 | 1,830 | 3,086 | 3,589 | 2,952 | 5,163 | 5,530 |
| Gain on Sale of Assets | 8,215,110 | 907,454 | - | 11,337 | 298 | 19,718 | 17,273 | - | 37,435 | 12,664 |
| Special Item | - | - | - | - | (243,216) | - | - | - | - | - |
| Extraordinary Item | - | - | - | - | - | - | - | - | (238,038) | - |
| Transfers (Net) | 196,660 | 158,178 | 165,807 | (4,956,494) | 19,222 | 52,040 | (675) | 43,244 | 128,362 | 64,959 |
| Total Governmental Activities General Revenues and Other Changes in Net Position | $ 13,766,049 | $ 6,950,352 | $ 5,461,423 | $ 114,536 | $ 4,643,364 | $ 5,393,416 | $ 5,499,300 | $ 6,165,814 | $ 8,196,922 | $ 8,772,622 |
| Business-Type Activities: | | | | | | | | | | |
| Special Item | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (4,314,731) | $ - |
| Transfers (Net) | (196,660) | (158,178) | (165,807) | 4,956,494 | (19,222) | (52,040) | 675 | (43,244) | (128,362) | (64,959) |
| Total Business-Type Activities General Revenues and Other Changes in Net Position | $ (196,660) | $ (158,178) | $ (165,807) | $ 4,956,494 | $ (19,222) | $ (52,040) | $ 675 | $ (43,244) | $ (4,443,093) | $ (64,959) |
| Total Primary Government General Revenues and Other Changes in Net Position | $ 13,569,389 | $ 6,792,174 | $ 5,295,616 | $ 5,071,030 | $ 4,624,142 | $ 5,341,376 | $ 5,499,975 | $ 6,122,570 | $ 3,753,829 | $ 8,707,663 |

**(continued)**

# City of Morrow, Georgia

## Changes in Net Position
## Last Ten Fiscal Years

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Change in Net Position:** | | | | | | | | | | |
| Governmental Activities | $ 9,920,612 | $ 5,833,101 | $ 1,156,147 | $ (14,564,182) | $ 1,675,653 | $ 2,582,479 | $ 193,024 | $ 242,282 | $ (1,366,002) | $ 1,863,859 |
| Business-Type Activities | - | - | - | 4,985,597 | (89,573) | (131,310) | (131,309) | (131,309) | (4,502,096) | 10,070 |
| Total Primary Government Change in Net Position | $ 9,920,612 | $ 5,833,101 | $ 1,156,147 | $ (9,578,585) | $ 1,586,080 | $ 2,451,169 | $ 61,715 | $ 110,973 | $ (5,868,098) | $ 1,873,929 |

***Notes:*** The Gain on Sale of Fixed Assets shown in FY 2007 was due to the purchase and resale of the Macy's retail shopping center during the year.
The Transfer in Governmental Activities in FY 2010 represents the transfer of the Morrow Center capital assets to an enterprise fund.
The Change in Net Position in FY 2014 for Governmental Activities does not reflect the prior period adjustment of $(2,170,948) due to the implementation of GASB No. 68.
The Special Item in Business Activities for FY 2015 represents the sale of the Morrow Center to the Urban Redevelopment Agency.
The Extraordinary Item in Governmental Activities for FY 2015 represents the write-down of real estate held by the City for resale to its fair value.
Beginning in FY 2016, the "Hotel / Motel Taxes" and "Business and Occupation Taxes" were broken out separately from the "Other Taxes" category.
Beginning in FY 2016, the "Alcoholic Beverage Taxes" is shown in the "Other Taxes" category.

# City of Morrow, Georgia

## Fund Balances, Governmental Funds
## Last Ten Fiscal Years

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Fund:** | | | | | | | | | | |
| Reserved | $ 2,854,931 | $ 5,638,783 | $ 6,121,142 | $ 5,178,830 | $ - | $ - | $ - | $ - | $ - | $ - |
| Unreserved | 13,113,113 | 6,672,617 | 3,188,578 | 2,224,129 | - | - | - | - | - | - |
| NonSpendable | - | - | - | - | 5,232,214 | 5,244,168 | 5,343,048 | 4,001,623 | 3,815,035 | 3,714,006 |
| Restricted | - | - | - | - | 19,613 | - | - | - | - | - |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | 1,903,908 | 2,764,662 | 2,146,121 | 2,508,181 | 2,738,418 | 3,518,035 |
| Total General Fund | $ 15,968,044 | $ 12,311,400 | $ 9,309,720 | $ 7,402,959 | $ 7,155,735 | $ 8,008,830 | $ 7,489,169 | $ 6,509,804 | $ 6,553,453 | $ 7,232,041 |
| **All Other Governmental Funds:** | | | | | | | | | | |
| Reserved, Reported in: | | | | | | | | | | |
| Special Revenue Funds | $ 524,006 | $ 71,702 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Unreserved, Reported in: | | | | | | | | | | |
| Capital Projects Funds | - | - | 4,069,064 | (897,403) | - | - | - | - | - | - |
| Special Revenue Funds | - | - | (38,360) | (69,546) | - | - | - | - | - | - |
| Restricted, Reported in: | | | | | | | | | | |
| Special Revenue Funds | - | - | - | - | 35,858 | 73,561 | 43,201 | 90,155 | 312,257 | 1,006,348 |
| Capital Projects Funds | - | - | - | - | 601,746 | 941,196 | 1,258,635 | 1,369,099 | 1,073,117 | 1,793,619 |
| Total All Other Governmental Funds | $ 524,006 | $ 71,702 | $ 4,030,704 | $ (966,949) | $ 637,604 | $ 1,014,757 | $ 1,301,836 | $ 1,459,254 | $ 1,385,374 | $ 2,799,967 |
| Total Governmental Funds | $ 16,492,050 | $ 12,383,102 | $ 13,340,424 | $ 6,436,010 | $ 7,793,339 | $ 9,023,587 | $ 8,791,005 | $ 7,969,058 | $ 7,938,827 | $ 10,032,008 |

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

# City of Morrow, Georgia

## Changes in Fund Balances, Governmental Funds
## Last Ten Fiscal Years

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | |
| Property Taxes | $ 1,471,921 | $ 1,614,117 | $ 1,597,308 | $ 1,743,042 | $ 1,629,148 | $ 1,970,306 | $ 1,898,449 | $ 2,399,459 | $ 2,300,764 | $ 2,279,325 |
| Sales Taxes | - | - | - | - | - | - | - | - | - | 1,912,697 |
| Insurance Premium Taxes | - | - | - | - | - | - | - | - | - | 378,019 |
| Business and Occupation Taxes | - | - | - | - | - | - | - | - | - | 949,779 |
| Franchise Taxes | 620,378 | 686,643 | 712,704 | 664,498 | 690,517 | 715,923 | 659,513 | 636,838 | 650,166 | 674,693 |
| Hotel / Motel Taxes | - | - | | - | - | - | - | - | - | 1,008,895 |
| Other Taxes | 2,836,720 | 2,834,977 | 2,620,688 | 2,541,002 | 2,546,385 | 2,632,032 | 2,752,903 | 2,718,725 | 3,957,727 | 153,360 |
| Charges for Services | 487,370 | 545,391 | 905,867 | 1,130,955 | 962,317 | 951,049 | 399,451 | 472,063 | 364,060 | 391,389 |
| Licenses and Permits | 1,274,733 | 1,296,436 | 1,025,873 | 1,071,343 | 1,093,682 | 1,058,978 | 1,040,023 | 1,070,238 | 344,094 | 256,843 |
| Intergovernmental | 614,313 | 3,591,339 | 983,580 | 2,161,847 | 3,677,076 | 2,916,220 | 2,277,065 | 2,163,577 | 1,795,480 | 1,591,048 |
| Fines, Forfeitures and Fees | 2,642,910 | 3,380,091 | 3,358,552 | 2,864,622 | 3,300,393 | 3,670,521 | 2,161,060 | 1,760,000 | 1,349,760 | 1,217,086 |
| Interest Revenues | 254,551 | 417,152 | 76,126 | 16,277 | 2,583 | 4,981 | 5,953 | 6,150 | 5,163 | 5,530 |
| Rental Income | 34,181 | 165,203 | 187,210 | 22,500 | 16,879 | 53,554 | 26,593 | 55,237 | 30,407 | 26,781 |
| Other Revenues | 107,426 | 183,080 | 35,044 | 48,387 | 16,032 | 20,178 | 114,015 | 22,760 | 80,129 | 55,767 |
| Total Revenues | $ 10,344,503 | $ 14,714,429 | $ 11,502,952 | $ 12,264,473 | $ 13,935,012 | $ 13,993,742 | $ 11,335,025 | $ 11,305,047 | $ 10,877,750 | $ 10,901,212 |
| **Expenditures:** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | $ 3,530,666 | $ 5,806,429 | $ 4,922,354 | $ 4,393,190 | $ 2,483,815 | $ 2,206,955 | $ 2,281,432 | $ 2,984,872 | $ 1,301,842 | $ 1,056,148 |
| Judicial | 191,225 | 312,959 | 387,621 | 354,340 | 383,501 | 414,464 | 300,913 | 206,317 | 460,020 | 370,881 |
| Public Safety | 5,541,628 | 6,407,506 | 6,576,604 | 6,205,103 | 6,579,175 | 6,263,698 | 6,111,366 | 6,081,918 | 5,801,979 | 5,089,177 |
| Public Works | 2,015,363 | 7,070,038 | 2,442,896 | 1,321,775 | 2,439,957 | 2,115,167 | 1,515,636 | 1,242,745 | 1,143,615 | 1,017,010 |
| Housing and Development | 188,404 | 186,358 | 163,952 | 155,168 | 271,736 | 300,129 | 304,814 | 321,708 | 525,014 | 690,212 |
| Capital Outlay | - | - | 1,112,583 | 6,535,456 | 10,127 | 24,159 | 38,513 | 30,192 | 251,057 | 346,565 |
| Debt Service: | | | | | | | | | | |
| Principal | 57,004 | 59,096 | 61,410 | 63,815 | 66,328 | 1,288,911 | 1,362,469 | 1,456,661 | 1,559,708 | 270,341 |
| Interest and Fiscal Charges | 50,978 | 48,887 | 46,572 | 220,321 | 221,674 | 221,769 | 179,345 | 138,021 | 93,029 | 45,320 |
| Bond Issuance Costs | - | - | 133,550 | - | - | - | - | - | - | - |
| Total Expenditures | $ 11,575,268 | $ 19,891,273 | $ 15,847,542 | $ 19,249,168 | $ 12,456,313 | $ 12,835,252 | $ 12,094,488 | $ 12,462,434 | $ 11,136,264 | $ 8,885,654 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | $ (1,230,765) | $ (5,176,844) | $ (4,344,590) | $ (6,984,695) | $ 1,478,699 | $ 1,158,490 | $ (759,463) | $ (1,157,387) | $ (258,514) | $ 2,015,558 |

(continued)

# City of Morrow, Georgia

## Changes in Fund Balances, Governmental Funds
## Last Ten Fiscal Years

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Other Financing Sources (Uses):** | | | | | | | | | | |
| Proceeds from Bond Issuance | $ - | $ - | $ 5,135,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Proceeds from Capital Leases | - | - | - | - | - | - | 461,794 | 292,196 | 300,523 | - |
| Proceeds from the Sale of Capital Assets | 8,215,110 | 909,718 | 1,105 | 11,337 | 102,624 | 19,718 | 65,762 | - | 37,436 | 12,664 |
| Transfers In | 1,256,117 | 1,213,746 | 1,178,487 | 1,119,721 | 570,240 | 464,850 | 575,660 | 632,705 | 808,194 | 1,076,156 |
| Transfers Out | (1,059,457) | (1,055,568) | (1,012,680) | (1,050,777) | (551,018) | (412,810) | (576,335) | (589,461) | (679,832) | (1,011,197) |
| Total Revenues | $ 8,411,770 | $ 1,067,896 | $ 5,301,912 | $ 80,281 | $ 121,846 | $ 71,758 | $ 526,881 | $ 335,440 | $ 466,321 | $ 77,623 |
| **Special And Extraordinary Items:** | | | | | | | | | | |
| Special Item - Loss on Fair Value of Contributed Real Estate | $ - | $ - | $ - | $ - | $ (243,216) | $ - | $ - | $ - | $ - | $ - |
| Extraordinary Item - Loss of Fair Value of Real Estate Held for Resale | - | - | - | - | - | - | - | - | (238,038) | $ - |
| Total Special and Extraordinary Items | $ - | $ - | $ - | $ - | $ (243,216) | $ - | $ - | $ - | $ (238,038) | $ - |
| **Net Change in Fund Balances** | $ 7,181,005 | $ (4,108,948) | $ 957,322 | $ (6,904,414) | $ 1,357,329 | $ 1,230,248 | $ (232,582) | $ (821,947) | $ (30,231) | $ 2,093,181 |
| Debt Service as a Percentage of Non-Capital Expenditures | 0.93% | 0.54% | 1.64% | 2.23% | 2.31% | 11.79% | 12.79% | 12.83% | 18.58% | 4.16% |

**Notes:** The bond proceeds shown as an "**Other Financing Source**" in fiscal year 2009 were for SPLOST Capital Projects Fund revenue bonds.
During the 2013, 2014 and 2015 fiscal years , the City chose to lease purchase certain vehicles.
Intergovernmental revenues have fluctuated significantly from fiscal year to fiscal year depending on the availability of grants for projects.
Beginning in fiscal year 2015, the Planning & Zoning and Economic Development departments are shown in the Housing and Development function rather than General Government.
Beginning in fiscal year 2016, the "Other Taxes" category was broken down into separate major tax categories.

# City of Morrow, Georgia

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

| Tax Digest Year | Real Property Residential | Real Property Commercial | Real Property Industrial | Motor Vehicles | Other | Less: Tax Exempt Real Property | Total Taxable Assessed Value | (In Mills) Total Direct Tax Rate | Estimated Actual Fair Market Value | Assessed Value as a Percentage of Fair Market Value |
|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | $ 74,472,627 | $ 238,603,261 | $ - | $ 11,499,110 | $ 45,188,601 | $ (51,408,070) | $ 318,355,529 | 5.000 | $ 795,888,823 | 40.00% |
| 2007 | 86,063,353 | 240,437,907 | - | 12,361,360 | 46,887,405 | (53,401,350) | 332,348,675 | 5.000 | 830,871,688 | 40.00% |
| 2008 | 91,255,372 | 247,037,731 | - | 13,200,010 | 45,340,561 | (57,525,739) | 339,307,935 | 5.000 | 848,269,838 | 40.00% |
| 2009 | 84,532,382 | 231,618,951 | - | 13,611,450 | 46,431,470 | (55,095,856) | 321,098,397 | 6.000 | 802,745,993 | 40.00% |
| 2010 | 73,773,415 | 213,382,165 | 38,481,864 | 11,652,700 | 6,895,931 | (47,720,016) | 296,466,059 | 6.000 | 741,165,148 | 40.00% |
| 2011 | 68,703,167 | 198,097,906 | 38,413,448 | 10,356,060 | 6,836,301 | (44,879,588) | 277,527,294 | 7.500 | 693,818,235 | 40.00% |
| 2012 | 56,899,909 | 192,386,084 | 37,453,869 | 11,191,190 | 7,843,262 | (38,960,597) | 266,813,717 | 7.500 | 667,034,293 | 40.00% |
| 2013 | 52,123,787 | 188,010,464 | 35,671,276 | 11,729,050 | 7,985,572 | (34,441,315) | 261,078,834 | 9.500 | 652,697,085 | 40.00% |
| 2014 | 54,158,547 | 199,470,602 | 24,108,758 | 9,200,580 | 7,985,572 | (33,829,376) | 261,094,683 | 9.500 | 652,736,708 | 40.00% |
| 2015 | 59,664,633 | 188,186,942 | 18,266,624 | 6,376,960 | 7,800,509 | (34,727,585) | 245,568,083 | 9.638 | 613,920,208 | 40.00% |

**Source:** Clayton County Tax Commissioner

**Notes:** Beginning with the 2010 Tax Digest Year, the "Industrial" component of the digest was separated out of the "Other" category.
Beginning with the 2009 Tax Digest Year, the fair market values of property has declined as a result of the recession and the housing bubble.
Beginning with the 2014 Tax Digest, the "Motor Vehicles" component has decreased substantially due to the imposition of the Title Ad Valorem Tax method.

# City of Morrow, Georgia

## Property Tax Rates
## Last Ten Tax Digest Years

| Tax Digest Year | City of Morrow | | Overlapping Governments | | | Total Millage Rate |
|---|---|---|---|---|---|---|
| | Operating Millage | Total Direct Rate | State of Georgia | Clayton County | School District | |
| 2006 | 5.000 | 5.000 | 0.250 | 8.764 | 20.000 | 34.014 |
| 2007 | 5.000 | 5.000 | 0.250 | 8.535 | 19.836 | 33.621 |
| 2008 | 5.000 | 5.000 | 0.250 | 11.436 | 19.836 | 36.522 |
| 2009 | 6.000 | 6.000 | 0.250 | 11.436 | 20.000 | 37.686 |
| 2010 | 6.000 | 6.000 | 0.250 | 11.436 | 20.000 | 37.686 |
| 2011 | 7.500 | 7.500 | 0.250 | 15.813 | 20.000 | 43.563 |
| 2012 | 7.500 | 7.500 | 0.200 | 14.912 | 20.000 | 42.612 |
| 2013 | 9.500 | 9.500 | 0.150 | 14.661 | 20.000 | 44.311 |
| 2014 | 9.500 | 9.500 | 0.100 | 14.869 | 19.804 | 44.273 |
| 2015 | 9.638 | 9.638 | 0.050 | 15.862 | 19.095 | 44.645 |

**Source:** Clayton County Tax Commissioner

**Notes:** The City has a homestead exemption of $60,000 as it relates to assessed values.

# City of Morrow, Georgia

## Principal Property Taxpayers
## Current Year and Nine Years Ago

| | 2015 Tax Digest Year | | | 2006 Tax Digest Year | | |
|---|---|---|---|---|---|---|
| Taxpayer Name | Taxable Assessed Value | 2015 Ranking | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | 2006 Ranking | Percent of Total City Taxable Assessed Value |
| VCG - Southlake Mall LLC | $ 15,689,999 | 1 | 6.39% | | | |
| USPG Portfolio Five LLC | 12,491,200 | 2 | 5.09% | | | |
| Comcast of Georgia, Inc. | 8,909,933 | 3 | 3.63% | | | |
| Paccar Inc | 8,370,225 | 4 | 3.41% | $ 9,421,670 | 4 | 2.96% |
| WalMart | 8,191,894 | 5 | 3.34% | | | |
| Costco Wholesale Corp | 7,203,974 | 6 | 2.93% | 7,366,119 | 5 | 2.31% |
| Realty Income Properties II | 6,944,200 | 7 | 2.83% | | | |
| Sherwin Williams Co. | 6,730,224 | 8 | 2.74% | 6,995,364 | 7 | 2.20% |
| 1956 - 1994 Mount Zion Road Holdings | 5,500,003 | 9 | 2.24% | | | |
| Captive Plastics LLC | 4,894,603 | 10 | 1.99% | | | |
| Southlake Mall LLC | | | | 29,398,607 | 1 | 9.23% |
| Inland Southeast | | | | 17,656,000 | 2 | 5.55% |
| Southlake Atlanta LLC | | | | 9,669,813 | 3 | 3.04% |
| ECM Southlake | | | | 7,363,400 | 6 | 2.31% |
| Inland Southeast Southlake | | | | 6,532,400 | 8 | 2.05% |
| Scott H. Lee as Trustee (WalMart) | | | | 5,896,630 | 9 | 1.85% |
| Glenwood Morrow Co. LLC | | | | 5,140,200 | 10 | 1.61% |
| All Other Taxpayers | 160,641,828 | | 65.42% | 212,915,326 | | 66.88% |
| Total | $ 245,568,083 | | 100.00% | $ 318,355,529 | | 100.00% |

**Source:** Clayton County Tax Commissioner

# City of Morrow, Georgia

## Property Tax Levies and Collections
## Last Ten Fiscal Years

| Fiscal Year | Taxes Levied | Errors, Releases or Adjustments | Adjusted Tax Levy | Collected Within the Fiscal Year of the Levy | | Collections in Subsequent Fiscal Years | Total Collections to Date | |
|---|---|---|---|---|---|---|---|---|
| | | | | Amount | Percent | | Amount | Percent |
| 2007 | $ 1,366,192 | $ 14,787 | $ 1,380,979 | $ 1,344,975 | 97.39% | $ 36,004 | $ 1,380,979 | 100.00% |
| 2008 | 1,520,933 | (19,307) | 1,501,626 | 1,483,899 | 98.82% | 17,727 | 1,501,626 | 100.00% |
| 2009 | 1,550,823 | (11,614) | 1,539,209 | 1,497,633 | 97.30% | 41,576 | 1,539,209 | 100.00% |
| 2010 | 1,697,259 | 21,699 | 1,718,958 | 1,636,993 | 95.23% | 75,236 | 1,712,229 | 99.61% |
| 2011 | 1,567,965 | (11,688) | 1,556,277 | 1,501,774 | 96.50% | 47,109 | 1,548,883 | 99.52% |
| 2012 | 1,869,436 | (18,422) | 1,851,014 | 1,805,744 | 97.55% | 36,126 | 1,841,870 | 99.51% |
| 2013 | 1,765,760 | (56,992) | 1,708,768 | 1,698,692 | 99.41% | 31,494 | 1,730,186 | 101.25% |
| 2014 | 2,174,364 | (64,012) | 2,110,352 | 2,051,663 | 97.22% | - | 2,051,663 | 97.22% |
| 2015 | 2,198,674 | (100,933) | 2,097,741 | 2,023,339 | 96.45% | 26,094 | 2,049,433 | 97.70% |
| 2016 | 2,226,453 | (57,659) | 2,168,794 | 2,113,303 | 97.44% | 785 | 2,114,088 | 97.48% |

**Source:** City tax records

# City of Morrow, Georgia

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

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Month Tax Collected:** | | | | | | | | | | |
| July | $ 147,778 | $ 148,490 | $ 179,390 | $ 136,062 | $ 127,269 | $ 143,029 | $ 139,725 | $ 126,722 | $ 143,804 | $ 183,296 |
| August | 149,708 | 137,592 | 147,924 | 164,788 | 129,785 | 136,777 | 135,122 | 130,710 | 137,577 | 163,917 |
| September | 181,762 | 137,362 | 184,280 | 145,208 | 124,262 | 106,970 | 128,209 | 127,527 | 144,185 | 160,319 |
| October | 170,091 | 127,180 | 175,408 | 138,145 | 121,287 | 113,109 | 128,652 | 128,524 | 130,772 | 159,592 |
| November | 194,440 | 143,040 | 120,291 | 135,900 | 117,782 | 119,476 | 123,224 | 123,010 | 137,443 | 152,865 |
| December | 113,268 | 171,375 | 162,189 | 143,843 | 181,375 | 146,152 | 156,521 | 150,179 | 152,221 | 181,856 |
| January | 143,592 | 142,258 | 127,109 | 125,081 | 138,284 | 167,229 | 149,536 | 122,314 | 137,326 | 138,873 |
| February | 168,296 | 153,206 | 100,307 | 128,428 | 145,420 | 130,783 | 155,432 | 129,671 | 139,256 | 127,712 |
| March | 128,364 | 135,482 | 80,860 | 142,603 | 146,243 | 142,107 | 130,398 | 144,497 | 140,455 | 155,103 |
| April | 127,969 | 142,195 | 94,804 | 134,106 | 136,481 | 165,511 | 205,995 | 137,342 | 150,589 | 158,324 |
| May | 150,267 | 139,954 | 135,404 | 127,869 | 140,156 | 143,600 | 124,907 | 143,660 | 143,967 | 161,430 |
| June | 163,590 | 184,664 | 142,468 | 121,396 | 134,166 | 138,410 | 129,216 | 134,285 | 139,410 | 168,307 |
| Adjustments | 7,327 | 3,008 | - | 10,792 | - | 854 | 596 | 11,300 | 372 | 1,103 |
| Total Receipts | $ 1,846,452 | $ 1,765,806 | $ 1,650,434 | $ 1,654,221 | $ 1,642,510 | $ 1,654,007 | $ 1,707,533 | $ 1,609,741 | $ 1,697,377 | $ 1,912,697 |
| **Change from Prior Fiscal Year:** | | | | | | | | | | |
| Amount | | $ (80,646) | $ (115,372) | $ 3,787 | $ (11,711) | $ 11,497 | $ 53,526 | $ (97,792) | $ 87,636 | $ 215,320 |
| Percent | | -4.37% | -6.53% | 0.23% | -0.71% | 0.70% | 3.24% | -5.73% | 5.44% | 12.69% |

**Source:** City's Accounting Records

# City of Morrow, Georgia

## Ratios of Outstanding Debt By Type
## Last Ten Fiscal Years

| Fiscal Year | Governmental Activities: Revenue Bonds | Governmental Activities: Capital Leases | Total Debt Primary Government | Total Debt as a Percentage of the Total Assessed Value of Taxable Property: Assessed Value of Taxable Property | Total Debt as a Percentage of the Total Assessed Value of Taxable Property: Applicable Percentage | Total Debt as a Percentage of Total Personal Income (Thousands of Dollars): Personal Income | Total Debt as a Percentage of Total Personal Income (Thousands of Dollars): Applicable Percentage | Total Debt Divided By The Total Population Of The City: City's Population | Total Debt Divided By The Total Population Of The City: Debt Per Capita |
|---|---|---|---|---|---|---|---|---|---|
| 2007 | - | $ 1,288,336 | $ 1,288,336 | $ 318,355,529 | 0.40% | $ 85,650 | 1.50% | 4,882 | $ 263.90 |
| 2008 | - | 1,229,240 | 1,229,240 | 332,348,675 | 0.37% | 85,650 | 1.44% | 4,882 | 251.79 |
| 2009 | 5,135,000 | 1,167,830 | 6,302,830 | 339,307,935 | 1.86% | 85,650 | 7.36% | 4,882 | 1,291.03 |
| 2010 | 5,135,000 | 1,104,015 | 6,239,015 | 321,098,397 | 1.94% | 85,650 | 7.28% | 4,882 | 1,277.96 |
| 2011 | 5,135,000 | 1,037,687 | 6,172,687 | 296,466,059 | 2.08% | 123,905 | 4.98% | 6,445 | 957.75 |
| 2012 | 3,915,000 | 968,776 | 4,883,776 | 277,527,294 | 1.76% | 126,614 | 3.86% | 6,495 | 751.93 |
| 2013 | 2,655,000 | 1,328,101 | 3,983,101 | 266,813,717 | 1.49% | 132,475 | 3.01% | 6,859 | 580.71 |
| 2014 | 1,350,000 | 1,468,363 | 2,818,363 | 261,078,834 | 1.08% | 132,615 | 2.13% | 6,715 | 419.71 |
| 2015 | - | 1,559,451 | 1,559,451 | 261,094,683 | 0.60% | 132,615 | 1.18% | 6,715 | 232.23 |
| 2016 | - | 1,289,110 | 1,289,110 | 245,568,083 | 0.52% | 139,914 | 0.92% | 7,167 | 179.87 |

**Source:** City's Accounting Records
City-data.com

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

# City of Morrow, Georgia

## Legal Debt Margin Information
## Last Ten Fiscal Years

| Fiscal Year | Assessed Value of Taxable Property | (A) (10% of Assessed Value of Taxable Property) Debt Limit | (B) Amount of Outstanding Debt Applicable to Debt Limit | (A - B) Calculation of Legal Debt Margin | (B / A) Outstanding Debt As a Percentage of the Debt Limit |
|---|---|---|---|---|---|
| 2007 | $ 318,355,529 | $ 31,835,553 | $ 1,288,336 | $ 30,547,217 | 4.05% |
| 2008 | 332,348,675 | 33,234,868 | 1,229,240 | 32,005,628 | 3.70% |
| 2009 | 339,307,935 | 33,930,794 | 6,302,830 | 27,627,964 | 18.58% |
| 2010 | 321,098,397 | 32,109,840 | 6,239,015 | 25,870,825 | 19.43% |
| 2011 | 296,466,059 | 29,646,606 | 6,172,687 | 23,473,919 | 20.82% |
| 2012 | 277,527,294 | 27,752,729 | 4,883,776 | 22,868,953 | 17.60% |
| 2013 | 266,813,717 | 26,681,372 | 3,983,101 | 22,698,271 | 14.93% |
| 2014 | 261,078,834 | 26,107,883 | 2,818,636 | 23,289,247 | 10.80% |
| 2015 | 261,094,683 | 26,109,468 | 1,559,451 | 24,550,017 | 5.97% |
| 2016 | 245,568,083 | 24,556,808 | 1,289,110 | 23,267,698 | 5.25% |

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

**Notes:** The increase in outstanding debt in the 2009 fiscal year represented SPLOST revenue bonds.
The assessed value of taxable property decreased 27% from FY 2009 to FY 2016 due to the recession.

# City of Morrow, Georgia

## Direct and Overlapping Governmental Activities Debt
## As of June 30, 2016

| Jurisdictions Issuing Debt | Amount of Debt Outstanding | Percentage Applicable to the City of Morrow | Debt Amount Applicable to the City of Morrow |
|---|---|---|---|
| Clayton County, Georgia: | | | |
| Overlapping Debt: | | | |
| Capital Leases Payable | $ 5,794,915 | 3.98% | $ 230,733 |
| Revenue Bonds Payable | 35,045,000 | 3.98% | 1,395,370 |
| General Obligation Bonds Payable | 63,550,000 | 3.98% | 2,530,339 |
| Subtotal Overlapping Debt | | | $ 4,156,442 |
| City of Morrow, Georgia: | | | |
| Direct Debt: | | | |
| Capital Leases Payable | $ 1,289,110 | 100.00% | 1,289,110 |
| Total Direct and Overlapping Debt | | | $ 5,445,552 |

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

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

**Calculation of Percentage of Debt Applicable to City of Morrow:**

Net Assessed Property Values for 2015 Tax Digest

| | | |
|---|---|---|
| City of Morrow | $ 245,568,083 | 3.98% |
| Clayton County | 6,167,494,046 | 100.00% |

# City of Morrow, Georgia

## Demographic and Economic Statistics
## Last Ten Fiscal Years

| Fiscal Year | Population | | Personal Income | | Per Capita Personal Income | | Median Age | | Unemployment Rate (4) | School Enrollment (5) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2007 | 4,882 | (1) | 85,649,808 | (1) | 17,544 | (1) | 30.5 | (1) | 5.40% | 1,312 |
| 2008 | 4,882 | (1) | 85,649,808 | (1) | 17,544 | (1) | 30.5 | (1) | 5.80% | 1,312 |
| 2009 | 4,882 | (1) | 85,649,808 | (1) | 17,544 | (1) | 30.5 | (1) | 10.00% | 1,313 |
| 2010 | 4,882 | (1) | 85,649,808 | (1) | 17,544 | (1) | 30.5 | (1) | 10.00% | 1,313 |
| 2011 | 6,445 | (2) | 123,905,125 | (2) | 19,225 | (2) | 31.1 | (2) | 10.40% | 1,214 |
| 2012 | 6,495 | (3) | 126,613,530 | (3) | 19,494 | (3) | 31.1 | (3) | 8.80% | 1,214 |
| 2013 | 6,859 | (3) | 132,474,726 | (3) | 19,314 | (3) | 31.1 | (3) | 8.80% | 1,339 |
| 2014 | 6,715 | (3) | 132,614,535 | (3) | 19,749 | (3) | 33.9 | (3) | 8.60% | 1,339 |
| 2015 | 6,715 | (3) | 141,541,083 | (3) | 19,749 | (3) | 33.9 | (3) | 7.90% | 1,339 |
| 2016 | 7,338 | (3) | 156,680,976 | (3) | 21,352 | (3) | 33.9 | (3) | 6.60% | 1,339 |

**Sources:**

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

# City of Morrow, Georgia

## Ten Largest Employers in Morrow
## Current Year and Nine Years Ago

| | 2016 | | | 2007 | | |
|---|---|---|---|---|---|---|
| Business Name | Number of Employees | 2016 Ranking | Percentage of Total City Employment | Number of Employees | 2007 Ranking | Percentage of Total City Employment |
| Clayton State University | 659 | 1 | 9.07% | | | |
| Wal-Mart Super Center | 322 | 2 | 4.43% | 422 | 1 | 5.67% |
| Macy's | 206 | 3 | 2.84% | 143 | 3 | 1.92% |
| Sherwin Williams | 168 | 4 | 2.31% | 161 | 2 | 2.16% |
| Chime Solutions | 150 | 5 | 2.06% | | | |
| Costco | 121 | 6 | 1.67% | 99 | 7 | 1.33% |
| Cracker Barrel | 99 | 7 | 1.36% | 95 | 8 | 1.28% |
| Olive Garden | 95 | 8 | 1.31% | | | |
| Burlington Coat Factory | 75 | 9 | 1.03% | 60 | 9 | 0.81% |
| Sears | 73 | 10 | 1.00% | 134 | 4 | 1.80% |
| J C Penney | | | | 108 | 5 | 1.45% |
| Best Buy | | | | 107 | 6 | 1.44% |
| Barnes and Noble | | | | 59 | 10 | 0.79% |
| All Other Employers | 5,297 | | 72.91% | 6,053 | | 81.35% |
| Total City Employment | 7,265 | | 100.00% | 7,441 | | 100.00% |

**Source:** City's records

# City of Morrow, Georgia

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

| | | | Public Safety | | | Housing and Development | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | General Government | Judicial | Police Department | Fire Department | Emergency Communications | Planning and Zoning | Economic Development | Public Works | Total Number Of Employees |
| 2007 | 33.00 | - | 37.00 | 34.00 | 12.00 | 1.00 | - | - | 117.00 |
| 2008 | 40.00 | - | 39.00 | 37.00 | 15.00 | 1.00 | - | - | 132.00 |
| 2009 | 31.00 | - | 36.00 | 38.00 | 14.00 | 1.00 | - | - | 120.00 |
| 2010 | 25.00 | - | 35.00 | 33.00 | 12.00 | 1.00 | - | - | 106.00 |
| 2011 | 26.00 | - | 34.00 | 40.00 | 12.00 | 1.00 | - | - | 113.00 |
| 2012 | 25.00 | - | 34.00 | 33.00 | 11.00 | 1.00 | - | - | 104.00 |
| 2013 | 26.00 | - | 34.00 | 33.00 | 11.00 | 1.00 | - | - | 105.00 |
| 2014 | 25.00 | - | 35.00 | 33.75 | 11.00 | 1.00 | 2.00 | - | 107.75 |
| 2015 | 11.00 | 1.00 | 35.00 | 33.75 | 12.00 | 2.00 | 4.00 | 9.50 | 108.25 |
| 2016 | 7.00 | 1.00 | 31.00 | 33.75 | 11.50 | 1.00 | 3.00 | 9.50 | 97.75 |

**Sources:** City's Accounting Records and Budgets

**Notes:** Beginning with FY 2015, the employees in the "General Government" category were broken down more clearly by job function.

# City of Morrow, Georgia

## Public Safety Operating Indicators by Function
## Last Ten Fiscal Years

| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Public Safety Function** | | | | | | | | | | |
| Police Department: | | | | | | | | | | |
| Activity Statistics: | | | | | | | | | | |
| Citations Issued | 14,055 | 22,185 | 22,096 | 13,561 | 15,468 | 8,478 | 7,124 | 5,673 | 5,312 | 5,422 |
| DUI Citations Issued | 124 | 260 | 109 | 122 | 94 | 43 | 50 | 34 | 26 | 41 |
| Warnings Issued | 3,880 | 770 | 8,577 | 10,220 | 12,455 | 8,521 | 5,293 | 1,350 | 1,162 | 1,133 |
| Crime Statistics: | | | | | | | | | | |
| Aggravated Assault | 13 | 8 | 9 | 14 | 10 | 3 | 1 | 7 | 14 | 17 |
| Auto Theft | 64 | 68 | 65 | 57 | 49 | 56 | 45 | 46 | 39 | 53 |
| Murder | 1 | - | - | - | - | - | - | - | - | - |
| Rape | - | 4 | 2 | - | 2 | 2 | 1 | 1 | 2 | 1 |
| Robbery | 33 | 24 | 21 | 13 | 21 | 12 | 27 | 20 | 24 | 31 |
| Burgulary | 45 | 65 | 74 | 57 | 66 | 64 | 56 | 31 | 47 | 58 |
| Theft | 766 | 970 | 814 | 683 | 710 | 867 | 889 | 502 | 390 | 609 |
| Fire Department: | | | | | | | | | | |
| Activity Statistics: | | | | | | | | | | |
| Incident Responses | 2,100 | 2,000 | 1,963 | 2,120 | 2,213 | 2,008 | 1,937 | 2,030 | 2,142 | 1,859 |
| Public Safety Education Events | 115 | 115 | 112 | 113 | 114 | 111 | 106 | 115 | 102 | 80 |
| Persons Contacted | 17,115 | 17,425 | 16,498 | 17,915 | 15,975 | 15,032 | 14,998 | 15,490 | 12,367 | 10,569 |

**Source:** City's Police and Fire Department Records

# City of Morrow, Georgia

## Capital Asset Statistics by Function
## Last Ten Fiscal Years

| Function / Program | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Police Department: | | | | | | | | | | |
| Number of Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Zone Offices | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | - |
| Patrol Units | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| Fire Department | | | | | | | | | | |
| Number of Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public Works: | | | | | | | | | | |
| Streets (in Miles) | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |
| Streetlights | 861 | 861 | 861 | 861 | 861 | 861 | 861 | 861 | 861 | 861 |
| Parks and Recreation: | | | | | | | | | | |
| Acreage | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 |
| Playgrounds | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 12 |
| Path System (Miles) | - | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |

**Source:** City's Records from various departments

# City of Morrow, Georgia

## Construction Activity
## Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Number of Residential Permits Issued | Estimated Residential Value | Number of Commercial Permits Issued | Estimated Commercial Value |
|---|---|---|---|---|
| 2007 | 49 | $ 7,554,925 | 44 | $ 5,657,668 |
| 2008 | 31 | 4,210,993 | 32 | 3,472,189 |
| 2009 | 13 | 148,762 | 17 | 2,015,804 |
| 2010 | 39 | 155,689 | 291 | 6,169,072 |
| 2011 | 51 | 114,354 | 195 | 3,137,092 |
| 2012 | 96 | 257,644 | 204 | 2,913,384 |
| 2013 | 218 | 5,091,743 | 236 | 8,528,004 |
| 2014 | 253 | 13,798,230 | 348 | 6,783,923 |
| 2015 | 216 | 12,007,372 | 249 | 13,713,698 |
| 2016 | 46 | 158,894 | 184 | 16,778,562 |

**Sources:** City's Planning and Zoning Department

**Note 1:** The lower activity levels seen in Fiscal Years 2007 through 2012 is attributable to the financial impact of the "housing market bubble" and the resulting Great Recession.

**Note 2:** The lower residential activity shown in FY 2016 resulted from several new neighborhoods that were under construction in prior fiscal years being being built out.

# COMPLIANCE SECTION

MAULDIN & JENKINS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morrow, Georgia (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Mauldin & Jenkins, LLC

Macon, Georgia
November 3, 2016

# CITY OF MORROW, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2016

### SECTION I
### SUMMARY OF AUDIT RESULTS

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | ___ Yes _X_ No |
| Reportable conditions identified not considered to be material weaknesses? | ___ Yes _X_ None reported |
| Noncompliance material to financial statements noted? | ___ Yes _X_ No |

***Federal Awards***

There was no audit of major federal award programs as of June 30, 2016 due to the total amount of federal expenditures being less than $750,000 during the fiscal year 2016.

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

### SECTION III
### STATUS OF PRIOR YEAR FINDINGS

None reported.