

**Addendum I (see attachments FY 2014 Audit, SAVE, E Verify)**

1. There were 18 auditor adjustments that were posted to the City's (3) and component unit's (15) accounting records.
2. See Management Discussion on pages 4-12 of the 2014 Audit Report.
3. 2014 fees for the FY 2015 audit were \$30,000.
4. Address the RFP responses to my attention:  
Sylvia Redic  
City Manager  
1500 Morrow Road  
Morrow, GA 30260
5. Technical and cost proposals should be included in one document.
6. SAVE and EVerify documents are posted.
7. "Evidence of Professional Liability Insurance (Errors & Omissions Insurance)" should not have noted Section 5.1.3.2 - simply provide evidence.
8. 2015 Budget is not available.
9. We are hoping to award the contract by the end of July.
10. The audit Liaison will be the Accounting Manager.
11. We hope to begin work immediately after the award.
12. The SPLOST Ordinance approved categories and percentages, not specific projects. The estimated SPLOST expenditures for FY 2015 is 1.3 million.
13. A bond was refinanced during FY 2015.
14. Federal expenditures for FY 2015 will not exceed \$200,000.
15. We estimate the final trial balances will be ready in late September.
16. The accounting software we use is QS1.

**E-Verify Affidavit  
Georgia Public Employer Contractor  
Or Provider of Services**

*By signature on this affidavit , the undersign states that this employer uses the Federal Employment Eligibility Verification System for all newly hired employees beginning with the date of authorization listed. Additionally, this employer agrees to continue to use this system of employment verification throughout the contract period with the City of Morrow, Georgia.*

*Company Name:* \_\_\_\_\_

*Company Address:* \_\_\_\_\_

\_\_\_\_\_

*Company E-Verify Id Number:* \_\_\_\_\_

*Date of Authorization:* \_\_\_\_\_

*Signature of Authorized Agent:* \_\_\_\_\_

*Date:* \_\_\_\_\_

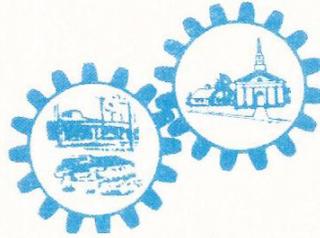
*Subscribed and sworn before  
me on this the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.*

*Notary Public*

*My Commission Expires:*

*City of Morrow*

Geared for Quality Growth



## *Affidavit Verifying Status for Public Benefit*

By executing this affidavit under oath, as an applicant for a(n) \_\_\_\_\_ (type of public benefit) as referenced in O.C.G.A. 50-36-1, from the City of Morrow, Georgia, the undersigned applicant verifies one of the following with respect to my application for this public benefit:

- 1) \_\_\_\_\_ I am a United States citizen. (attach copy of Drivers License)
- 2) \_\_\_\_\_ I am a legal permanent resident of the United States\*. (Attach copy of Permanent Resident card-front and back)
- 3) \_\_\_\_\_ I am a qualified alien or non-immigrant under the Federal Immigration and Nationality Act with an alien number issued by the Department of Homeland Security or other federal immigration agency.

My alien number issued by the Department of Homeland Security or other Federal immigration agency is: \_\_\_\_\_.

The undersigned applicant also hereby verifies that he or she is 18 years of age or older and has provided at least one secure and verifiable document, as required by O.C.G.A. 50-26-1 (e)(1), with this affidavit.

The secure and verifiable document provided with this affidavit can best be classified as:

\_\_\_\_\_

In making the above representation under oath, I understand that any person who knowingly and willfully makes a false, fictitious, or fraudulent statement or representation in an affidavit shall be guilty of a violation of O.C.G.A 16-10-20, and face criminal penalties as allowed by such criminal statute.

Signature of Applicant

Date

\_\_\_\_\_

Printed Name:

\_\_\_\_\_

Subscribed and sworn before

Me on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Notary Public

My Commission Expires:

\*Note: O.C.G.A. 50-36-1 (e)(2) requires that aliens under the Federal Immigration and Nationality Act, Title 8 U.S.C., as amended, provide their alien registration number. Because legal permanent residents are included in the federal definition of "alien", legal permanent residents must also provide their alien registration number. Qualified aliens that do not have an alien registration number may supply another identifying number below:

## CITY OF MORROW, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2014. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

### Financial Highlights

Key financial highlights for FY 2014 are as follows:

- The assets of the City of Morrow exceeded its liabilities at the close of the fiscal year by \$27,687,904 (net position).
- The City's total net position increased \$110,973, current and other assets decreased by \$585,269, capital assets decreased by \$539,289, while other liabilities decreased by \$57,869, and long term liabilities decreased by \$1,177,662.
- As of the close of the current fiscal year, the City of Morrow's governmental funds reported combined ending fund balances of \$7,969,058, a decrease of \$821,947 in comparison to the prior year. Approximately 31.5% of this total amount, or \$2,508,181, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, fund balance for the General Fund was \$6,509,804 or 62.1% of total general fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the fund balance for the SPLOST fund was \$1,369,099, which was restricted for other capital projects.
- At the end of the current fiscal year, the fund balance for Other Governmental Funds was \$90,155.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Statement of Net 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 economic development. Sales taxes, property taxes, occupation taxes, and fines and forfeitures finance most of these activities.
- **Business-Type Activities** – The City charges fees to cover the services it provides related to sanitation services. These activities are reported as business-type activities under proprietary funds.

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### **Proprietary Funds**

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

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

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 – 50 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 \$27,687,904 as of June 30, 2014. The City's net position increased by \$110,973 for the fiscal year ended June 30, 2014. The increase in net position was primarily due to decreases in cash and investment balances and capital assets of \$1,124,558, decreases in liabilities of \$1,235,531. The largest portion of the City's net position (71%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Although the City of Morrow's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

#### City of Morrow's Net Position June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 8,757,458	\$ 9,367,933	\$ 263,308	\$ 238,102	\$ 9,020,766	\$ 9,606,035
Capital assets, net	17,963,650	18,371,630	4,443,299	4,574,608	22,406,949	22,946,238
<b>Total assets</b>	<b>26,721,108</b>	<b>27,739,563</b>	<b>4,706,607</b>	<b>4,812,710</b>	<b>31,427,715</b>	<b>32,552,273</b>
Other liabilities	444,784	527,859	204,511	179,305	649,295	707,164
Long-term liabilities outstanding	3,090,516	4,268,178	-	-	3,090,516	4,268,178
<b>Total liabilities</b>	<b>3,535,300</b>	<b>4,796,037</b>	<b>204,511</b>	<b>179,305</b>	<b>3,739,811</b>	<b>4,975,342</b>
Net position:						
Net investment in capital assets	15,145,014	14,388,529	4,443,299	4,574,608	19,588,313	18,963,137
Restricted	1,459,254	1,301,836	-	-	1,459,254	1,301,836
Unrestricted	6,581,540	7,253,161	58,797	58,797	6,640,337	7,311,958
<b>Total net position</b>	<b>\$ 23,185,808</b>	<b>\$ 22,943,526</b>	<b>\$ 4,502,096</b>	<b>\$ 4,633,405</b>	<b>\$ 27,687,904</b>	<b>\$ 27,576,931</b>

An additional portion of the City's net position (5.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,640,337) may be used to meet the government's ongoing obligations to citizens and creditors.

### Governmental Activities

Governmental activities during the fiscal year ended June 30, 2014, increased the City of Morrow's net position by \$242,282. Business-type activities during the same period decreased net position by \$131,309 for a total increase in net position of \$110,973. Public safety expenses of \$6,063,898 represent 53% of the total governmental expenses. Interest expense of \$130,073 represents 1.1% of total governmental expenses. Interest expense is attributable to debt financed for the Morrow Tourist Center building and the Morrow Conference Center.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Morrow's Changes in Net Position June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 3,765,820	\$ 4,048,967	\$ 1,194,268	\$ 1,117,124	\$ 4,960,088	\$ 5,166,091
Operating grants and contributions	257,600	215,044	-	-	257,600	215,044
Capital grants and contributions	1,445,656	1,615,952	-	-	1,445,656	1,615,952
General revenues:						
Property taxes	2,431,997	1,926,089	-	-	2,431,997	1,926,089
Sales taxes	1,609,741	1,707,532	-	-	1,609,741	1,707,532
Franchise taxes	636,838	659,513	-	-	636,838	659,513
Other taxes	1,363,045	1,045,371	-	-	1,363,045	1,045,371
Miscellaneous	77,997	140,608	-	-	77,997	140,608
Unrestricted investment earnings	2,952	3,589	-	-	2,952	3,589
Gain on sale of capital assets	-	17,273	-	-	-	17,273
<b>Total revenues</b>	<b>11,591,646</b>	<b>11,379,938</b>	<b>1,194,268</b>	<b>1,117,124</b>	<b>12,785,914</b>	<b>12,497,062</b>
<b>Expenses:</b>						
General government	2,659,889	2,330,884	-	-	2,659,889	2,330,884
Judicial	207,361	299,269	-	-	207,361	299,269
Public safety	6,063,898	5,837,934	-	-	6,063,898	5,837,934
Public works	2,012,159	2,250,389	-	-	2,012,159	2,250,389
Economic development	319,228	295,928	-	-	319,228	295,928
Interest on long-term debt	130,073	171,835	-	-	130,073	171,835
Sanitation	-	-	891,957	837,610	891,957	837,610
Morrow Center	-	-	390,376	411,498	390,376	411,498
<b>Total expenses</b>	<b>11,392,608</b>	<b>11,186,239</b>	<b>1,282,333</b>	<b>1,249,108</b>	<b>12,674,941</b>	<b>12,435,347</b>
Increase (decrease) in net position before transfers	199,038	193,699	(88,065)	(131,984)	110,973	61,715
Transfers	43,244	(675)	(43,244)	675	-	-
<b>Change in net position</b>	<b>242,282</b>	<b>193,024</b>	<b>(131,309)</b>	<b>(131,309)</b>	<b>110,973</b>	<b>61,715</b>
Net position, beginning of year	22,943,526	22,750,502	4,633,405	4,764,714	27,576,931	27,515,216
<b>Net position, end of year</b>	<b>\$ 23,185,808</b>	<b>\$ 22,943,526</b>	<b>\$ 4,502,096</b>	<b>\$ 4,633,405</b>	<b>\$ 27,687,904</b>	<b>\$ 27,576,931</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Business-Type Activities

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

### Financial Analysis of the City's Funds

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

### Governmental Funds

The focus of the City of Morrow's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Morrow's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2014, the total Governmental Funds of the City of Morrow reported a combined fund balance of \$7,969,058, a 9.4% percent decrease from the previous year, primarily due to General Fund expenditures exceeding revenues by \$1.5 million. The SPLOST fund balance increased \$110,464 in 2014.

The General Fund is the primary operating fund of the City of Morrow. At the end of fiscal year 2014, the fund balance of the General Fund was \$6,509,804. Of this amount, \$2,508,181 represents unassigned fund balance, which is available as working capital for current spending in accordance with the purposes of the specific funds. The majority of the General Fund balance, \$4,001,623, is termed non-spendable to indicate that it is not available for new spending because it is already committed for prepaid expenditures (\$238,383), assets held for resale (\$341,657), and advances to the Downtown Development Authority (\$3,421,583). As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned governmental fund balance represents 24% of total governmental funds expenditures, while total fund balance represents 76% of that same amount. Other Governmental Funds had a positive fund balance of \$90,155. These funds include special revenue funds.

#### City of Morrow's Governmental Fund Balance June 30, 2014

	2014	2013
General Fund	\$ 6,509,804	\$ 7,489,169
SPLOST Fund	1,369,099	1,258,635
Other Governmental Funds	90,155	43,201
Total Governmental Fund Balance	<u>\$ 7,969,058</u>	<u>\$ 8,791,005</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Proprietary Funds

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

### General Fund Budgetary Highlights

- The City's budget is prepared according to Georgia law. The most significant budget fund is the General Fund.
- For the General Fund, the actual revenues of \$8,959,261 were higher than the final budget amount of \$8,893,899 by \$65,362. The increase was primarily due to increases in fines & forfeitures revenues.
- The General Fund actual expenditures of \$10,489,077 were less than the budgeted amount of \$10,661,879 by \$172,802. The decrease was primarily due to decreases in capital outlays and general administration.

### Capital Asset and Debt Administration

#### Capital Assets

The City of Morrow's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$22,406,949 (net of accumulated depreciation), a \$539,289 decrease from the previous year. This net decrease includes net additions of capital assets of \$1,197,382, and a decrease of \$1,321,323 for FY 2014 depreciation expense. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The investment in capital assets for business-type activities includes the Morrow Conference Center.

Capital asset additions, disposals, and changes during the year include the following:

- Land (\$523,689) added, Land sold (\$284,039)
- Buildings (\$179,304)
- Vehicles – Police Department (\$292,154)
- Pedestrian Pathway Systems (\$202,235)
- Computers – Disposal of fully depreciated equipment and software over ten years old (\$432,907)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Morrow's Capital Assets, net of Accumulated Depreciation June 30, 2014

	Governmental Activities		Business -type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,013,235	\$ 4,773,585	\$ -	\$ -	\$ 5,013,235	\$ 4,773,585
Buildings, grounds and improvements	2,307,012	2,257,189	4,435,742	4,560,693	6,742,754	6,817,882
Machinery and equipment	264,904	331,559	4,814	5,689	269,718	337,248
Furniture & fixtures	-	-	2,743	8,226	2,743	8,226
Infrastructure in process	201,653	171,461	-	-	201,653	171,461
Infrastructure	8,725,314	9,409,488	-	-	8,725,314	9,409,488
Vehicles	868,169	770,703	-	-	868,169	770,703
Computer Software	12,945	17,822	-	-	12,945	17,822
Park Facilities	570,418	639,823	-	-	570,418	639,823
Total	\$ 17,963,650	\$ 18,371,630	\$ 4,443,299	\$ 4,574,608	\$ 22,406,949	\$ 22,946,238

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

### Long-term Debt

As of June 30, 2014, the City of Morrow had total outstanding debt of \$3,090,516 comprised of \$1,350,000 in bonds payable, \$1,468,636 related to capital leases on the Morrow Tourist Center building and new equipment and \$271,880 in compensated absences balances. The increase in capital leases for FY2014 is due to the acquisition of nine Ford Interceptor Police Cars via lease purchase in the amount of \$292,154.

### City of Morrow's Outstanding Long-Term Liabilities June 30, 2014

	Governmental Activities		Business -type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital leases	\$ 1,468,636	\$ 1,328,101	\$ -	\$ -	\$ 1,468,636	\$ 1,328,101
Bonds payable	1,350,000	2,655,000	-	-	1,350,000	2,655,000
Compensated absences	271,880	285,077	-	-	271,880	285,077
Total	\$ 3,090,516	\$ 4,268,178	\$ -	\$ -	\$ 3,090,516	\$ 4,268,178

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Currently Known Conditions Affecting the Future Operations

The stalled overall economy continues to keep tax revenues basically flat from most sources. Commercial real estate values continue to decline with the loss of leases with major retailers. This trend continues to challenge our future economic growth. The completion of the new interstate interchange at I-75 and Highway 54 has improved traffic flow through the City and seems to be drawing new business and investment in commercial properties within the City. The completion of the new International Concourse with direct access off of Interstate 75 to Hartsfield Jackson Atlanta International Airport will be major factors influencing future development and redevelopment opportunities within the City of Morrow. Over the past two years, the City has seen increased activity in revenues for permits for new residential construction and increased activity in new business investment, which is helping to offset some of the negative impacts of additional closures of existing big box retailers. Since the end of FY2014, a new call center operation which has plans to create approximately 1,000 new jobs within the city, has started renovations of the former JC Penney space at Southlake Mall and plans to be operating in early 2015.

### Factors Affecting the FY 2013 - 14 Budget

The City Council of City of Morrow considered many factors when approving the City's 2015 budget and are very aware of present economic conditions, forecasts for a very slow recovery, and the effects on its citizens and the levels of service provided by the City. The City Council maintained property tax rates at 9.5 mils for the FY2015 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 are held prior to adoption to allow citizens the opportunity to comment on the proposed budget.

Budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, the Confiscated Assets Fund, the Rental Car Excise Fund, the E911 Communications Fund, the SPLOST Fund, the Sanitation Fund, and The Morrow Center Fund. Budgets for the Enterprise funds are prepared for planning and control purposes only. The legal level of budgetary control is the department level, with the City Council being the only body authorized to make amendments to the budget. During the year, no changes were made to ease in budget appropriations between the original budget and the final amended budget for the City's General Fund.

### Contacting the City's Financial Management

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