

CITY OF MORROW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2003

PREPARED BY:
DEPARTMENT OF FINANCE

CITY OF MORROW, GEORGIA

Financial Statements
June 30, 2003

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THE REPORTING ENTITY

The City of Morrow is located in Clayton County, approximately 10 miles south of Atlanta. The City, incorporated in 1943, has a residential population of a little over 5,000, and Clayton County has a population of 236,517, which contributes to the 70,000 plus visitors who find themselves in the City of Morrow on a daily basis.

Morrow operates under the council/manager form of government. The City's organization includes five departments: administration, emergency communication, fire, police, and public works. The City Manager is appointed by the Mayor and Council to directly supervise these departments. The City provides many services to Morrow's residents and visitors, including police and fire protection, emergency medical service, emergency communications, code enforcement, and economic development.

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The City of Morrow finished its first residential subdivision (Foxcroft) in thirty years and has issued permits for 20% of the new Central Park subdivision. The homes are averaging \$195,000 in value and combined will represent a 16% increase in the number of single-family detached homes in Morrow. This proves a healthy demand for quality homes exists in the City and that our beautification efforts are providing tangible results.

Gateway Village has been a successful redevelopment project and with it, the City earned a "Development of Excellence" award for a Public/Private project from the Atlanta Regional Commission. The Georgia Archives just opened and the National Archives is under construction. A second phase of the College Dormitories is under review and construction permits will be issued in a couple of weeks. The Livable Centers Initiative portion has been delayed by permit requirements, but is still funded and capable of being finished. The hotel/conference center was delayed by the economy. However, it still is a major project that can add a substantial value to Gateway Village.

Our retail base has remained strong despite the downturn in the economy and major corporations still consider the Mt. Zion corridor as the best physical location in Clayton County. The local Wal-Mart finished its conversion to a super center and is a powerhouse for retail sales. This business has the highest gross revenue of any business in the City and is one of our largest employers. It is also a fantastic example of quality redevelopment and has a large volume of customers on a 24-hour basis.

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

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

The City of Morrow has traditionally produced a conservative budget and this has been extremely beneficial in the current economic market. We believe Georgia and the City of Morrow are seeing a positive shift in our economies and that a reasonable recovery can be expected by the end of 2004.

MAJOR INITIATIVES

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

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

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

The goal of providing all of Morrow's neighborhoods with pocket parks has made remarkable progress. The Shirley and Wendell Watterson neighborhood park held its dedication this summer, creating a half acre park with children's playground equipment for residents of Harbin Woods. This once overgrown lot is now maintained by the city, and its creation promises to improve property value in the area. The John Robert Subdivision had adjacent property that was donated to the City when an office complex was developed. That property was improved and a brick paved passive park that is beautifully landscaped has been created for their subdivision. The Belfort Hills subdivision had a half acre property sold on the courthouse steps this year. The City purchased that property and will develop a passive park on the dead end of York Road. Additional sites have been targeted to continue this trend in other areas of the city.

The City invested \$170,000 in mobile data, court software, and paperless citations. This is the first time in the nation that all facets of the technology have been combined. The efficiencies will allow us to phase out one administrative position, increase police officer productivity, reduce response times to non emergency calls, and allow management to track an officer's location. The combined effect should create an opportunity to increase police visibility and therefore reduce crime.

FINANCIAL INFORMATION

Single Audit

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

Budgetary Controls

The City maintains budgetary controls, the purpose of which 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, Hotel/Motel Tax Fund, Confiscated Assets Fund, and General Capital Improvements Fund all appear in the City's annual appropriated budget. The level of budgetary control, being the level at which expenditures cannot legally exceed the appropriated amount, is established by department within an individual fund.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. The following schedule represents a summary of General Fund revenues for fiscal year ended June 30, 2003, along with the percentages of increases and decreases in relation to the prior year's revenues:

Revenue	June 30, 2003 Amount	Percent of Total	June 30, 2002 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Taxes	\$ 2,552,236	39.8%	\$ 2,935,712	\$ (383,476)	(13.1%)
Licenses & Permits	1,347,699	21.0%	1,128,779	218,920	19.4%
Franchises	542,234	8.5%	563,511	(21,277)	(3.8%)
Fines & Forfeitures	1,105,502	17.2%	1,076,953	28,549	2.7%
Interest	126,311	2.0%	229,624	(103,313)	(45.0%)
MBTA Lease	8,942	0.1%	47,108	(38,166)	(81.0%)
Sale of Assets	-	0.0%	-	-	0.0%
Lake City Contract	360,580	5.6%	319,382	41,198	12.9%
Miscellaneous	215,019	3.4%	94,336	120,683	127.9%
Intergovernmental	156,411	2.4%	108,505	47,906	44.2%
	<u>\$ 6,414,934</u>	<u>100.0%</u>	<u>\$ 6,503,910</u>	<u>\$ (88,976)</u>	

The most significant changes in actual revenues for fiscal year ended June 30, 2003, were as follows: Taxes revenue decreased as a result of the economy. The City does not assess property taxes. The increase in the amount of licenses and permits is a direct result of the increased business growth in the City. Interest income decreased \$103,313, or 44.9%, as a result of decreasing interest rates, as well as a reduction in the amount of investible funds. The rate of interest in the Local Government Investment Pool, the primary source of investing of the City's excess cash, dropped approximately .64% during the fiscal year.

The following schedule represents a summary of General Fund expenditures for the fiscal year ended June 30, 2003, along with the percentages of increases and decreases in relation to the prior year's expenditures:

Expenditures	June 30, 2003 Amount	Percent of Total	June 30, 2002 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
General and					
Administrative	\$ 2,118,193	38.1%	\$ 1,994,247	\$ 123,946	6.2%
Police Department	1,474,003	26.5%	1,463,839	10,164	0.7%
Fire Department	1,378,065	24.8%	1,280,464	97,601	7.6%
Public Works	592,554	10.6%	572,970	19,584	3.4%
TOTAL	\$ 5,562,815	100.0%	\$ 5,311,520	\$ 251,295	

Pension Benefit Plan

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

Debt Administration

The City's general obligation bonded debt legal limit was \$27,461,346, which is equal to 10% of the Assessed Valuation of property within the city limits of the City. The City had \$1,324,999 of outstanding long-term debt and \$47,613 of short-term debt at June 30, 2003. The debt represents the balance of a 20-year lease between the City of Morrow and the Morrow Downtown Development Redevelopment Authority with the proceeds being used for the re-financing of the Morrow Welcome Center.

Cash Management

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

Risk Management

The City of Morrow is constantly evaluating its risk management practices in an effort to improve its insurance placement and financing practices. Third party coverage has been arranged through a local insurance agency for insured losses for auto liability, general liability, error and omissions, EMS, property damage/loss, and other insurance lines. The City has \$1 million worth of coverage on each of these lines with the exception of property, which is covered at 100% of the value of the City's holdings.

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

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Morrow, Georgia, for its comprehensive annual financial report for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last nine fiscal years (1994-2002). We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this report to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

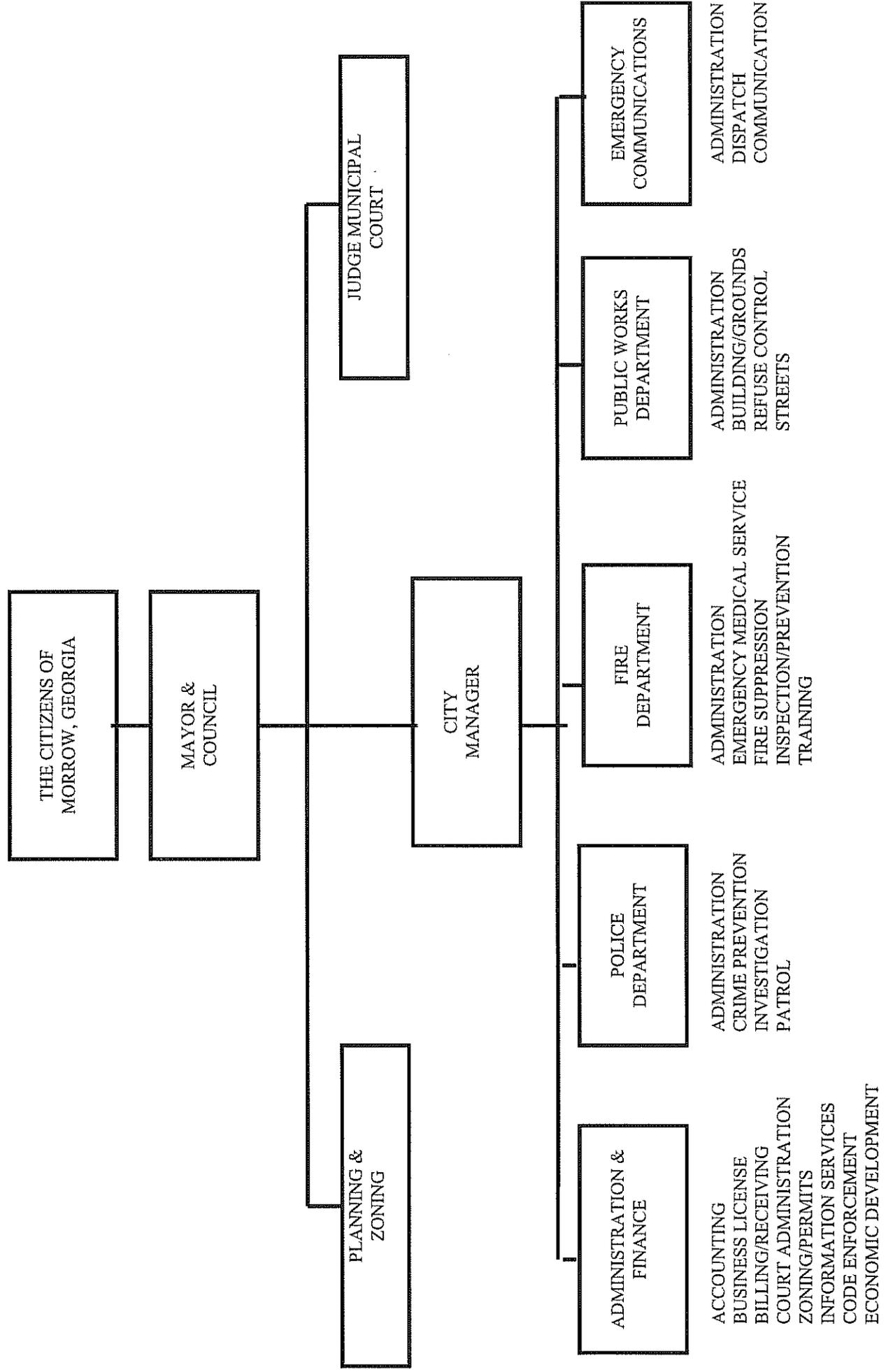
This report was produced through the dedication of the City's Finance Officer, Mr. Chris Pike. I would like to thank him, the City's department heads, and other staff members for their efforts and cooperation. Finally, I would like to thank the Morrow Mayor and Council for their continued support and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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "John J. Lampl, II".

John J. Lampl, II
City Manager

CITY OF MORROW, GEORGIA
ORGANIZATIONAL CHART



CITY OF MORROW, GEORGIA

Principal Officials
June 30, 2003

ELECTED OFFICIALS

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

MAYOR
COUNCIL MEMBER
COUNCIL MEMBER
COUNCIL MEMBER
COUNCIL MEMBER

APPOINTED OFFICIALS

JOHN J. LAMPL, II
CHRISTOPHER PIKE
BRENDA J. ALLEN
ANDREW J. WHALEN, III
FROST A. WARD
KENNY L. SMITH
DAVID M. WALL
JEFFREY A. EADY
JO ANN ACREE
BEN MANCE

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

PLANNING & ZONING BOARD

MELVIN NEWMAN
SHIRLEY WATTERSON
DEWEY L. (BUCK) SHIRLEY
CARL DEMARCO
JOHN MANER

CHAIRMAN
VICE-CHAIRMAN
SECRETARY
BOARD MEMBER
BOARD MEMBER

INDEPENDENT AUDITORS

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



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the City of Morrow, Georgia (the City), as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the City's financial position as of June 30, 2003, and the results of its operations and its cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The information included in the introductory and statistical section is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements. This information was not subjected to the audit procedures applied in the audit of the general purpose financial statements. Accordingly, we do not express an opinion on such information.

Cherry, Bekaert & Holland, L.L.P.

Atlanta, Georgia
December 5, 2003

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GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF MORROW, GEORGIA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
 JUNE 30, 2003

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
<u>Assets and Other Debits</u>				
Assets:				
Cash and cash equivalents	\$ 2,513,540	\$ 194,216	\$ -	\$ -
Investments	4,342,131	-	-	-
Accounts receivable	-	-	-	80,180
Taxes receivable	257,186	37,757	-	-
Other assets	158,588	-	-	-
Due from component unit	98,987	-	-	-
Due from primary government	-	-	-	-
Fixed assets	-	-	-	-
Other debits:				
Amount to be provided for payment of compensated absences	-	-	-	-
Amount to be provided under capitalized leases	-	-	-	-
Total assets and other debits	\$ 7,370,432	\$ 231,973	\$ -	\$ 80,180
<u>Liabilities, Equity and Other Credits</u>				
Liabilities:				
Accounts payable	\$ 224,899	\$ -	\$ -	\$ 79,955
Accrued interest	24,457	-	-	-
Deferred revenue	27,318	-	-	34,839
Accrued payroll and payroll taxes	90,249	5,288	-	-
Due to component unit	-	12,585	-	-
Due to primary government	-	-	-	-
Estimated liability for compensated absences	-	-	-	-
Capital lease payable	-	-	-	-
Total liabilities	366,923	17,873	-	114,794
Equity and other credits:				
Retained earnings	-	-	-	(34,614)
Investment in general fixed assets	-	-	-	-
Fund balance - reserved for encumbrances	529,000	-	-	-
Fund balance - unreserved	6,474,509	214,100	-	-
Total equity and other credits	7,003,509	214,100	-	(34,614)
Total liabilities, equity, and other credits	\$ 7,370,432	\$ 231,973	\$ -	\$ 80,180

Continued on next page

Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
General Fixed Assets	General Long-term Debt	Primary Government	Morrow Business and Tourism Association	Reporting Entity
\$ -	\$ -	\$ 2,707,756	\$ 279,674	\$ 2,987,430
-	-	4,342,131	-	4,342,131
-	-	80,180	-	80,180
-	-	294,943	-	294,943
-	-	158,588	-	158,588
-	-	98,987	-	98,987
-	-	-	12,585	12,585
11,488,370	-	11,488,370	-	11,488,370
-	221,129	221,129	-	221,129
-	1,372,612	1,372,612	-	1,372,612
<u>\$ 11,488,370</u>	<u>\$ 1,593,741</u>	<u>\$ 20,764,696</u>	<u>\$ 292,259</u>	<u>\$ 21,056,955</u>
\$ -	\$ -	\$ 304,854	\$ 7,180	\$ 312,034
-	-	24,457	-	24,457
-	-	62,157	-	62,157
-	-	95,537	-	95,537
-	-	12,585	-	12,585
-	-	-	98,987	98,987
-	221,129	221,129	-	221,129
-	1,372,612	1,372,612	-	1,372,612
-	1,593,741	2,093,331	106,167	2,199,498
-	-	(34,614)	-	(34,614)
11,488,370	-	11,488,370	-	11,488,370
-	-	529,000	-	529,000
-	-	6,688,609	186,092	6,874,701
<u>11,488,370</u>	<u>-</u>	<u>18,671,365</u>	<u>186,092</u>	<u>18,857,457</u>
<u>\$ 11,488,370</u>	<u>\$ 1,593,741</u>	<u>\$ 20,764,696</u>	<u>\$ 292,259</u>	<u>\$ 21,056,955</u>

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

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CITY OF MORROW, GEORGIA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
 YEAR ENDED JUNE 30, 2003

	Governmental Fund Types			Totals	Component Unit	Totals
	General	Special Revenue	Capital Projects	(Memorandum Only) Primary Government	Morrow Business and Tourism Association	(Memorandum Only) Reporting Entity
Revenues:						
Taxes	\$ 2,552,236	\$ 451,371	\$ -	\$ 3,003,607	\$ 161,514	\$ 3,165,121
Licenses, fees, and permits	1,347,699	-	-	1,347,699	-	1,347,699
Franchises	542,234	-	-	542,234	-	542,234
Fines and forfeitures	1,105,502	-	-	1,105,502	-	1,105,502
Interest	126,311	-	-	126,311	-	126,311
MBTA lease	8,942	-	-	8,942	-	8,942
Lake City contract	360,580	-	-	360,580	-	360,580
Miscellaneous	215,019	-	-	215,019	-	215,019
Intergovernmental	156,411	-	-	156,411	-	156,411
Condemnations/forfeitures	-	113,353	-	113,353	-	113,353
Emergency communications	-	154,579	-	154,579	-	154,579
Total revenues	6,414,934	719,303	-	7,134,237	161,514	7,295,751
Expenditures:						
Current:						
General and administrative	2,118,193	-	-	2,118,193	201,919	2,320,112
Police department	1,474,003	-	-	1,474,003	-	1,474,003
Fire department	1,378,065	-	-	1,378,065	-	1,378,065
Public works	592,554	-	-	592,554	-	592,554
Condemnation/ forfeiture	-	26,802	-	26,802	-	26,802
Emergency communications	-	558,075	-	558,075	-	558,075
MBTA	-	137,878	-	137,878	-	137,878
Capital outlays	-	-	681,948	681,948	-	681,948
Total expenditures	5,562,815	722,755	681,948	6,967,518	201,919	7,169,437
Excess (deficiency) of revenues over (under) expenditures	852,119	(3,452)	(681,948)	166,719	(40,405)	126,314
Other financing sources (uses):						
Operating transfers in	628,154	438,126	201,320	1,267,600	-	1,267,600
Operating transfers out	(639,446)	(304,621)	-	(944,067)	-	(944,067)
Total other financing sources (uses)	(11,292)	133,505	201,320	323,533	-	323,533
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	840,827	130,053	(480,628)	490,252	(40,405)	449,847
Fund balances, June 30, 2002	6,162,682	84,047	480,628	6,727,357	226,497	6,953,854
Fund balances, June 30, 2003	\$ 7,003,509	\$ 214,100	\$ -	\$ 7,217,609	\$ 186,092	\$ 7,403,701

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

CITY OF MORROW, GEORGIA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET (BUDGETARY BASIS) AND ACTUAL
 GENERAL, SPECIAL REVENUE, AND CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2003

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,687,000	\$ 2,552,236	\$ (134,764)	\$ 504,000	\$ 451,371	\$ (52,629)
Licenses, fees, and permits	1,088,700	1,347,699	258,999	-	-	-
Franchises	557,000	542,234	(14,766)	-	-	-
Fines and forfeitures	1,010,000	1,105,502	95,502	-	-	-
Interest	250,000	126,311	(123,689)	-	-	-
MBTA lease	44,900	8,942	(35,958)	-	-	-
Lake City contract	327,818	360,580	32,762	-	-	-
Miscellaneous	272,050	215,019	(57,031)	-	-	-
Intergovernmental	-	156,411	156,411	-	-	-
Condemnations/forfeitures	-	-	-	35,000	113,353	78,353
Emergency communications	-	-	-	121,000	154,579	33,579
Total revenues	6,237,468	6,414,934	177,466	660,000	719,303	59,303
Expenditures:						
Current:						
General and administrative	1,901,800	2,118,193	(216,393)	-	-	-
Police department	1,491,004	1,474,003	17,001	-	-	-
Fire department	1,339,146	1,378,065	(38,919)	-	-	-
Public works	600,920	592,554	8,366	-	-	-
Condemnation/ forfeiture	-	-	-	-	26,802	(26,802)
Emergency communications	-	-	-	544,422	558,075	(13,653)
MBTA	-	-	-	168,000	137,878	30,122
Capital outlays	-	355,834	(355,834)	-	-	-
Total expenditures	5,332,870	5,918,649	(585,779)	712,422	722,755	(10,333)
Excess (deficiency) of revenues over (under) expenditures	904,598	496,285	(408,313)	(52,422)	(3,452)	48,970
Other financing sources (uses):						
Operating transfers in	471,200	628,154	156,954	423,422	438,126	14,704
Operating transfers out	(1,375,798)	(639,446)	736,352	(371,000)	(304,621)	66,379
Total other financing sources (uses)	(904,598)	(11,292)	893,306	52,422	133,505	81,083
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ -	484,993	\$ 484,993	\$ -	130,053	\$ 130,053
Budgetary basis differences and encumbrances		355,834			-	
Fund balances, June 30, 2002		6,162,682			84,047	
Fund balances, June 30, 2003		\$ 7,003,509			\$ 214,100	

Continued on next page

Capital Projects Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 3,191,000	\$ 3,003,607	\$ (187,393)
-	-	-	1,088,700	1,347,699	258,999
-	-	-	557,000	542,234	(14,766)
-	-	-	1,010,000	1,105,502	95,502
-	-	-	250,000	126,311	(123,689)
-	-	-	44,900	8,942	(35,958)
-	-	-	327,818	360,580	32,762
-	-	-	272,050	215,019	(57,031)
-	-	-	-	156,411	156,411
-	-	-	35,000	113,353	78,353
-	-	-	121,000	154,579	33,579
-	-	-	6,897,468	7,134,237	236,769
-	-	-	1,901,800	2,118,193	(216,393)
-	-	-	1,491,004	1,474,003	17,001
-	-	-	1,339,146	1,378,065	(38,919)
-	-	-	600,920	592,554	8,366
-	-	-	-	26,802	(26,802)
-	-	-	544,422	558,075	(13,653)
-	-	-	168,000	137,878	30,122
760,433	681,948	78,485	760,433	1,037,782	(277,349)
760,433	681,948	78,485	6,805,725	7,323,352	(517,627)
(760,433)	(681,948)	78,485	91,743	(189,115)	(280,858)
760,433	201,320	(559,113)	1,655,055	1,267,600	(387,455)
-	-	-	(1,746,798)	(944,067)	802,731
760,433	201,320	(559,113)	(91,743)	323,533	415,276
\$ -	(480,628)	\$ (480,628)	\$ -	134,418	\$ 134,418
-	-	-	-	355,834	-
-	480,628	-	-	6,727,357	-
\$ -	\$ -	\$ -	\$ -	\$ 7,217,609	\$ -

The accompanying notes are an integral part of the financial statements

CITY OF MORROW, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2003

Operating revenues:	
Charges for services	\$ 1,118,224
Operating expenses:	
Costs of services	<u>943,826</u>
Income (loss) before operating transfers	174,398
Transfer (to) other funds:	
General fund	(323,533)
Net income (loss)	<u>(149,135)</u>
Retained earnings, June 30, 2002	<u>114,521</u>
Retained earnings, June 30, 2003	<u><u>\$ (34,614)</u></u>

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

CITY OF MORROW, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2003

Cash flows from operating activities:	
Cash received from customers and users	\$ 1,132,676
Cash paid to suppliers	<u>(809,143)</u>
Net cash provided by operating activities	<u>323,533</u>
Cash flows from non-capital financing activities:	
Transfer to general fund	<u>(323,533)</u>
Net cash used in non-capital financing activities	<u>(323,533)</u>
Cash and cash equivalents, June 30, 2002	<u>-</u>
Cash and cash equivalents, June 30, 2003	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 174,398
Adjustments to reconcile operating income to	
net cash provided (used) by operating activities:	
Increase in accounts receivable	(20,387)
Decrease in amounts receivable from other funds	158,516
Increase in accounts payable	6,417
Increase in deferred revenue	<u>4,589</u>
Net cash provided by operating activities	<u><u>\$ 323,533</u></u>

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

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2003

Note 1 - Summary of Significant Accounting Policies

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

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

The City adopted GASB Statement No. 32 – Accounting and Financial Reporting for Internal Code Section 457 Deferred Compensation Plans during 2000. The GASB Statement requires that the City not report the balances and activities of the Section 457 plan if there is no fiduciary relationship. Consequently the City no longer reports the Section 457 plan as an Agency Fund.

The GASB has issued Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This Statement will be adopted by the City over the next several reporting periods. The City has not yet fully determined the impact this Statement will have on the City's financial statements.

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

A. The Reporting Entity

The City of Morrow, Georgia is a municipal corporation governed by a Mayor and a four member Council. As required, the City has adopted Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". The City has considered all potential component units for inclusion in these financial statements.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Morrow (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City.

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit. There were no blended component units.

CITY OF MORROW, GEORGIA

Notes to Financial Statements
Year Ended June 30, 2003 (continued)

Note 1 - Summary of Significant Accounting Policies**A. The Reporting Entity (continued)****INCLUDED IN THE REPORTING ENTITY:**

Morrow Business and Tourism Association, Inc. (MBTA) – The primary purpose of the Association shall be to promote business, tourism, trade, and conventions for the City of Morrow.

The component unit's columns in the combined financial statements include the financial data of the MBTA. This unit is reported in a separate column to emphasize that it is legally separate from the City. The MBTA is presented as a component unit of the City because the City appoints the voting majority of the Board of the MBTA and is in a financial relationship with the MBTA. Also, the MBTA is fiscally dependent upon the City and the City's financial statements would be misleading if the data from the MBTA were not included.

Separate financial statements for the Morrow Business and Tourism Association may be obtained from the finance department at Morrow City Hall, located at 1500 Morrow Road in Morrow, Georgia, 30236.

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types within two broad fund categories, and two account groups as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City utilizes three funds of this type: Emergency Communications Fund, Hotel/Motel Tax Fund, and Confiscated Assets Fund.

Capital Projects Fund - This fund is established to account for the acquisition or construction of major capital facilities and equipment.

PROPRIETARY FUNDS

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

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. Account Groups are not funds. They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

The following are the City's account groups:

General Fixed Assets Account Group - This group accounts for the general fixed assets of the City.

General Long-term Debt Account Group - This group accounts for the long-term liabilities and certain other noncurrent liabilities of the City expected to be financed from governmental funds.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest of long-term debt and vacation pay which is recorded as an expenditure when due and payable from available spendable resources. Accumulated vested unpaid vacation pay is recognized as an expenditure only to the extent that it will be paid from "available spendable resources" (net current assets). Those costs that are not to be paid from current resources are recorded in the General Long-term Debt Account Group.

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

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

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

All proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable FASB Statements and Pronouncements issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB Pronouncements.

D. Budgets and Budgetary Accounting

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

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

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

E. Budgetary Reporting Basis

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

Budgetary basis expenditures	\$ 7,323,352
Add: Prior-year encumbrances outstanding as of June 30, 2002	173,166
Less: Current-year encumbrances outstanding as of June 30, 2003	<u>(529,000)</u>
Modified accrual basis expenditures	<u><u>\$ 6,967,518</u></u>

F. Cash and Cash Equivalents

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

G. Investments

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

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)**H. Interfund Receivables/Payables**

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

I. Fixed Assets

The accounting and reporting treatment applied to fixed assets associated with a fund are determined by its measurement focus. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are capitalized in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized. No depreciation has been provided on general fixed assets.

J. Long-term Debt

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

K. Compensated Absences

The City allows employees to accumulate a maximum of 160 hours of unused vacation, with the exception of the Fire Department shift employees. The shift employees are allowed to accumulate up to 217 hours of unused vacation. Earned vacation time is generally required to be used within one year of accrual. Upon termination, an employee is paid for up to the maximum number of hours allowed of prior years' unused vacation and the current year's earned, but unused, vacation time.

City employees can accumulate up to 480 hours (600 hours for shift employees) of unused sick time. Unused sick leave is not paid upon termination, but will be paid only upon illness while employed by the City.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-term Debt Account Group. No expenditure is reported for these amounts.

The City does not record an estimated liability for nonvesting accumulative sick pay benefits. At June 30, 2003, nonvesting accumulating sick pay benefits amounted to approximately \$579,898.

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present the financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - Deposits and Investments

Deposits: At year-end, the carrying amount of the City's deposits was \$3,250,383 and the bank balance was \$3,355,347. The amount of the total bank balance is classified into three categories of credit risk: 1) insured or collateralized with securities held by the City or by its agent in the City's name; 2) collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the City's name. Included in the City's deposits are certificates of deposit totaling \$2,863,027 and having an original maturity of more than three months. These certificates of deposit are classified as investments in the combined balance sheet.

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 2 - Deposits and Investments (continued)

The City's deposit risks are classified as follows at June 30, 2003:

Category			Bank Balance
1	2	3	
\$ -	\$ 3,250,383	\$ -	\$ 3,355,347

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

Investments: The City's investments are categorized as either (1) insured or registered or securities held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the financial institution's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the financial institution's trust department or agent but not in the City's name.

	Category			Carrying Amount	Fair Value
	1	2	3		
Securities	\$ 1,479,104	\$ -	\$ -	\$ 1,479,104	\$ 1,479,104
Local Government Investment Pool	-	-	-	2,320,400	2,320,400
Total investments	\$ 1,479,104	\$ -	-	\$ 3,799,504	\$ 3,799,504

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

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 3 - Fixed Assets

A summary of changes in General Fixed Assets follows:

	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003
Land and buildings	\$ 6,232,996	\$ 393,735	\$ -	\$ 6,626,731
Furniture and equipment	1,864,759	191,176	-	2,055,935
Vehicles	2,511,878	-	-	2,511,878
Computer software	-	104,469	-	104,469
Park facilities and improvements	189,357	-	-	189,357
Total	<u>\$ 10,798,990</u>	<u>\$ 689,380</u>	<u>\$ -</u>	<u>\$ 11,488,370</u>

Note 4 - Changes in Long-term Debt

The following is a summary of the changes in capital lease payable and accrued compensated absences of the City for the year ended June 30, 2003:

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003
Accrued compensated absences	\$ 221,129	\$ -	\$ -	\$ 221,129
Capital lease - GMA	357,806	-	357,806	-
Capital lease - Welcome Center	1,417,654	-	45,042	1,372,612
Total	<u>\$ 1,996,589</u>	<u>\$ -</u>	<u>\$ 402,848</u>	<u>\$ 1,593,741</u>

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 4 - Changes in Long-term Debt (continued)

At June 30, 2003, the City is obligated under one capital lease initiated in the year 2000, covering the Morrow Welcome Center building. The gross amount of the building recorded under this capital lease is \$1,500,000. A summary of the annual requirements as of June 30, 2003 is as follows:

Year Ending June 30,	Capital Leases		Total
	Principal	Interest	
2004	47,613	81,028	128,641
2005	50,789	78,115	128,904
2006	53,939	75,008	128,947
2007	57,284	71,708	128,992
2008	60,651	68,204	128,855
Later years	1,102,336	450,937	1,553,273
Total	<u>\$ 1,372,612</u>	<u>\$ 825,000</u>	<u>\$ 2,197,612</u>

Subsequent to the year-ended June 30, 2003, the capital lease was refinanced and transferred to the Morrow Development Authority, a new component unit of the City of Morrow, Georgia. All associated liability for payment of obligations was transferred along with the capital lease.

Note 5 - Defined Benefit Pension Plan

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

Funding Policy - The City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the current rate is 9.1% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees.

Annual Pension Cost - The City's pension cost of \$333,046 was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 5.0% for inflation and 0.5% for merit or seniority. The actuarial value of the Plan's assets was determined using a roll forward of prior year's actuarial value with contributions, disbursements and expected return on investments, plus 10% of investment gain (losses) during 10 prior years. The plan's period for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The amortization periods, if applicable, are open for this plan year.

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 5 - Defined Benefit Pension Plan (continued)

To minimize the effect of random variations in financial market values on the recommended contribution, the Board of Trustees adopted GASB Statement No. 27, which provides for the use of an asset valuation method for use in the calculation. The method of determining the actuarial value of assets is part of the GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption.

The actuarial value of assets was restated at market value of assets as of January 1, 2003 under the asset valuation method change.

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

Fiscal Year Funding	APC	% of APC Contributed	Net Pension Obligation
7/1/96	\$ 143,314	100	0
7/1/97	170,389	100	0
7/1/98	196,900	100	0
7/1/99	167,272	100	0
7/1/00	200,047	100	0
1/1/01	189,540	100	0
1/1/02	199,932	100	0
1/1/03	333,046	100	0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/96	\$ 2,542,219	\$ 2,546,959	\$ 4,740	99.8	\$ 2,056,246	0.2%
7/1/97	2,835,101	2,878,700	43,599	98.5	2,316,724	1.9%
7/1/98	3,246,507	3,314,764	68,257	97.9	2,601,607	2.6%
7/1/99	4,449,764	3,840,575	(609,189)	115.9	2,972,940	(20.5%)
7/1/00	4,935,639	4,340,174	(595,465)	113.7	3,118,332	(19.1%)
1/1/01	5,188,847	4,568,034	(620,813)	113.6	3,144,758	(19.7%)
1/1/02	5,593,447	4,983,506	(609,941)	112.2	3,395,048	(18.0%)
1/1/03	5,292,883	5,629,397	336,514	94.0	3,643,957	9.2%

Note 6 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all eligible employees at their option requires the City to contribute an amount equal to 50% of the employees' deferrals up to a maximum of 4% of annual compensation. Employers' contributions are fully vested after the participant completes 5 full years of service. The City's contribution to the Plan approximated \$30,000 for the year ended June 30, 2003.

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 7 - Litigation

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

Note 8 - Interfund Receivables and Payables and Interfund Transfers

Interfund receivables and payables at June 30, 2003:

Fund	Interfund Receivable	Interfund Payable
General	\$ 98,987	\$ -
Special Revenue:		
Hotel/Motel	-	12,585
Component Unit	12,585	98,987
	<u>\$ 111,572</u>	<u>\$ 111,572</u>

Interfund transfers for the year ended June 30, 2003, were as follows:

Transfers In:	Transfers Out:			Grand Total
	General Fund	Hotel/ Motel Taxes	Sanitation	
General Fund	\$ -	\$ 304,621	\$ 323,533	\$ 628,154
Confiscated Assets	27,639	-	-	27,639
Emergency Communications	410,487	-	-	410,487
Capital Projects	201,320	-	-	201,320
Totals	<u>\$ 639,446</u>	<u>\$ 304,621</u>	<u>\$ 323,533</u>	<u>\$ 1,267,600</u>

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 9 - Risk Management

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds. The City pays an annual premium to GIRMA for its general insurance and has coverage of \$1,000,000 for the risks discussed above, except for buildings, which are covered at 100% of the value of the City's holdings. The City's coverage for worker's compensation claims is \$1,000,000.

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

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

Note 10 - Taxes Receivable

Taxes receivable at June 30, 2003, are as follows:

Sales taxes from the State of Georgia

\$ 257,186

CITY OF MORROW, GEORGIA

Notes to Financial Statements (continued)
June 30, 2003

Note 11 - Excess Expenditures Over Appropriations

The Emergency Communication Fund and Capital Projects Fund had excess expenditures over revenues. The major source of revenue for both of these funds is transfers from the General Fund. The City's policy is to transfer sufficient funds so that neither fund operates at a deficit and this policy was adhered to this year since neither fund had a deficit for the year.

No governmental funds had a deficit fund balance at June 30, 2003. The Enterprise Fund has a retained earnings deficit of \$34,614 at June 30, 2003. The retained earnings deficit is intended to be liquidated with subsequent year's earnings of the fund.

Note 12 - Fund Balance

The General Fund has reserved \$529,000, of its fund balance for expenditures related to new police department radio equipment and the construction of property at Gateway Village.

Note 13 - Joint Venture

Under Georgia law, the City in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in an ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. The ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an ARC. Separate financial statements may be obtained from the Atlanta Regional Commission, 3715 Northside Parkway, 200 North Creek Suite 300, Atlanta, Georgia 30327.

Note 14 - Hotel / Motel Taxes

Under the provisions of the Official Code of Georgia Annotated (OCGA) Section 48-13-51, the City has imposed and collected hotel/motel taxes. The Code section requires that the City expend a percentage of the taxes collected for the purpose of promoting tourism, conventions, trade shows etc, and promoting the City and business therein. During the year ended June 30, 2003 the City expended for promotional purposes approximately 33% such taxes collected. The following is a summary of the collections and expenditures for the year ended June 30, 2003:

Total Collected	\$ 451,371
Amounts required to be expended	148,952
Amounts expended for promotional purposes	148,952

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**COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP
STATEMENTS AND SCHEDULES**

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GENERAL FUND

The General Fund is the principal fund of the City and is used to account for all activities of the City not otherwise accounted for by a specified fund.

CITY OF MORROW, GEORGIA
GENERAL FUND
BALANCE SHEET
JUNE 30, 2003

Assets

Assets:		
Cash and cash equivalents	\$	2,513,540
Investments		4,342,131
Taxes receivable		257,186
Due from other funds:		
Capital projects fund		12,585
Due from component unit		86,402
Other assets		<u>158,588</u>
Total Assets	\$	<u><u>7,370,432</u></u>

Liabilities and Fund Balances

Liabilities:		
Accounts payable	\$	224,899
Accrued interest		24,457
Deferred revenue		27,318
Accrued payroll and payroll taxes		<u>90,249</u>
Total liabilities		<u>366,923</u>
Fund balance:		
Reserved for encumbrances		529,000
Unreserved, not designated		<u>6,474,509</u>
Total Fund balance		<u>7,003,509</u>
Total liabilities and fund balance	\$	<u><u>7,370,432</u></u>

CITY OF MORROW, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2003

Revenues:	
Taxes	\$ 2,552,236
Licenses, fees and permits	1,347,699
Franchises	542,234
Fines and forfeitures	1,105,502
Interest	126,311
Lake City contract	360,580
Intergovernmental	156,411
MBTA lease payments	8,942
Miscellaneous	215,019
	<hr/>
Total revenues	6,414,934
Expenditures	
Current:	
General and administrative	2,118,193
Police department	1,474,003
Fire department	1,378,065
Public works	592,554
Capital outlays	<hr/> -
Total expenditures	<hr/> 5,562,815
Excess of revenues over expenditures	<hr/> 852,119
Other financing sources (uses):	
Operating transfers in:	
Enterprise fund	323,533
Hotel/ motel taxes fund	304,621
Operating transfers out	
Emergency communications fund	(410,487)
Confiscated assets fund	(27,639)
Capital improvements fund	<hr/> (201,320)
Total other financing uses	<hr/> (11,292)
Excess of revenues and other sources over (under) expenditures and other uses	840,827
Fund balance, June 30, 2002	<hr/> 6,162,682
Fund balance, June 30, 2003	<hr/> <hr/> \$ 7,003,509

CITY OF MORROW, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes:			
Insurance premium taxes	\$ 180,000	\$ 194,576	\$ 14,576
Alcohol sales and excise taxes	135,000	127,657	(7,343)
Alcohol sales mixed drink tax	58,000	50,409	(7,591)
Real estate transfer tax	4,000	5,284	1,284
Local option sales tax	<u>2,310,000</u>	<u>2,174,310</u>	<u>(135,690)</u>
Total taxes	<u>2,687,000</u>	<u>2,552,236</u>	<u>(134,764)</u>
Licenses, fees, and permits:			
Alcohol beverage licenses and permits	100,000	123,758	23,758
Business licenses	901,250	1,080,822	179,572
Building permits	45,000	96,153	51,153
Plumbing permits	4,250	6,200	1,950
Heating and air conditioning permits	4,000	7,011	3,011
Electrical permits	6,000	8,655	2,655
Rezoning permits	1,000	1,585	585
Fire Marshall Inspections	9,000	11,030	2,030
Community room fees & deposits	900	1,282	382
Delinquency fees	2,500	2,863	363
Accident report fees	8,000	5,765	(2,235)
False alarm fees	1,500	75	(1,425)
Other	5,300	2,500	(2,800)
Total licenses, fees and permits	<u>1,088,700</u>	<u>1,347,699</u>	<u>258,999</u>
Franchises:			
Electrical franchise	391,000	386,120	(4,880)
Gas franchise	46,000	41,913	(4,087)
Telephone franchise	89,000	82,510	(6,490)
Cable television franchise	31,000	31,691	691
Total franchises	<u>557,000</u>	<u>542,234</u>	<u>(14,766)</u>
Other revenues:			
Fines and forfeitures	1,010,000	1,105,502	95,502
Interest income	250,000	126,311	(123,689)
Lake City contract	327,818	360,580	32,762
Intergovernmental	-	156,411	156,411
MBTA lease payments	44,900	8,942	(35,958)
Miscellaneous	272,050	215,019	(57,031)
Total other revenues	<u>1,904,768</u>	<u>1,972,765</u>	<u>67,997</u>
Total revenues	<u>\$ 6,237,468</u>	<u>\$ 6,414,934</u>	<u>\$ 177,466</u>

CITY OF MORROW, GEORGIA
 GENERAL FUND
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>General and Administrative:</u>			
Current:			
Mayor and council salaries	\$ 59,516	\$ 58,888	\$ 628
Salaries and wages	505,337	407,246	98,091
City attorney fees	8,000	14,938	(6,938)
Planning and rezoning commission	4,800	-	4,800
Advertising and public relations	4,000	1,707	2,293
Donations	2,725	3,796	(1,071)
Equipment service contracts	10,027	5,515	4,512
Photography fees	1,000	689	311
Utilities	76,000	73,163	2,837
Telephone	24,000	26,122	(2,122)
Travel	-	1,513	(1,513)
Insurance -group	362,658	406,688	(44,030)
Insurance - general	133,000	68,386	64,614
Insurance - dental	22,767	29,128	(6,361)
Supplies	6,500	11,029	(4,529)
Dues and subscriptions	7,000	12,979	(5,979)
Miscellaneous	15,000	28,506	(13,506)
Equipment rental	6,385	6,627	(242)
Conventions, meetings and training	14,500	17,856	(3,356)
Retirement contributions	203,932	260,345	(56,413)
Municipal court expense	19,912	20,400	(488)
Professional services	8,700	26,383	(17,683)
Codification	4,000	3,589	411
Employee benefits	7,000	10,365	(3,365)
Inspector's fees	22,500	63,994	(41,494)
Workmen's compensation insurance	70,000	44,089	25,911
Auditing fees	36,000	30,230	5,770
Mayor's emergency fund	500	-	500
Clayton county	-	83,278	(83,278)
Peace officer A and B fund	22,000	32,801	(10,801)
Printing and postage	25,000	23,946	1,054
Employee betterment program	8,500	11,626	(3,126)
Maintenance	3,000	455	2,545
Tuition reimbursement	28,581	12,198	16,383
Uniforms	-	119	(119)
Economic development	3,500	5,055	(1,555)
Legal advertising	3,000	3,056	(56)

CITY OF MORROW, GEORGIA
 GENERAL FUND
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2003
 (CONTINUED)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>General and Administrative (continued):</u>			
Current (continued):			
Morrow Business and Tourism Association	\$ 168,000	\$ 244,554	\$ (76,554)
Small equipment	4,460	12,931	(8,471)
Governmental	-	54,003	(54,003)
	<u>1,901,800</u>	<u>2,118,193</u>	<u>(216,393)</u>
<u>Police Department:</u>			
Current:			
Salaries and wages	1,381,942	1,335,891	46,051
Equipment service contracts	9,155	8,747	408
Gas and oil	200	157	43
Travel	-	1,117	(1,117)
Supplies	8,000	9,278	(1,278)
Dues and subscriptions	1,527	1,048	479
Miscellaneous	3,500	11,982	(8,482)
Equipment rental	6,240	6,301	(61)
Conventions, meetings, and training	6,000	3,052	2,948
Professional services	2,500	2,275	225
Employee benefits	18,140	25,752	(7,612)
Safety program	100	-	100
Printing and postage	5,000	4,734	266
Maintenance	26,000	38,006	(12,006)
Tuition reimbursement	-	5,411	(5,411)
Uniforms	17,800	14,887	2,913
Small equipment	3,000	4,471	(1,471)
Equipment purchases	-	-	-
Crime prevention	1,500	874	626
Prisoner expenses	400	20	380
	<u>1,491,004</u>	<u>1,474,003</u>	<u>17,001</u>

CITY OF MORROW, GEORGIA
 GENERAL FUND
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2003
 (CONTINUED)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Fire Department:</u>			
Current:			
Salaries and wages	\$ 1,205,245	\$ 1,227,421	\$ (22,176)
Travel	-	682	(682)
Supplies	20,800	20,823	(23)
Office equipment	-	-	-
Dues and subscriptions	7,711	7,133	578
Miscellaneous	13,700	898	12,802
Equipment rental	2,445	2,802	(357)
Conventions, meetings, and training	10,000	10,900	(900)
Retirement contributions	3,375	4,730	(1,355)
Professional services	6,500	2,585	3,915
Employee benefits	11,300	20,765	(9,465)
Safety program	300	388	(88)
Printing and postage	800	1,222	(422)
Maintenance	17,815	25,086	(7,271)
Uniforms	30,480	34,378	(3,898)
Small equipment	6,175	8,816	(2,641)
Grant expenditures	-	-	-
Fire prevention	2,500	9,436	(6,936)
	<u>1,339,146</u>	<u>1,378,065</u>	<u>(38,919)</u>
Total fire department expenditures	<u>1,339,146</u>	<u>1,378,065</u>	<u>(38,919)</u>

CITY OF MORROW, GEORGIA
 GENERAL FUND
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2003
 (CONTINUED)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Public Works:</u>			
Current:			
Salaries and wages	\$ 310,500	\$ 284,166	\$ 26,334
Equipment service contracts	1,500	1,045	455
Telephone	-	90	(90)
Travel	-	1,088	(1,088)
Supplies	14,000	15,339	(1,339)
Office equipment	100	-	100
Dues and subscriptions	500	159	341
Miscellaneous	85,000	74,069	10,931
Equipment rental	6,520	4,266	2,254
FICA expense	2,500	-	2,500
Conventions, meetings and training	3,000	1,786	1,214
Retirement contributions	-	542	(542)
Professional services	400	1,753	(1,353)
Employee benefits	2,400	3,705	(1,305)
Safety program	500	290	210
Printing and postage	1,200	742	458
Maintenance	87,950	106,052	(18,102)
Uniforms	4,000	3,547	453
Landfill use	6,000	3,581	2,419
Small equipment	2,350	1,361	989
Street lights	72,500	88,973	(16,473)
Total public works expenditures	<u>600,920</u>	<u>592,554</u>	<u>8,366</u>
Capital Outlays	<u>-</u>	<u>355,834</u>	<u>(355,834)</u>
Total expenditures (budgetary basis)	5,332,870	5,918,649	(585,779)
Less budgetary basis differences and encumbrances	<u>-</u>	<u>(355,834)</u>	<u>355,834</u>
Total expenditures	<u>\$ 5,332,870</u>	<u>\$ 5,562,815</u>	<u>\$ (229,945)</u>

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SPECIAL REVENUE FUNDS

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

Emergency Communications Fund - to account for fee collection and the operations of the Emergency 911 system within the City.

Hotel/Motel Tax Fund – to account for collection and disbursement of funds used to promote tourism within the City.

Confiscated Assets Funds – to account for the collection and use of funds confiscated from convicted offenders.

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CITY OF MORROW, GEORGIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003

<u>Assets</u>	<u>Emergency Communications</u>	<u>Hotel/ Motel Tax</u>	<u>Confiscated Assets</u>	<u>TOTAL</u>
Assets:				
Cash and cash equivalents	\$ 5,288	\$ -	\$ 188,928	\$ 194,216
Taxes receivable	-	37,757	-	37,757
Total assets	\$ 5,288	\$ 37,757	\$ 188,928	\$ 231,973
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
Accrued payroll	\$ 5,288	\$ -	\$ -	\$ 5,288
Due to component unit	-	12,585	-	12,585
Total liabilities	5,288	12,585	-	17,873
Fund balance - unreserved	-	25,172	188,928	214,100
Total fund balance	-	25,172	188,928	214,100
 Total liabilities and fund balance	\$ 5,288	\$ 37,757	\$ 188,928	\$ 231,973

CITY OF MORROW, GEORGIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2003

	<u>Emergency Communications</u>	<u>Hotel/ Motel Tax</u>	<u>Confiscated Assets</u>	<u>TOTAL</u>
Revenues:				
Emergency 911 land charges	\$ 77,523	\$ -	\$ -	\$ 77,523
Emergency 911 wireless charges	77,056	-	-	77,056
Hotel/ motel taxes	-	451,371	-	451,371
Comdenation/ Forfeiture	-	-	113,353	113,353
Total revenues	154,579	451,371	113,353	719,303
Expenditures:				
Salaries and wages	472,000	-	-	472,000
Equipment service contracts	37,598	-	-	37,598
Retirement contributions	622	-	-	622
FICA expense	2,481	-	-	2,481
Dues and subscriptions	509	-	-	509
Miscellaneous	1,348	-	-	1,348
Supplies	1,711	-	-	1,711
Conventions, meetings, & training	5,947	-	-	5,947
Equipment rental	7,094	-	-	7,094
Maintenance	10,319	-	-	10,319
Small equipment	1,456	-	-	1,456
Employee benefits	9,302	-	-	9,302
Tuition reimbursement	-	-	-	-
Professional services	20	-	-	20
Postage and printing	71	-	-	71
Telephone	4,062	-	-	4,062
Travel	-	-	-	-
Wireless fees	3,535	-	-	3,535
Safety program	-	-	-	-
Morrow Business and Tourism Association	-	137,878	-	137,878
Condemnation/ forfeiture expense	-	-	26,802	26,802
Total expenditures	558,075	137,878	26,802	722,755
Excess (deficiency) of revenues over (under) expenditures	(403,496)	313,493	86,551	(3,452)
Other financing source:				
Operating transfers in				
General fund	410,487	-	27,639	438,126
Operating transfers out				
General fund	-	(304,621)	-	(304,621)
Total operating transfers	410,487	(304,621)	27,639	133,505
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,991	8,872	114,190	130,053
Fund balances, June 30, 2002	(6,991)	16,300	74,738	84,047
Fund balances, June 30, 2003	\$ -	\$ 25,172	\$ 188,928	\$ 214,100

CITY OF MORROW, GEORGIA
EMERGENCY COMMUNICATIONS SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2003

Assets

Assets:	
Cash	\$ 5,288
Total Assets	<u>\$ 5,288</u>

Liabilities and Fund Balance

Liabilities:	
Accrued payroll	\$ 5,288
Total liabilities	<u>5,288</u>
Fund balance	<u>-</u>
Total liabilities and fund balance	<u>\$ 5,288</u>

CITY OF MORROW, GEORGIA
EMERGENCY COMMUNICATIONS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2003

Revenues:

Emergency 911 land charges	\$ 77,523
Emergency 911 wireless charges	77,056
	154,579
Total Revenues	154,579

Expenditures:

Salaries and wages	472,000
Equipment service contracts	37,598
Retirement contributions	622
FICA expense	2,481
Dues and subscriptions	509
Miscellaneous	1,348
Supplies	1,711
Conventions, meetings, & training	5,947
Equipment rental	7,094
Maintenance	10,319
Small equipment	1,456
Employee benefits	9,302
Tuition reimbursement	-
Professional services	20
Postage and printing	71
Telephone	4,062
Travel	-
Wireless fees	3,535
Safety program	-
	558,075
Total current expenditures	558,075
Capital Outlays	-
Total Expenditures	558,075
Excess (deficiency) of revenues over (under) expenditures	(403,496)
Other financing source: Operating transfer in General fund	410,487
Total operating transfers	410,487
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,991
Fund Balance, June 30, 2002	(6,991)
Fund Balance, June 30, 2003	\$ -

CITY OF MORROW, GEORGIA
EMERGENCY COMMUNICATIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Emergency 911 land charges	\$ 83,000	\$ 77,523	\$ (5,477)
Emergency 911 wireless charges	38,000	77,053	39,053
 Total Revenues	 121,000	 154,576	 33,576
<u>Expenditures:</u>			
Salaries and wages	462,374	472,000	(9,626)
Equipment service contracts	37,587	37,598	(11)
Retirement contributions	-	622	(622)
FICA expense	7,982	2,481	5,501
Dues and subscriptions	750	509	241
Miscellaneous	400	1,348	(948)
Supplies	1,200	1,711	(511)
Conventions, meetings, & training	4,500	5,947	(1,447)
Equipment rental	8,534	7,094	1,440
Maintenance	2,300	10,319	(8,019)
Small equipment	3,800	1,456	2,344
Employee benefits	6,000	9,302	(3,302)
Tuition reimbursement	-	-	-
Professional services	-	20	(20)
Postage and printing	150	71	79
Telephone	5,045	4,062	983
Travel	-	-	-
Wireless fees	3,600	3,535	65
Safety program	200	-	200
 Total current expenditures	 544,422	 558,075	 (13,653)
Capital Outlays	-	-	-
 Total expenditures	 544,422	 558,075	 (13,653)
 Excess of revenues under expenditures	 (423,422)	 (403,499)	 19,923
<u>Other financing sources:</u>			
Operating transfers in General fund	423,422	410,487	(12,935)
 Total other financing sources	 423,422	 410,487	 (12,935)
 Excess of revenues and other financing sources over (under) expenditures and other uses	 \$ -	 6,988	 \$ 6,988
 Fund balances, June 30, 2002		 (6,988)	
 Fund balances, June 30, 2003		 \$ -	

CITY OF MORROW, GEORGIA
HOTEL/ MOTEL TAX SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2003

Assets

Assets:

Taxes receivable	\$ 37,757
Total Assets	<u>\$ 37,757</u>

Liabilities and Fund Balance

Liabilities:

Due to component unit	\$ 12,585
Total liabilities	<u>12,585</u>

Fund balance	<u>25,172</u>
Total liabilities and fund balance	<u>\$ 37,757</u>

CITY OF MORROW, GEORGIA
HOTEL/ MOTEL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2003

<u>Revenues:</u>	
Hotel/ motel taxes	\$ 451,371
<u>Expenditures:</u>	
Morrow Business and Tourism Association	<u>137,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>313,493</u>
Other financing source:	
Operating transfer (out) General fund	<u>(304,621)</u>
Total operating transfers	<u>(304,621)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	8,872
Fund Balance, June 30, 2002	<u>16,300</u>
Fund Balance, June 30, 2003	<u>\$ 25,172</u>

CITY OF MORROW, GEORGIA
HOTEL/ MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Hotel/ motel taxes	\$ 504,000	\$ 451,371	\$ (52,629)
<u>Expenditures:</u>			-
Morrow Business and Tourism Association	168,000	137,878	30,122
 Total expenditures	 168,000	 137,878	 30,122
 Excess (deficiency) of revenues over (under) expenditures	 336,000	 313,493	 (22,507)
 Other financing sources:			
Operating transfers (out)			
General fund	(336,000)	(304,621)	31,379
Total other financing sources	(336,000)	(304,621)	31,379
 Excess of revenues and other financing sources over (under) expenditures and other uses	 \$ -	 8,872	 \$ 8,872
 Fund balances, June 30, 2002		16,300	
 Fund balances, June 30, 2003		\$ 25,172	

CITY OF MORROW, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2003

Assets

Assets:	
Cash and cash equivalents	<u>\$ 188,928</u>
Total Assets	<u><u>\$ 188,928</u></u>

Fund Balance

Fund balance	<u><u>\$ 188,928</u></u>
--------------	--------------------------

CITY OF MORROW, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2003

Condemnation/ Forfeitures revenue	\$ 113,353
Condemnation/ Forfeiture expense	<u>26,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>86,551</u>
Other financing sources:	
Operating transfers in General fund	27,639
Total operating transfers	<u>27,639</u>
Excess of revenues and other financing sources over expenditures and other uses	114,190
Fund Balance, June 30, 2002	<u>74,738</u>
Fund Balance, June 30, 2003	<u><u>\$ 188,928</u></u>

CITY OF MORROW, GEORGIA
 CONFISCATED ASSETS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Condemnation/ Forfeiture revenue	\$ 35,000	\$ 113,353	\$ 78,353
Condemnation/ Forfeiture expense	-	26,802	(26,802)
Excess (deficiency) of revenues over (under) expenditures	<u>35,000</u>	<u>86,551</u>	<u>51,551</u>
Other financing sources:			
Operating transfers in General fund	-	27,639	27,639
Operating transfers (out) General fund	<u>(35,000)</u>	-	<u>35,000</u>
Total operating transfers	<u>(35,000)</u>	<u>27,639</u>	<u>62,639</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	114,190	<u>\$ 114,190</u>
Fund balances, June 30, 2002		<u>74,738</u>	
Fund balances, June 30, 2003		<u>\$ 188,928</u>	

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements.

CITY OF MORROW, GEORGIA
CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2003

Assets

Assets:	
Investments	\$ -
	<hr/>
Total Assets	\$ -
	<hr/> <hr/>

Liabilities and Fund Balance

Liabilities:	
Due to other funds	
General fund	\$ -
	<hr/>
Fund Balance:	
Fund balance - reserved for encumbrances	-
Fund balance - unreserved	-
Total fund balance	<hr/>
	<hr/>
Total liabilities and fund balance	\$ -
	<hr/> <hr/>

CITY OF MORROW, GEORGIA
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2003

Expenditures:	
Capital outlays	<u>\$ 681,948</u>
Excess of expenditures over revenues	(681,948)
Other financing sources:	
Operating transfers in General fund	<u>201,320</u>
Total other financing sources	<u>201,320</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	(480,628)
Fund balance, June 30, 2002	<u>480,628</u>
Fund balance, June 30, 2003	<u><u>\$ -</u></u>

CITY OF MORROW, GEORGIA
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Expenditures:</u>			
Capital Outlays	\$ 760,433	\$ 681,948	\$ 78,485
Total expenditures	760,433	681,948	78,485
Excess of revenues under expenditures	(760,433)	(681,948)	78,485
 Other financing sources:			
Operating transfers in General fund	760,433	201,320	(559,113)
Total other financing sources	760,433	201,320	(559,113)
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ -	(480,628)	\$ (480,628)
 Fund balances, June 30, 2002		480,628	
 Fund balances, June 30, 2003		\$ -	

PROPRIETARY FUND

The Sanitation Fund was established to account for the operations of commercial and residential waste removal within the City.

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CITY OF MORROW, GEORGIA
PROPRIETARY FUND TYPE
BALANCE SHEET
JUNE 30, 2003

Assets

Assets:	
Accounts receivable	\$ 80,180
	<u> </u>
Total Assets	<u>\$ 80,180</u>

Liabilities and Retained Earnings

Liabilities:	
Accounts payable	\$ 79,955
Deferred revenue	34,839
	<u> </u>
Total liabilities	<u>114,794</u>
Retained earnings	<u>(34,614)</u>
Total liabilities and Retained earnings	<u>\$ 80,180</u>

CITY OF MORROW, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2003

Operating revenues:	
Charges for services	\$ 1,118,224
Operating expenses:	
Costs of services	<u>943,826</u>
Income (loss) before operating transfers	174,398
Transfer (to) other funds:	
General fund	<u>(323,533)</u>
Net income	(149,135)
Retained earnings, June 30, 2002	<u>114,521</u>
Retained earnings, June 30, 2003	<u>\$ (34,614)</u>

CITY OF MORROW, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2003

Cash flows from operating activities:	
Cash received from customers and users	\$ 1,132,676
Cash paid to suppliers	(809,143)
Net cash provided by operating activities	<u>323,533</u>
Cash flows from non-capital financing activities:	
Transfer to general fund	(323,533)
Net cash used in non-capital financing activities	<u>(323,533)</u>
Cash and cash equivalents, June 30, 2002	<u>-</u>
Cash and cash equivalents, June 30, 2003	<u><u>\$ -</u></u>

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 174,398
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase in accounts receivable	(20,387)
Decrease in amounts receivable from other funds	158,516
Increase in accounts payable	6,417
Increase in deferred revenue	<u>4,589</u>
Net cash provided by operating activities	<u><u>\$ 323,533</u></u>

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group represents a summary of the fixed assets of the City.

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CITY OF MORROW, GEORGIA
GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF GENERAL FIXED ASSETS
JUNE 30, 2003

Land and buildings	\$ 6,626,731
Furniture and equipment	2,055,935
Vehicles	2,511,878
Computer Software	104,469
Park facilities and improvements	<u>189,357</u>
Total general fixed assets	<u>\$ 11,488,370</u>
Investment in general fixed assets from:	
General Fund revenues	\$ 3,256,375
Capital Projects Fund	7,992,081
Emergency Communications Fund	<u>239,914</u>
Total general fixed assets	<u>\$ 11,488,370</u>

CITY OF MORROW, GEORGIA
 SCHEDULE OF GENERAL FIXED ASSETS
 BY FUNCTION AND ACTIVITY
 JUNE 30, 2003

Function and Activity	Land and Buildings	Furniture and Equipment	Vehicles	Computer Software	Park Facilities and Improvements	Totals
General government	\$ 4,154,366	\$ 301,078	\$ 36,124	\$ 63,913	\$ -	\$ 4,555,481
Public safety	862,626	1,385,663	2,344,748	-	720	4,593,757
Community services	1,609,739	369,194	131,006	40,556	188,637	2,339,132
Total general fixed assets allocated to functions and activities	<u>\$ 6,626,731</u>	<u>\$ 2,055,935</u>	<u>\$ 2,511,878</u>	<u>\$ 104,469</u>	<u>\$ 189,357</u>	<u>\$ 11,488,370</u>

CITY OF MORROW, GEORGIA
 SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
 BY FUNCTION AND ACTIVITY
 YEAR ENDED JUNE 30, 2003

Function and Activity	General Fixed Assets June 30, 2002	Additions	Retirements	General Fixed Assets June 30, 2003
General government	\$ 4,179,834	\$ 375,647	\$ -	\$ 4,555,481
Public safety	4,476,034	117,723	-	4,593,757
Community services	2,143,122	196,010	-	2,339,132
Total general fixed assets allocated to functions and activities	<u>\$ 10,798,990</u>	<u>\$ 689,380</u>	<u>\$ -</u>	<u>\$ 11,488,370</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The General Long-term Debt Account Group represents the long-term liabilities of the City.

CITY OF MORROW, GEORGIA
SCHEDULE OF GENERAL LONG-TERM DEBT
JUNE 30, 2003

Amounts to be provided for the payment of
general long-term debt:

Estimated liability for compensated absences amount to be provided	\$ 221,129
Capital leases amount to be provided	<u>1,372,612</u>
Total amount to be provided	<u>\$ 1,593,741</u>

General long-term debt obligations

Estimated liability for compensated absences	\$ 221,129
Capital leases	<u>1,372,612</u>
Total general long-term debt obligations	<u>\$ 1,593,741</u>

CITY OF MORROW, GEORGIA

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

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Interest	Miscellaneous	Emergency Communications	Total Revenues
1994	\$ 2,605,454	(2) \$ 938,471	\$ 40,661	\$ 201,335	\$ 507,855	\$ 65,017	\$ 181,779	\$ 71,074	\$ 4,611,646
1995	3,841,989	(2) 1,038,142	30,706	208,848	421,507	136,319	172,060	64,981	5,914,552
1996	3,270,152	(2) 1,020,856	75,460	181,184	436,546	238,034	206,301	68,915	5,497,448
1997	3,365,718	(2) 962,437	121,587	173,969	495,603	239,951	179,681	72,282	5,611,228
1998	3,614,389	(2) 1,221,603	39,996	183,746	545,195	332,519	209,974	77,303	6,224,725
1999	3,211,123	(2) 1,168,266	105,729	213,013	709,449	336,271	960,486	98,865	6,803,202
2000	3,519,062	(2) 1,138,509	111,175	521,040	1,091,086	348,544	1,078,754	123,119	7,931,289
2001	3,463,420	(2) 1,145,428	92,997	1,152,061	1,019,355	480,073	610,537	116,049	8,079,920
2002	3,466,543	(2) 1,128,779	108,505	930,001	1,115,460	229,624	94,336	203,515	7,276,763
2003	3,003,604	(2) 1,347,699	156,411	1,181,393	1,105,502	126,311	58,735	154,576	7,134,231

Notes:

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

CITY OF MORROW, GEORGIA

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

Fiscal Year	Administration	Police Department	Emergency Communications	Fire Department	Public Works	Debt Service	Capital Outlay	Total Expenditures
1994	\$ 1,217,864	\$ 723,375	\$ 122,629	\$ 794,331	\$ 276,358	\$ 136,280	\$ 326,588	\$ 3,597,425
1995	1,299,687	824,646	147,692	868,961	305,401	62,475	459,114	3,967,976
1996	1,307,623	892,386	185,365	912,828	380,959	58,435	655,331	4,392,927
1997	1,386,829	971,692	262,110	997,180	362,874	234,337	1,450,471	5,665,493
1998	1,537,412	1,050,012	382,849	1,060,127	403,540	233,115	967,545	5,634,600
1999	1,711,179	1,216,272	458,162	1,157,587	413,949	88,188	1,525,175	6,570,512
2000	2,260,040	1,362,097	459,058	1,193,752	483,017	449,607	1,596,641	7,804,212
2001	1,772,266	1,400,084	529,349	1,270,151	1,175,519	280,104	1,994,171	8,421,644
2002	1,997,270	1,463,839	482,810	1,280,464	572,970	176,729	2,609,182	8,583,264
2003	2,118,193	1,500,805	558,075	1,378,065	592,554	137,878	681,948	6,967,518

Notes:

- (1) Includes General, Special Revenue and Capital Projects Funds.
(2) Includes \$397,159 of expenditures for construction of the Morrow Welcome Center – Lease proceeds included in prior years revenue.
(3) Includes \$1,314,058 of expenditures for construction of the Morrow Welcome Center – Lease proceeds included in prior years revenue.

CITY OF MORROW, GEORGIA

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

Fiscal Year	Tax Year	Total Tax Levy (2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes To Tax Levy
1994	1993	\$ 1,064,002	\$ 1,061,291	99.75%	\$ 107,086	\$ 1,168,377	109.81%	\$ 39,247	3.69%
1995	1994	1,065,726	1,059,844	99.45%	32,398	1,092,242	102.49%	18,377	1.72%
1996	1995	182,361	178,176	97.71%	5,292	183,468	100.61%	1,539	0.84%
1997	1996	-	-	N/A	2,307	2,307	N/A	-	N/A
1998	1997	-	-	N/A	-	-	N/A	-	N/A
1999	1998	-	-	N/A	-	-	N/A	-	N/A
2000	1999	-	-	N/A	-	-	N/A	-	N/A
2001	2000	-	-	N/A	-	-	N/A	-	N/A
2002	2001	-	-	N/A	-	-	N/A	-	N/A
2003	2002	-	-	N/A	-	-	N/A	-	N/A

Notes:

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

CITY OF MORROW, GEORGIA

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

Tax Year	Fiscal Year	Assessed Tax Value	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
1993	1994	\$ 224,032,172	\$ 560,080,430	40%
1994	1995	237,108,667	592,771,668	40%
1995	1996	222,431,067	556,077,668	40%
1996	1997	240,818,203	602,045,508	40%
1997	1998	262,421,522	656,053,805	40%
1998	1999	277,619,981	694,049,952	40%
1999	2000	284,235,510	710,588,775	40%
2000	2001	291,943,223	729,858,058	40%
2001	2002	293,788,978	734,472,445	40%
2002	2003	274,613,462	686,533,611	40%

Source: Clayton County Tax Commissioner

CITY OF MORROW, GEORGIA

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

Fiscal Year	Direct		Overlapping			Total
	City	School District	County	State		
	Per \$1,000 of Net Assessed Value (1)					
1994	\$ 5.0	\$ 20.0	\$ 12.59	\$ 0.25		\$ 37.84
1995	5.0	19.84	9.35	0.25		34.44
1996	0.91	19.84	9.10	0.25		30.10
1997	0.0	19.84	4.88	0.25		24.97
1998	0.0	18.34	4.65	0.25		23.24
1999	0.0	18.34	4.11	0.25		22.70
2000	0.0	17.916	3.913	0.25		22.079
2001	0.0	17.916	4.047	0.25		22.213
2002	0.0	17.916	5.882	0.25		24.048
2003	0.0	18.916	5.154	0.25		24.320

Notes:

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

Source: Clayton County Tax Commissioner

CITY OF MORROW, GEORGIA

Computation of Legal Debt Margin
June 30, 2003
(Unaudited)

Approximated Assessed Valuation (1)	\$ 274,613,462
Debt Limit: 10% of assessed value (2)	\$ 27,461,346
Amount of debt applicable to debt limit	-
Legal debt margin	\$ 27,461,346

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

CITY OF MORROW, GEORGIA

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

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

Notes:

- (1) Source - Georgia Department of Industry & Trade
- (2) Source - Clayton County Tax Commissioner
- (3) General Obligation Bonds

CITY OF MORROW, GEORGIA

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

Fiscal Year	Principal	Interest Charges	Total Debt Service	Total General Governmental Expenditures (1)	Percentage of Debt Service To General Expenditures
1994	\$ 105,801	\$ 30,479	\$ 136,280	\$ 3,597,425	3.79%
1995	50,000	12,475	62,475	3,967,976	1.57%
1996	50,000	8,435	58,435	4,392,927	1.33%
1997	55,000	4,345	59,345	5,665,493	1.05%
1998	-	-	-	5,634,600	0.00%
1999	-	-	-	6,570,514	0.00%
2000	-	-	-	7,788,217	0.00%
2001	-	-	-	7,748,746	0.00%
2002	-	-	-	8,583,264	0.00%
2003	-	-	-	6,967,521	0.00%

Note:

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

CITY OF MORROW, GEORGIA

Computation of Direct and Overlapping Debt
 June 30, 2003
 (Unaudited)

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

Sources:
 (1) Clayton County Accounting Office

CITY OF MORROW, GEORGIA

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

Fiscal Year	(1) Commercial Construction		(1) Residential Construction		(2) Commercial Bank Deposits	(3) Property Value		(3) Tax Exempt
	Number of Permits	Value	Number of Permits	Value		Commercial	Residential	
1994	162	\$ 10,341,734	5	\$ 20,473	\$ 346,910,000	\$ 238,577,440	\$ 82,506,488	\$ 10,030,740
1995	42	7,154,195	5	62,300	408,084,000	299,142,135	83,695,380	30,019,125
1996	61	15,775,194	10	46,400	436,999,000	295,063,935	86,476,280	81,367,960
1997	50	4,078,466	8	42,265	446,157,000	316,407,635	86,599,083	83,436,920
1998	75	11,606,524	8	71,270	488,695,000	513,595,208	92,292,993	72,743,105
1999	65	14,656,031	14	4,734,676	516,455,000	544,423,250	92,568,935	17,719,453
2000	64	6,241,006	7	58,240	N/A	562,835,503	92,643,848	17,543,878
2001	58	10,663,655	7	204,898	481,569,000	573,915,653	106,518,033	24,023,810
2002	65	34,373,056	37	2,777,300	492,058,000	566,992,223	120,588,345	32,384,753
2003	59	14,354,051	88	9,536,670	501,960,000	522,701,014	114,739,240	49,093,350

Sources:

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

CITY OF MORROW, GEORGIA

Principal Taxpayers

June 30, 2003

(Unaudited)

Taxpayer	Type of Business	Percent of Assessed Value	Total Assessed Value
Southlake Mall, LLC	Regional Mall Owner	40%	\$ 29,701,736
Inland Southeast Morrow, LLC	Shopping Center Owner	40%	12,202,400
Rich's Real Estate, Inc.	Retail/Property Management/Leasing	40%	7,041,200
OLP Southlake, LLC	Shopping Center Owner	40%	6,774,200
Inland Southeast Southlake	Shopping Center Owner	40%	6,405,343
Secured Properties Investors XI	Shopping Center Owner	40%	3,857,590
Sears Roebuck & Co.	Retail	40%	4,167,200
Macy's East, Inc.	Retail	40%	3,887,800
Costco Wholesale Corporation	Warehouse/Retail	40%	36,922,000
Clayton Place, LLC	College Dormitory	40%	3,596,000
Southern Bell Telephone & Telegraph	Utility	40%	3,520,169
Secured Properties Investors	Shopping Center Owner	40%	3,652,000
Morrow Retail Venture, LP	Shopping Center Owner	40%	3,060,000
Tuff Archives, LLC	Shopping Center Owner	40%	6,443,800
Dayton Hudson Corporation	Retail	40%	3,200,000
J.C. Penney Properties, Inc.	Retail	40%	3,096,000
All others	VARIOUS	40%	6,875,800
Total			\$ 144,403,238

Source: Clayton County Tax Commissioner

CITY OF MORROW, GEORGIA

Miscellaneous Statistical Facts
June 30, 2003
(Unaudited)

Date of Incorporation	1943
Form of Government	Council/Manager
City Limits Area	4.0 Square Miles
Miles of Streets	29 Miles
Number of Street Lights	630
Education: (1)	
Attendance Centers	2
Number of Classrooms	77
Number of Modular Classrooms	23
Number of Teachers	117
Number of Students	1,374
Building Permits Issued	147
Recreation and Culture:	
Number of Parks	6
Community Center	1
Employees:	
Full-Time	96
Part-Time	7
Elected Officials	5
Appointed Officials	10

Source:

(1) Clayton County Board of Education

CITY OF MORROW, GEORGIA

Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(1) Population	(1) Per Capita Income	(2) Median Age	(3) School Enrollment	(4) Unemployment Rate
1993	5,424	\$ 15,716	32.3	1,272	6.00%
1994	5,424	15,716	32.4	1,338	5.40% *
1995	5,424	15,716	32.4	1,371	5.00%
1996	5,424	15,716	32.4	1,373	3.30%
1997	5,206	15,716	32.4	1,535	3.20%
1998	5,206	15,716	32.4	1,303	2.80%
1999 (5)	5,133	15,716	(7)	1,629	3.60% (6)
2000	4,882	15,716	(7)	1,709	3.90%
2001	4,882	15,716	(7)	1,558	4.20% (6)(8)
2002	4,882	17,544	(9)	1,316	6.60% (6)
2003	4,882	17,544	(9)	1,374	4.40%

Sources:

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



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

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

We have audited the general purpose financial statements of the City of Morrow, Georgia ("the City") as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting and its operation that we have reported to management of the City in a separate letter dated December 5, 2003.

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

Cherry, Berkert & Holland, L.L.P.

Atlanta, Georgia
December 5, 2003

