

***CITY OF NORCROSS, GEORGIA***

***Annual Financial Report***

***For the fiscal year ending August 31, 2016***

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**CITY OF NORCROSS, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
*For the fiscal year ending August 31, 2016*

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## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Norcross, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Norcross, Georgia, as of and for the period ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Norcross, Georgia, as of August 31, 2016, and the respective changes in the financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the period then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 3 through 22 and 82 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Norcross, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017, on our consideration of the City of Norcross, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Norcross' internal control over financial reporting and compliance.

*Rushton & Company, LLC*

Certified Public Accountants

Gainesville, Georgia  
February 24, 2017



## **Karen A. Slaton-Dixon**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the City of Norcross provides this Management's Discussion and Analysis for readers of the City's financial statements for the year ended August 31, 2016. The purpose of this narrative is to provide readers of these financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Norcross. This narrative overview of the City's financial activities should be read in conjunction with the information presented in the letter of transmittal found at the front of this report.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Norcross exceeded its liabilities at the close of the year by \$79,671,359 (reported as "net position"). Of this amount \$3,276,597 is unrestricted, of which \$-4,161,249 is Governmental Activities and \$7,437,846 is Business-Type Activities. This unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,929,673.
- The City's governmental funds reported combined ending fund balances of \$9,261,567. Approximately 31 percent of this amount, \$2,872,662 is available for spending at the City's discretion (unassigned fund balance in the General Fund).
- The City's proprietary funds reported net position of \$22,461,428 at year end, an increase of \$938,829 as a result of the current year's operations.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the City of Norcross. The financial statements of the City of Norcross comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data is presented when available.

#### ***Government-wide financial statements.***

The focus of the government-wide financial statements is on the overall financial position and activities of the City of Norcross. The government-wide financial statements include the statement of net position and the statement of activities. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses is taken into account regardless of when cash is received or paid.

### **Statement of Net Position**

The statement of net position (pages 23-24), presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The City's net position, which is the difference between assets (what the citizens own), and liabilities (what the citizens owe), is one way to measure the City's financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, and utility systems) must be considered to assess the overall health of the City.

### **Statement of Activities**

The statement of activities (page 25), presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Net Position and the Statement of Activities are divided into three types of activities:

- **Governmental activities** - Most of the City's basic services are reported under this category. These services include police, infrastructure maintenance, parks and recreation, and general administration. Taxes, fines/forfeitures and intergovernmental revenues (governmental activities) finance most of these activities.
- **Business-Type activities** - The City charges fees to customers to offset most of the cost of certain services it provides. The City's utility and solid waste services are reported under this category.
- **Discretely Presented Component Unit** - Component units are legally separate organizations for which the elected officials of the City are financially accountable. The Downtown Development Authority, although legally separate, functions for all practical purposes as a department of the City of Norcross, and, therefore, has been included as an integral part of the primary government.

### ***Fund Financial Statements.***

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by state law. The City of Norcross uses two categories of funds: governmental funds and proprietary funds.

In fund financial statements, information is presented in separate columns for each of the major funds. Data from non-major funds are combined into a single, aggregated column for presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements beginning on page 86.

### **Governmental funds**

Most of the City's basic governmental activities reported in the government-wide statements are accounted for in governmental funds, which focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation beside the fund financial statements.

In addition to the General Fund, which is considered a major fund, the City of Norcross maintains two governmental funds types:

1. Special Revenue Funds
2. Capital Projects Funds

The 2009 Special Purpose Local Option Sales Tax (SPLOST), 2014 Special Purpose Local Option Sales Tax (SPLOST) and Grants Capital Projects Funds are considered major Governmental funds.

The City of Norcross adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with these budgets.

The City's basic governmental fund financial statements can be found on pages 26-30 of this report.

Because the focus of the governmental fund financial statements is more narrow than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. An analysis of the balance that reconciles the two statements is provided at the bottom of each statement.

#### **Proprietary funds**

When the City charges customers for the full or partial cost of the services it provides (whether to outside customers or to other units of the City), these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities, using the accrual basis of accounting. Enterprise funds are a type of proprietary fund used to account for functions reported as business-type activities in the government-wide statements. The City uses four enterprise funds to account for separate business-type activities, and the major funds are reported in the basic proprietary fund financial statements on pages 31-35 of this report. The City of Norcross uses enterprise funds to account for its water and sewer, electric, storm water, and solid waste functions. The Water and Sewer Utility, Electric Utility, Storm Water Utility and Solid Waste Enterprise Funds are considered major funds.

#### **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City acts as a fiduciary for the Municipal Court Agency Fund.

Fiduciary funds are presented in the fund financial statements, but are not reported in the government-wide financial statements.

The City's fiduciary fund Statement of Assets and Liabilities is presented on page 36.

#### ***Notes to the financial statements.***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-81 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including combined financial statements for non-major funds described earlier. Individual fund statements and schedules are presented following the required supplementary information. These statements and schedules contain much more detailed financial information about individual services or divisions of the City.

This report includes two schedules on pages 27 and 29 that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on the fund financial statements.
- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statement, but are reported as deferred revenue on the fund financial statements.
- Unless due and payable, long-term liabilities appear only in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.
- Repayment of debt principal reduces a liability on the government-wide statements, but is an expenditure on the fund financial statements.
- Some expenses reported in the government-wide statements represent increases in liabilities on the government-wide statements but are not reported as expenditures in governmental funds because they do not require the use of current financial resources.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

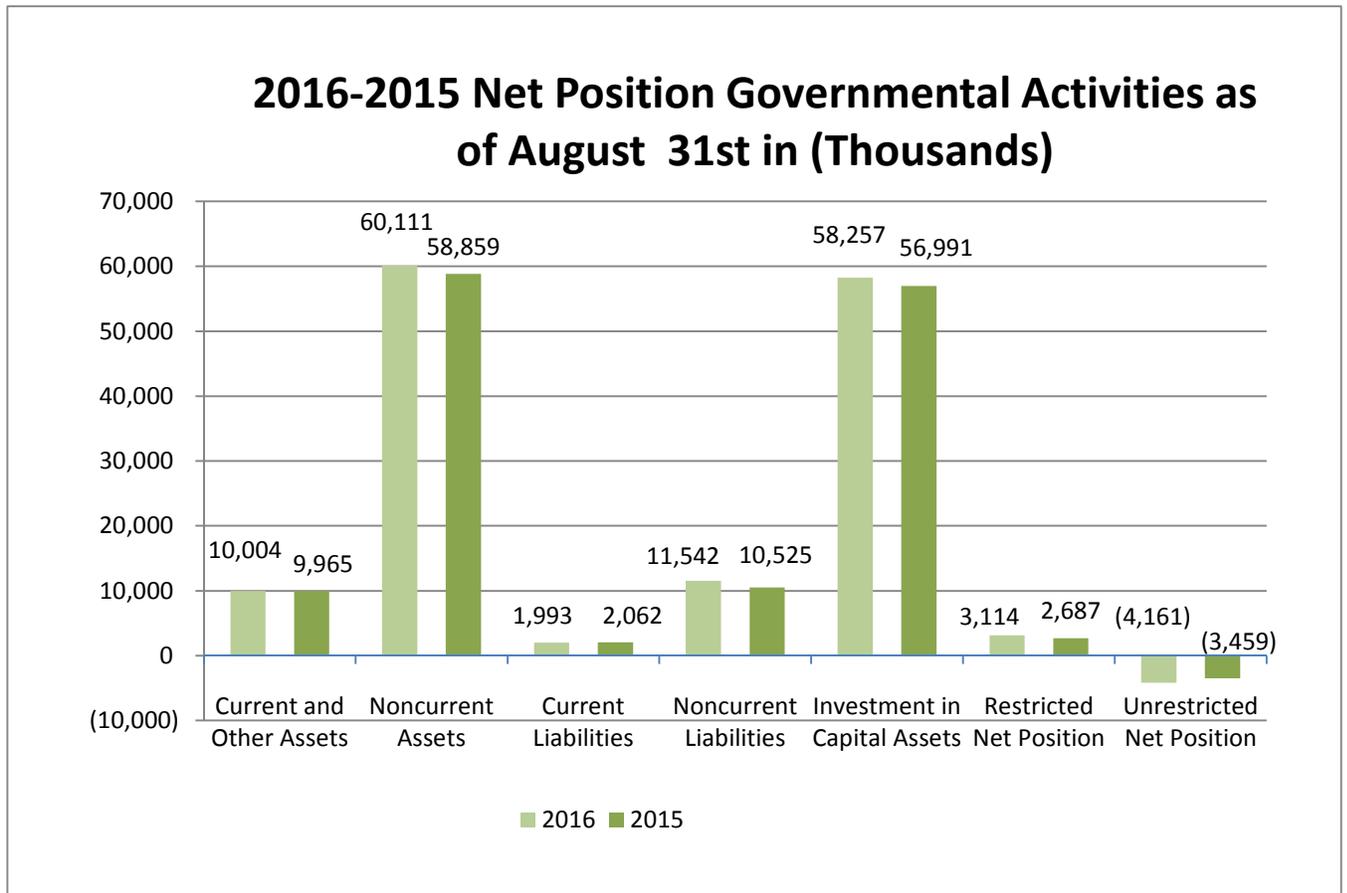
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Norcross, assets exceeded liabilities by \$79,671,359 as of August 31, 2016. The following table provides a summary of the City's governmental and business-type net position for the year ending August 31, 2016 and for the eight month period ending August 31, 2015.

### City of Norcross Net Position as of August 31, 2016 and 2015 (in Thousands)

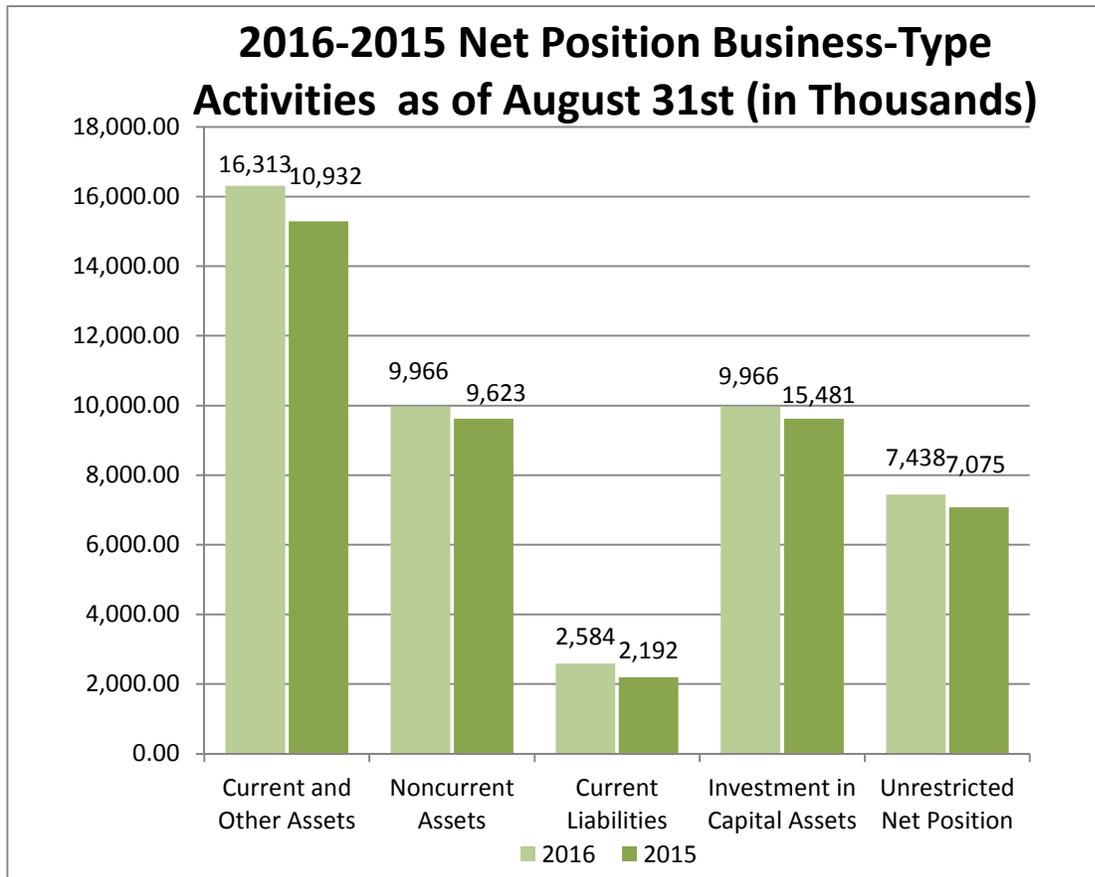
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current Assets	\$10,004	\$9,965	\$16,313	\$15,292	\$26,317	\$25,257
Capital Assets	59,134	57,882	9,966	9,623	69,100	67,505
Other Noncurrent Assets	978	978	0	0	978	978
Total Assets	<u>70,116</u>	<u>68,825</u>	<u>26,279</u>	<u>24,915</u>	<u>96,395</u>	<u>93,740</u>
Deferred Outflows of Resources	<u>837</u>	<u>258</u>	<u>0</u>	<u>0</u>	<u>837</u>	<u>258</u>
Current Liabilities	1,993	2,062	2,584	2,192	4,577	4,254
Long-term Liabilities	11,542	10,525	1,307	1,198	12,849	11,723
Total Liabilities	<u>13,535</u>	<u>12,587</u>	<u>3,891</u>	<u>3,390</u>	<u>17,426</u>	<u>15,977</u>
Deferred inflows of Resources	<u>207</u>	<u>276</u>	<u>23</u>	<u>31</u>	<u>230</u>	<u>307</u>
Net Investment in Capital Assets	58,257	56,991	9,966	9,623	68,223	66,614
Restricted Net Position	3,114	2,687	5,057	4,825	8,171	7,512
Unrestricted Net Position	(4,161)	(3,459)	7,438	7,075	3,277	3,616
Total Net Position	<u>\$57,210</u>	<u>\$56,219</u>	<u>\$22,461</u>	<u>\$21,523</u>	<u>\$79,671</u>	<u>\$77,742</u>

The largest portion of the City's net position as of August 31, 2016 (86%) reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment and the Street and sidewalks). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Governmental Activities:** Capital assets increased by 2% over 2015. Unrestricted net position increased in 2016 by 15%.



**Business-Type:** Current assets increased by 6%, capital assets increased by 3%, and unrestricted net position increased by 5%.



Restricted net position of the primary government totaling \$8,085,433 are constrained by debt covenants or legal requirements and are not available for day-to-day operations of the City. The remaining balance is unrestricted net position of \$3,276,597 which may be used to meet the City's ongoing obligations to citizens and creditors. The portion of unrestricted net position from business-type activities was \$7,437,846 at the end of the year.

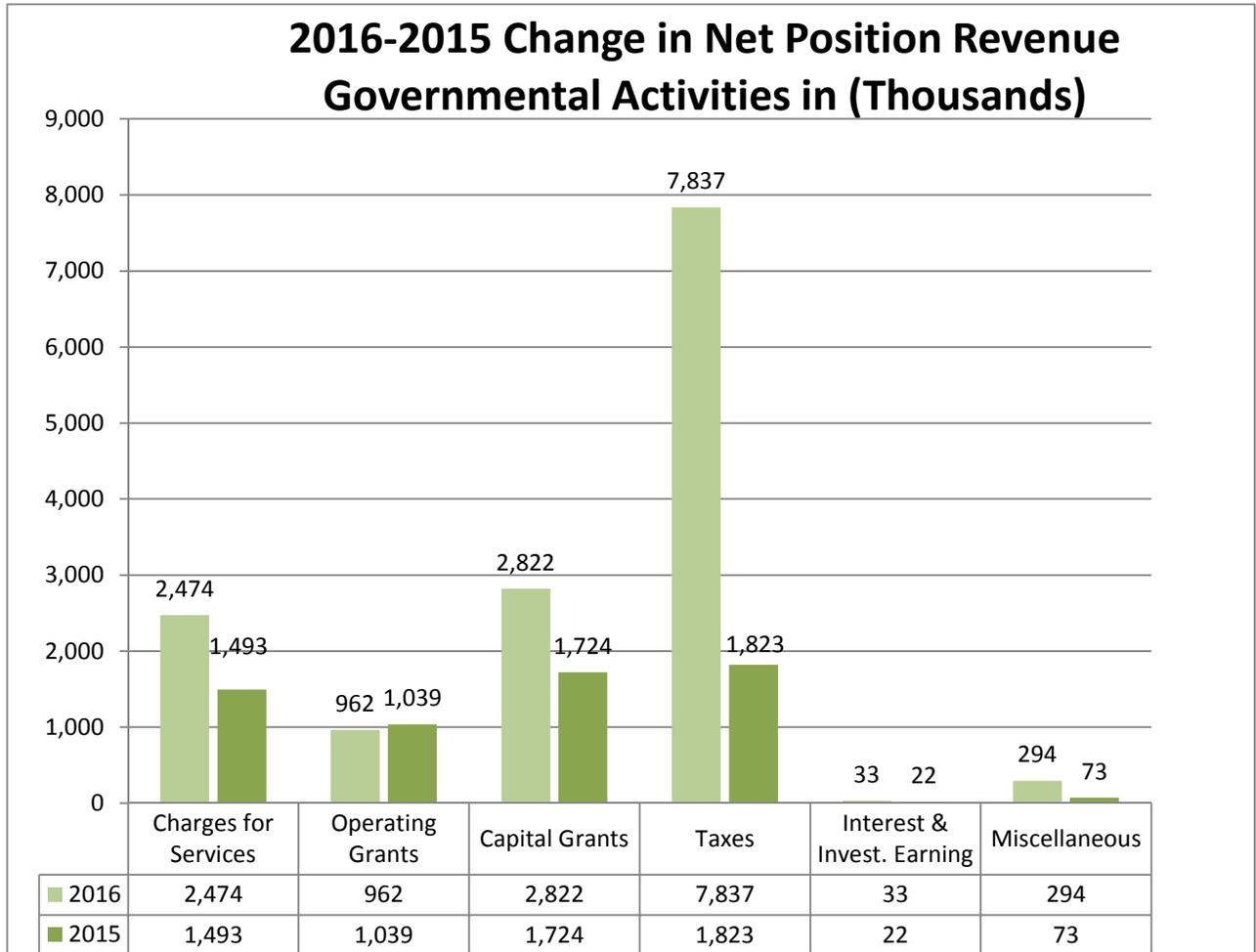
The City's net position increased by \$1,929,673 during the current year. Governmental activities resulted in an increase in net position of \$990,844 while business-type activities resulted in an increase of net position of \$938,829. The following table was derived from the government-wide Statement of Activities and reflects how the City's net position changed during the year.

**City of Norcross**  
**Changes in Net Position for the Years ended August 31, 2016 and 2015**  
(in Thousands)

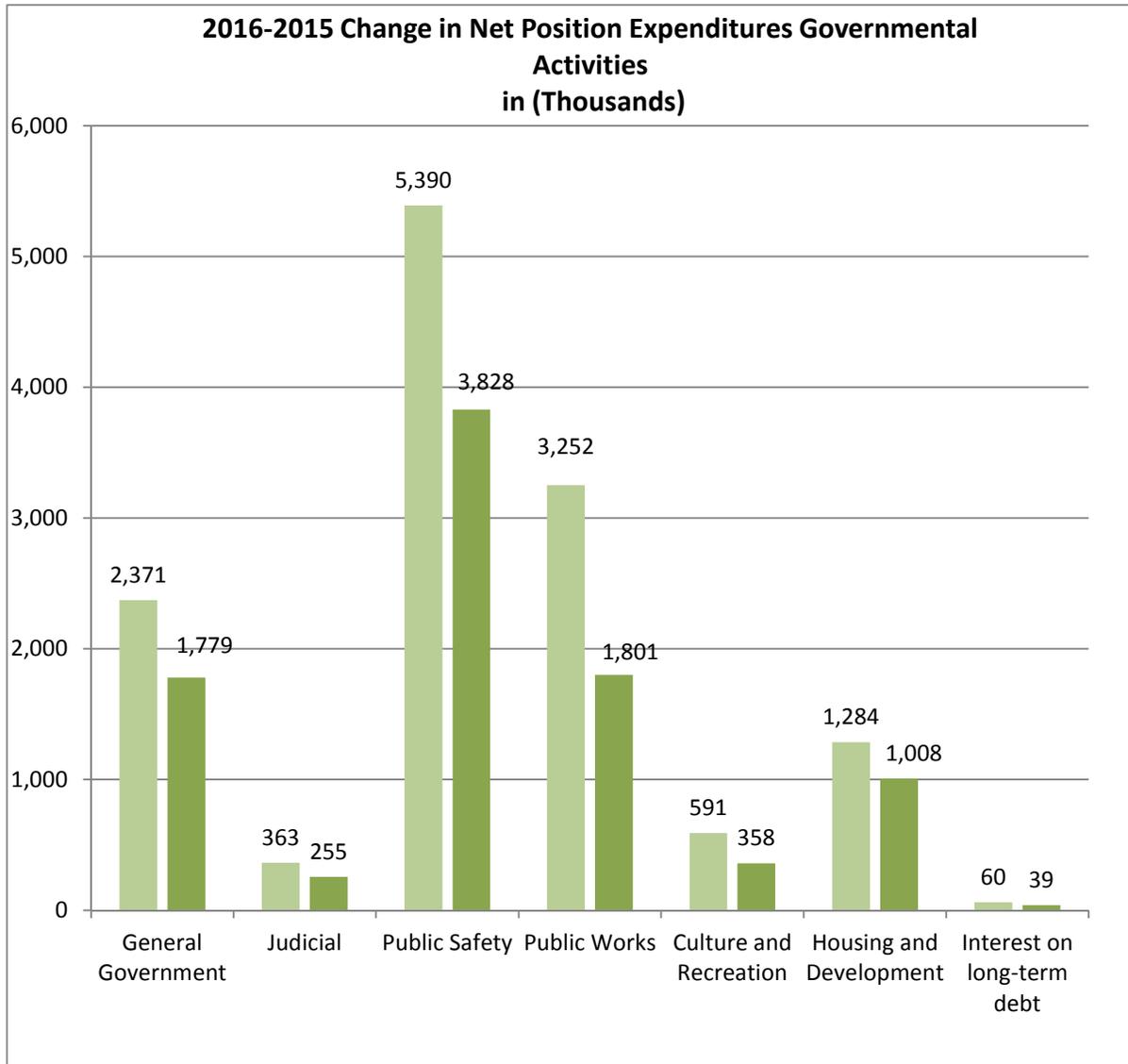
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$2,474	\$1,493	\$15,517	\$11,448	\$17,991	\$12,941
Operating Grants	962	1,039	761	571	1,723	1,610
Capital Grants	2,822	1,724	0	0	2,822	1,724
General Revenues:						
Taxes	7,837	1,823	0	0	7,837	1,823
Interest and Investment Earnings	33	22	275	74	308	96
Payment component	0	0	0	0	0	0
Miscellaneous	294	73	67	13	361	86
<b>Total Revenues</b>	<b>14,422</b>	<b>6,174</b>	<b>16,620</b>	<b>12,106</b>	<b>31,042</b>	<b>18,280</b>
<b>Expenses:</b>						
General Government	2,371	1,779	0	0	2,371	1,779
Judicial	363	255	0	0	363	255
Public Safety	5,390	3,828	0	0	5,390	3,828
Public Works	3,252	1,801	0	0	3,252	1,801
Culture and Recreation	591	358	0	0	591	358
Housing and Development	1,284	1,008	0	0	1,284	1,008
Interest on long-term debt	60	39	0	0	60	39
Electric	0	0	11,827	7,866	11,827	7,866
Solid Waste	0	0	2,814	1,339	2,814	1,339
Storm Water	0	0	542	278	542	278
<b>Total Expenses</b>	<b>13,311</b>	<b>9,068</b>	<b>15,183</b>	<b>9,483</b>	<b>28,494</b>	<b>18,551</b>
<b>Increase in net position before special items and transfers</b>	<b>1,111</b>	<b>(2,894)</b>	<b>1,437</b>	<b>2,623</b>	<b>2,548</b>	<b>(271)</b>
Special item	0	0	0	0	0	0
Transfers	498	0	(498)	0	0	0
<b>Change in Net Position</b>	<b>1,609</b>	<b>(2,894)</b>	<b>939</b>	<b>2,623</b>	<b>2,548</b>	<b>(271)</b>
Net Position- Sept. 1	56,219	61,151	21,522	19,130	77,741	80,281
Prior period adjustments	(618)	(2,038)	0	(231)	(618)	(2,269)
<b>Aug. 31 Net Position</b>	<b>\$57,210</b>	<b>\$56,219</b>	<b>\$22,461</b>	<b>\$21,522</b>	<b>\$79,671</b>	<b>\$77,741</b>

**Governmental Activities.** Governmental Activities increased the City's net position by \$1,609,389. Revenues for the City's governmental activities increased by 134% (\$8,249,297) over 2015. This increase in revenue was the result of an increase in property tax and franchise tax. Expenses are up by 47% over 2015 (\$4,243,885). This increase in expenses was the result of an increase in the General Government, Public Safety and Public Works functions.

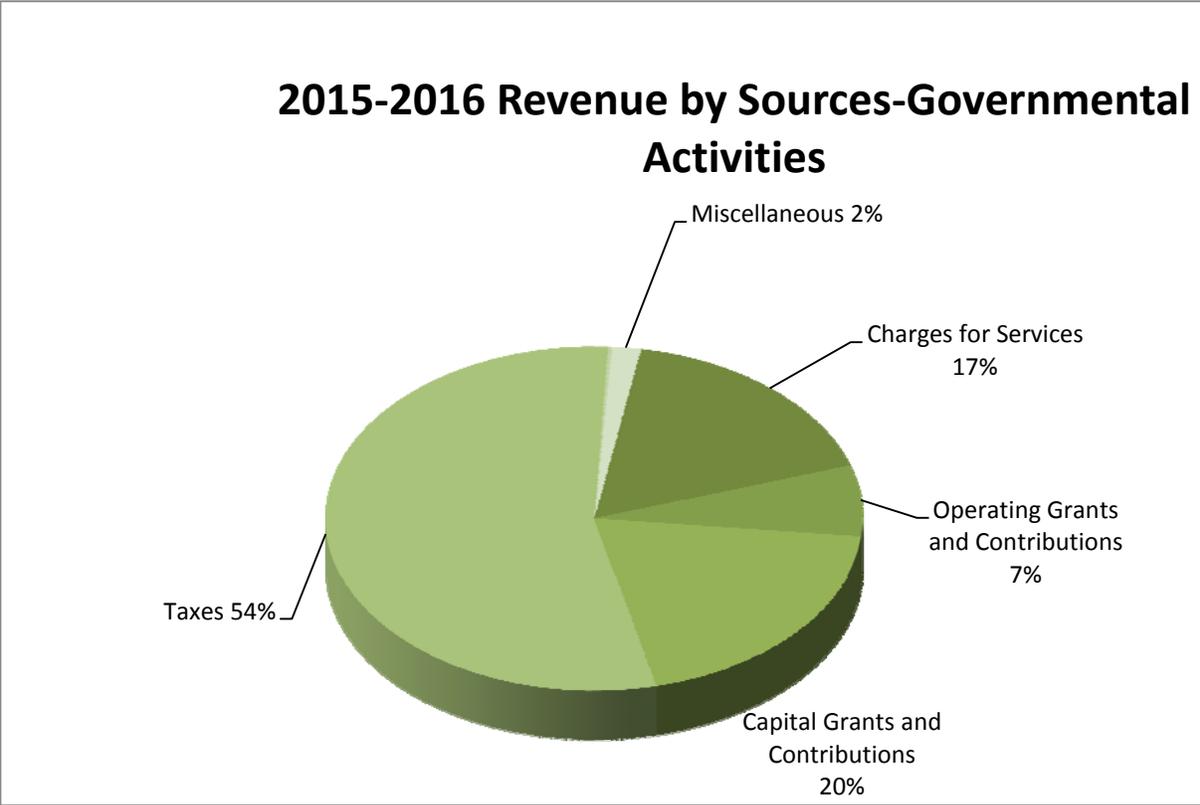
Operating Grants and Contributions decreased 7%, Capital Grants and Contributions increased 64%, Taxes increased 330%, Interest and Investment Earnings increased 54%.



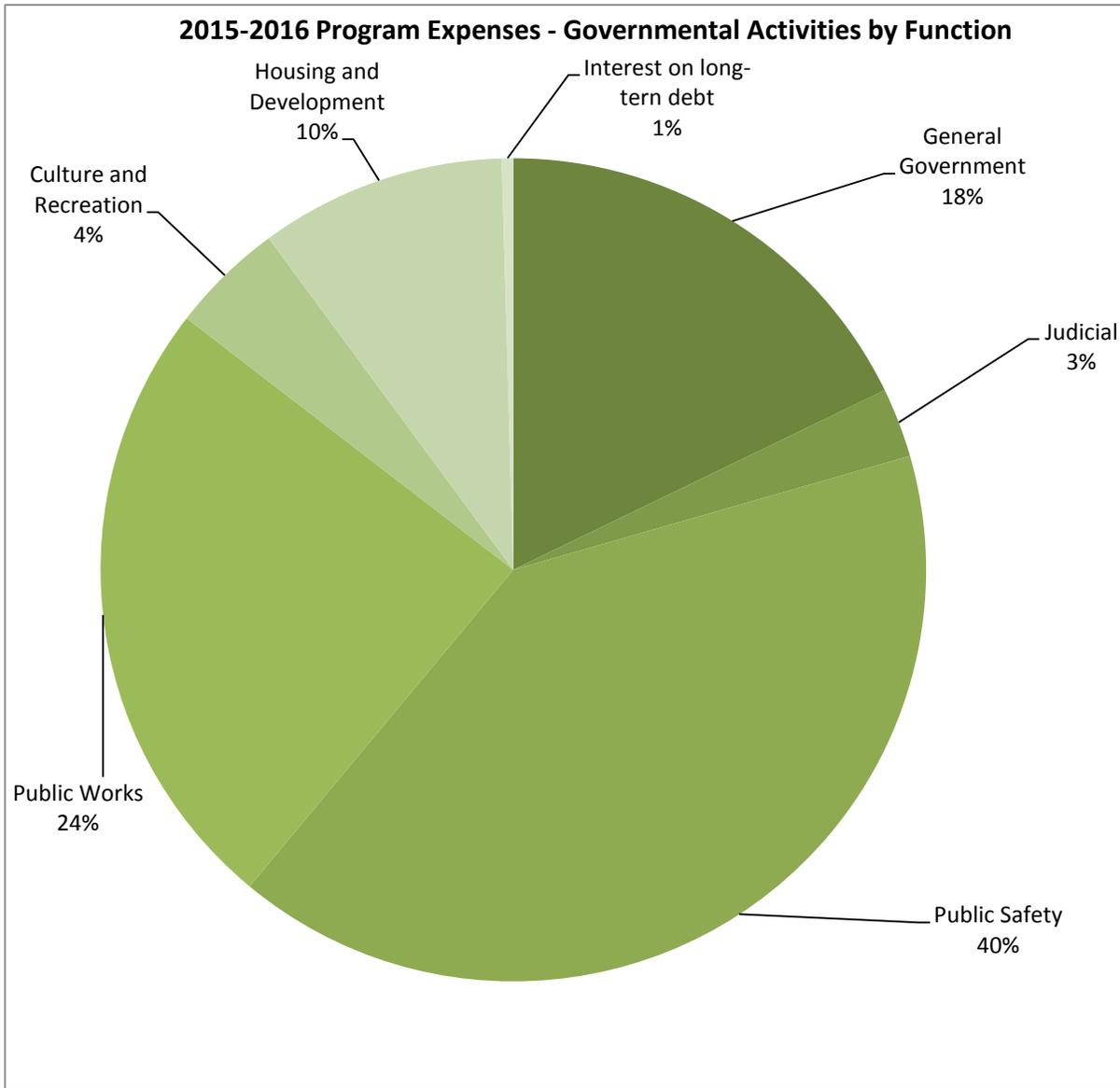
**Governmental Activities:** General Government expenses increased by 33%, Public Safety increased 41%, Judicial increased 42%, Culture and Recreation increased 65%, Public Works increased 81%, Housing and Development increased 27% and Interest on long term debt increased 56%.



Revenue for governmental activities was \$14.4 million. The major revenue sources were taxes (54%), capital grants and contributions (20%), charges for services (17%), operating grants and contributions (7%) and miscellaneous (2%).

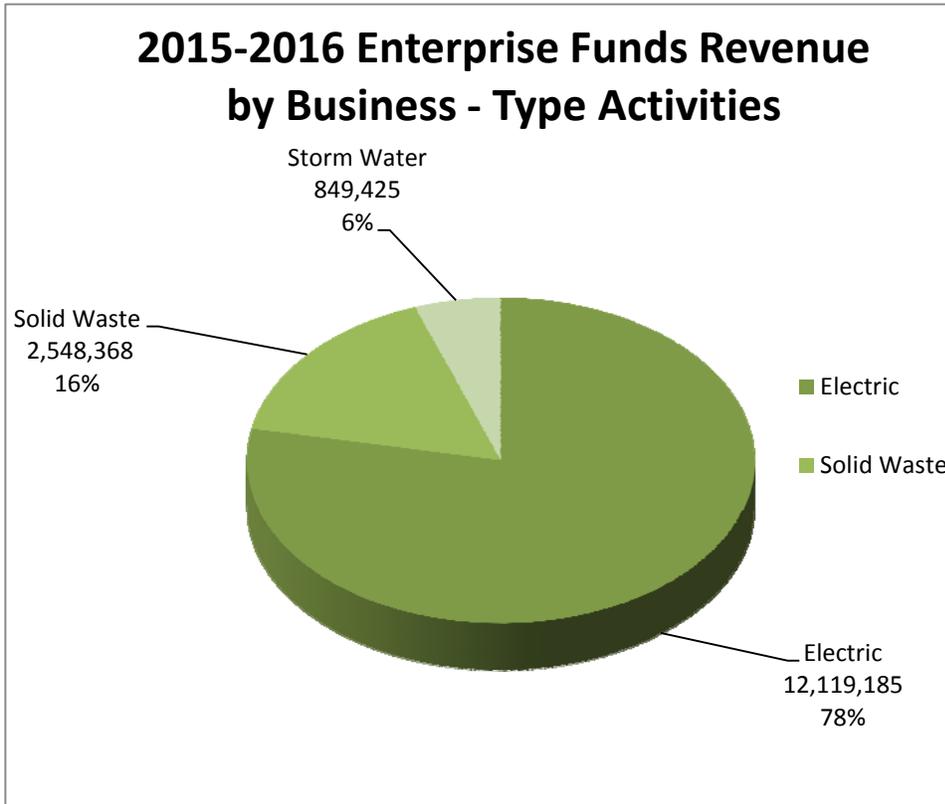


Expenses for the Governmental Activities were \$13.3 million, of which Public Safety accounted for 40%, Public Works 24%, General Government 18%, Housing and Development 10%, Judicial 3%, and Culture and Recreation 4%, interest on long-term debt 1%.

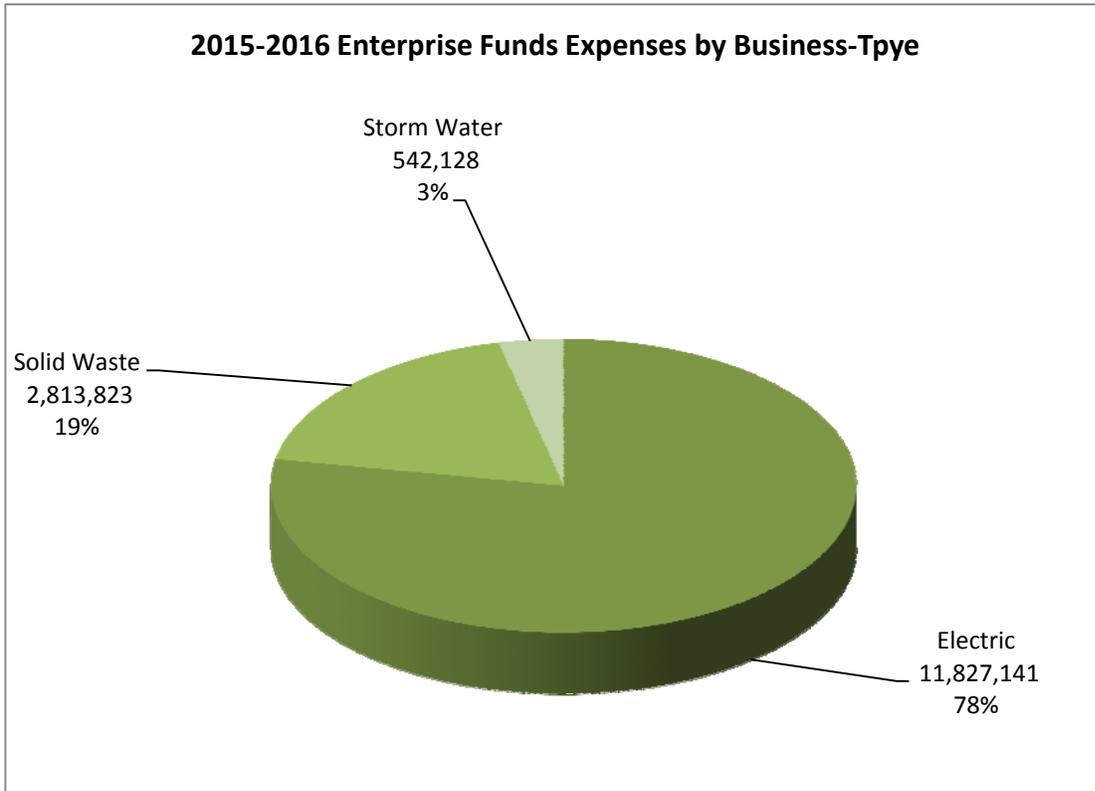


**Business-Type Activities.** Operations of business-type activities increased the City's net position by \$938,829. Key elements of this increase were as follows:

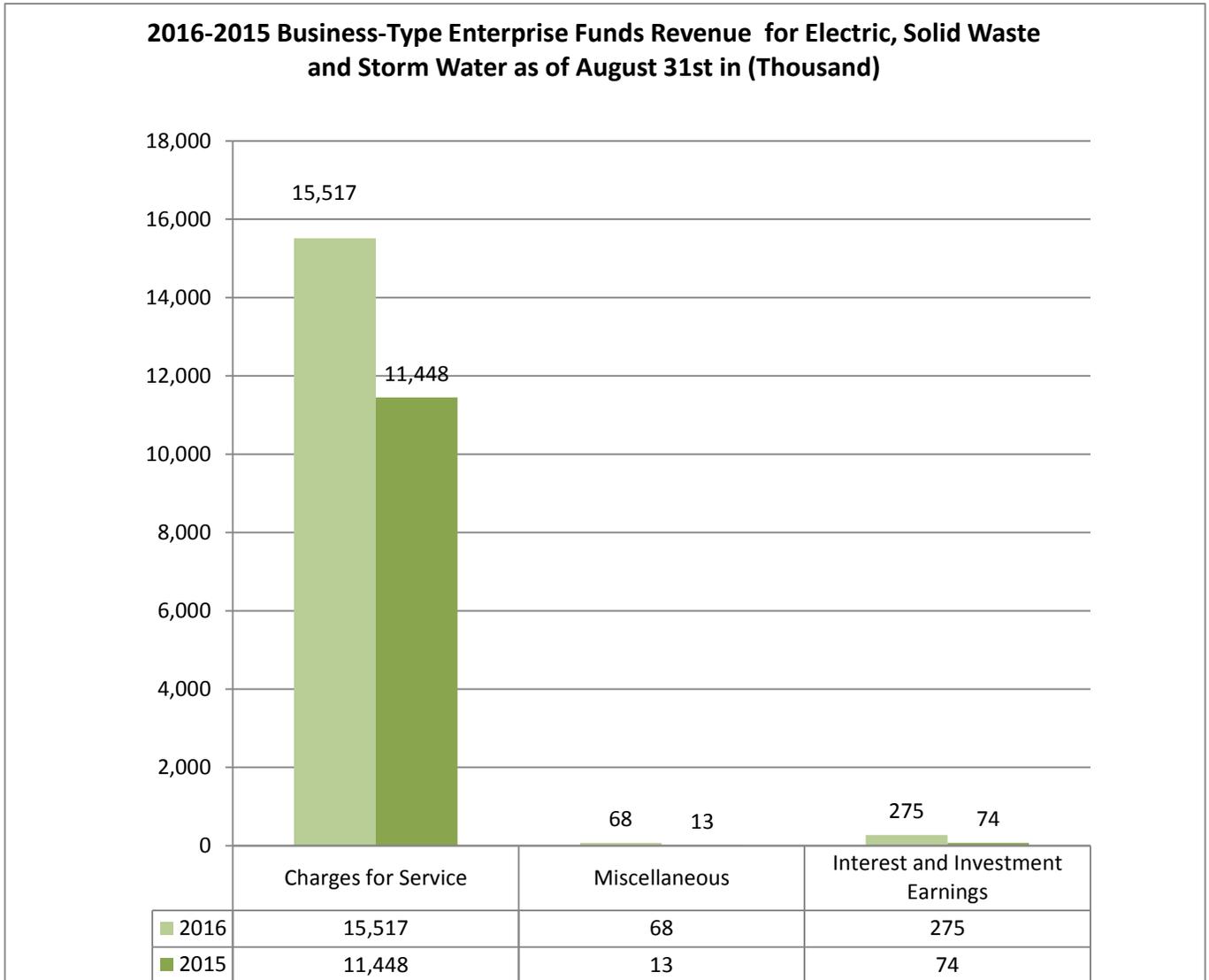
Sales for Business-Type activities were \$15,516,978 an increase of 36% over the prior year sales of \$11,448,070.



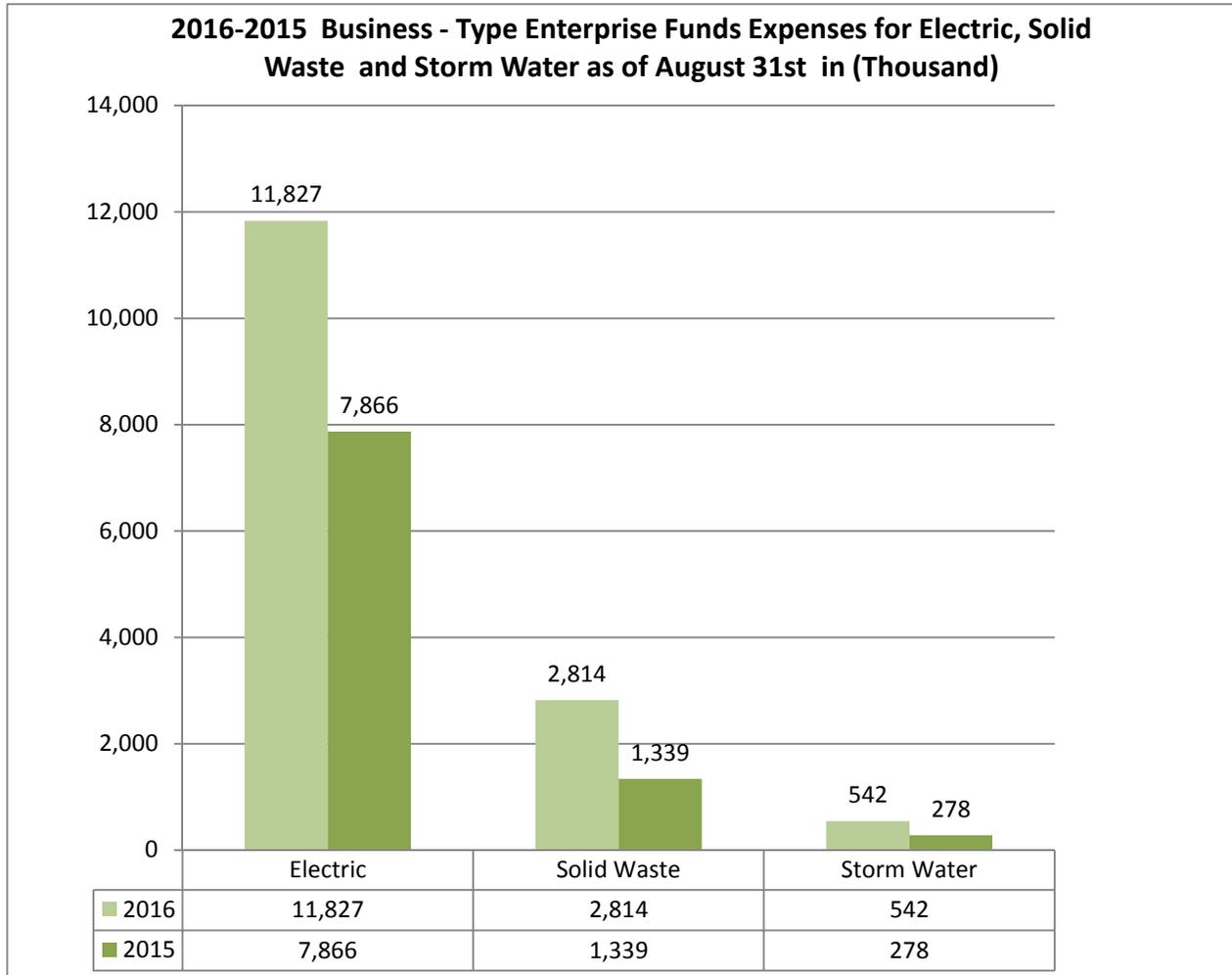
Expenses for the Business-type Activities were \$15.1 million, of which Electric accounted for 78%, Solid Waste 19% and Storm Water 3%.



**Business-Type;** Electric, Storm Water, and Solid Waste charges for services increased 36%, Miscellaneous increased 420% and Interest on Investment Earning increased by 270%



**Business-Type:** Electric increased 50%, Solid Waste increased 110% and Storm Water increased 95%.



The Electric Utility Enterprise Fund net position increased by \$896,987. This was a decrease from 2015 of \$2,157,077 due to the increase in the cost of purchase power.

The Solid Waste Utility Enterprise Fund net position decreased by \$265,455. This is a increase from 2015 of \$249,581 due to the increase in cost of service.

The Storm Water Utility Fund net position increased by \$307,297. This is a increase from 2015 of \$216,999 due to an increase in rates.

Review pages 112-121 (Exhibits G-1 thru G-12) for additional information on Enterprise Funds.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S INDIVIDUAL FUNDS

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

**Governmental funds.** The City uses governmental funds to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The City of Norcross uses nine governmental funds.

At the end of the current year, the City's General Fund reported an ending fund balance of \$5,548,883 a decrease of \$482,387 or (8%) in comparison with the prior year. Approximately 51.8% of this amount (\$2,872,662) constitutes an unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is in a nonspendable form.

As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 25% of total general fund expenditures for the current year.

Key factors in the decrease of the General Fund's fund balance of \$482,387 during the current year are:

- This decrease is due to the increase in issuance of capital leases over 2015
- For 2016, there was a increase in the funds transferred out over 2015

Below is a breakdown of 2016-2015 Revenues and Expenses comparison (12 months vs 8 months):

- 2016-2015 Revenues comparison: Revenues for 2016 are \$10,559,357 and 2015 revenues were \$3,702,758. Revenues increased by \$6,856,599 which is an increase of 185% over 2015.
- 2016-2015 Expenditures comparison: Expenditures for 2016 are \$11,317,590 and 2015 expenditures were \$8,457,645. Expenditures increased by \$2,859,945, a 34% increase over 2015.

Below are several revenue line items that have an increase (decrease) in revenue over 2015 (12 months vs 8 months).

- Tax revenue increased by \$5,741,064 (463%).
- Investment earnings increased by \$11,890 (56%).
- Licenses and permits increased by \$201,427 (78%).
- Fine, fees and forfeitures increased by \$787,027 (83%) over 2015.
- Charges for services increased by \$9,314 (8%).
- Other increased by \$182,356 (268%).

Review pages 90-95 (Exhibits D-1 thru D-4) for additional information on the General Fund.

## SPECIAL REVENUE FUNDS

- Confiscated Assets Fund: The fund balance for 2015 was \$819 and for 2016 is \$306. There was a decrease of \$513, which is an decrease of 63% over 2015.
- Hotel/Motel Tax Fund: The fund balance for 2015 was \$524,010 and for 2016 is \$598,665. This is an increase of \$74,655, which is a 14% increase over 2015.
- Federal Seized Drug Fund: The fund balance for 2015 was \$287,992 and for 2016 is \$292,345. This is an increase of \$4,353, which is a 2% increase over 2015.
- Technology Surcharges Fund: The fund balance for 2015 was \$64,542 and for 2016 is \$85,357. This is an increase of \$20,815 which is a 32% increase over 2015.
- Rental Motor Vehicle Fund: The fund balance for 2015 was \$73,312 and for 2016 is \$182,196. This is an increase of \$108,884 which is a 149% increase over 2015

Review pages 96-105 (Exhibits E-1 thru E-10) for additional information on the Special Revenue Funds.

## CAPITAL PROJECTS FUNDS

The City has two Special Purpose Local Option Sale Tax funds for the purpose of funding capital projects These funds were voted on and approved by the citizens of Norcross by referendum in an election.

- 2009 Special Purpose Local Option Sales Tax Fund: The fund balance for 2015 is \$(91,196) and for 2016 is \$85,844 This is an increase of \$177,040.
- 2014 Special Purpose Local Option Sales Tax Fund: The fund balance for 2015 was \$2,147,085 and for 2016 is \$2,465,778. This is an increase of \$318,693
- Capital Grants: The fund balance for 2015 was \$12,632 and for 2016 is \$2,193. This is a decrease of \$10,439 which is a decrease of 83% over 2015.

Review pages 106-111 (Exhibits F-1 thru F-6) for additional information on the Capital Projects Funds.

## PROPRIETARY FUNDS

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

2016 Net position of the City's four proprietary funds are as follows:

Electric Utility	19,950,122
Solid Waste Utility	854,981
Storm Water Utility	1,656,325

The increase in net position for the funds was \$939,829, which is a 4% increase over 2015. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's Business-type Activities.

Review pages 112-121 (Exhibits G-1 thru G-12) for additional information on the Enterprise Funds.

## COMPONENT UNIT

The Component Unit 2015 Balance Sheet shows fund balance of \$393,973 and 2016 Balance Sheet shows fund balance of \$406,514. This is a increase of \$12,541 which is a increase of 3% over 2015. Review pages 124-125 (Exhibits I-1 thru I-2) for additional information on the Downtown Development Component Unit.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund 2015-2016 adopted budget was \$11,192,928. Final year end budget total was \$11,807,099. Due to the change in the fiscal year from January - December (12 months) to September - August, this is the first full year on the new budget cycle.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

#### **Governmental and Business-Type**

The investment in capital assets for the City's Governmental and Business- type activities as of August 31, 2016, amounted to \$69,100,074 (net of accumulated depreciation), which is a 2% increase from 2015. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and distribution systems for water/sewer, electricity and storm water.

During the year ended August 31, 2016, the City invested \$4,317,144 in new capital assets. Investment for business-type activities totaled \$648,356, while \$3,668,788 was for governmental activities. Major capital asset events during the current year included the following:

Governmental Activities : \$3,668,788

- \$ 0 Purchase of Land
- \$2,369,313 Construction in Progress
- \$ 58,098 Buildings
- \$ 455,834 Infrastructure
- \$ 776,138 Vehicles and equipment
- \$ 9,405 Furniture and Fixtures

Business-type Activities : \$648,356

- \$ 440,762 Construction in Progress
- \$ 106,406 Investment in the electrical, and storm water distribution systems
- \$ 101,188 Vehicles and equipment

More information on capital assets may be found in the Note 9 to the Financial Statements, Exhibit A-12, on pages 59-60 of this report.

### *Debt Administration*

#### *Primary Government:*

At the end of August 31, 2016 the City had a capital lease agreement with Dell with a balance of \$584,843.

### ***Component Unit:***

At the end of the current year, the Downtown Development Authority had outstanding debt. The Downtown Development Authority purchased real property in the original amount of \$57,5000, and as of August 31, 2016 the balance of the note is \$26,787. Monthly installments of principle and interest are due through August 1, 2017, with unpaid interest due September 1, 2017: interest at 3.00%.

Downtown Development Authority entered into an intergovernmental agreement with the City on December 20, 2006 in the amount of \$258,000 for the purchase of 62 College Street (Tea Folk House). On July 22, 2010, a portion of this property was returned to the City and \$165,500 of the original amount was forgiven. As of August 31, 2016 the balance was \$92,500. The balance is due on September 1, 2017: interest at 0.00%.

Downtown Development Authority entered into a lending agreement with the City of Norcross in the amount of \$100,000 on July 22, 2010. The proceeds were then loaned to a local business for renovation improvements. As of August 31, 2016, the balance was \$100,000. The balance is due on September 1, 2017; interest payments are due monthly through September 1, 2017 at the MEAG Municipal Competitive Trust Short-term Portfolio rate of return at quarter end plus 1%;

More information on long-term debt may be found in the Note 13 to the Financial Statements, Exhibit A-12, on pages 64-66 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected officials and management considered many factors when adopting the budget for the year ending August 31, 2017. Budget calculations were based on, but not limited to, the following factors:

- The Storm Water department has been operating for six years, and we are yet faced with the challenge to make sure rates are set to accommodate capital replacement and fund the operation of the department. With an old Storm Water System, there are high dollar projects that need to be done and it will be hard to do with the current rate, so a rate increase was proposed and adopted to cover 5 years.
- SPLOST funds from Gwinnett County are being received at an average monthly rate of \$190,000. These funds are restricted for Roads and Streets, Recreation, Administration Facilities, and Parking Facilities. The challenge at this point is the need to re-adjust projects.
- Tee-Grant and LCI revenues and expenditures will continue to be recognized during 2017.
- The revenue projected is expected to be consistent with 2016 due to the increase in the housing market.
- The biggest challenge for 2017 as in prior years, is to continue to provide excellent customer service to residents by not reducing services or current staff.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Norcross finances for all of its citizens, taxpayers, customers, investors and creditors and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Administrative Services Director, 65 Lawrenceville Street, Norcross GA, 30071.

***BASIC FINANCIAL STATEMENTS***

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF NET POSITION**  
**August 31, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 4,732,670	\$ 145,435	\$ 4,878,105	\$ 132,774
Certificates of deposit	3,466,488	0	3,466,488	0
Investments	0	5,307,945	5,307,945	0
Restricted assets				
Cash and cash equivalents	0	166,129	166,129	0
Investments	0	5,525,013	5,525,013	0
Receivables (net)				
Accounts	379	3,610,215	3,610,594	0
Taxes	411,095	0	411,095	0
Intergovernmental	849,922	0	849,922	0
Notes	0	0	0	10,185
Interest	6,324	0	6,324	0
Internal balances	(683,680)	683,680	0	0
Prepaid items	135,139	52,029	187,168	0
Property held for resale	1,085,766	0	1,085,766	902,900
Inventories	0	822,687	822,687	0
Total current assets	10,004,103	16,313,133	26,317,236	1,045,859
<b>Noncurrent assets</b>				
Notes receivable	977,500	0	977,500	157,896
Capital assets				
Non-depreciable	22,585,451	1,230,783	23,816,234	4,000
Depreciable (net)	36,548,299	8,735,541	45,283,840	110,033
Total noncurrent assets	60,111,250	9,966,324	70,077,574	271,929
<b>Total assets</b>	70,115,353	26,279,457	96,394,810	1,317,788
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to measurement date	331,675	37,824	369,499	0
Pension assumption changes	1,260	142	1,402	0
Pension experience differences	35,673	4,135	39,808	0
Pension investment return differences	468,035	54,257	522,292	0
<b>Total deferred outflows</b>	836,643	96,358	933,001	0
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables				
Accounts	946,489	621,777	1,568,266	2,557
Retainages	9,089	0	9,089	0
Intergovernmental	0	937,745	937,745	7,906
Sales tax	0	94,301	94,301	0
Customer deposits	0	0	0	1,778
Accrued salaries and payroll liabilities	71,189	10,387	81,576	0
Compensated absences	224,406	12,900	237,306	0
Unearned revenue	39,033	272,605	311,638	0
Other liabilities	499,305	0	499,305	0
Notes payable	0	0	0	196,526
Capital lease payable	203,843	0	203,843	0
Liabilities payable from restricted assets				
Customer deposits payable	0	633,884	633,884	0
Total current liabilities	1,993,354	2,583,599	4,576,953	208,767

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF NET POSITION**  
**August 31, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>Noncurrent liabilities</b>				
Net pension liability	\$ 2,466,986	\$ 281,375	\$ 2,748,361	\$ 0
Notes payable	0	0	0	807,761
Capital lease payable	381,000	0	381,000	0
Net OPEB obligation	8,693,823	1,026,102	9,719,925	0
Total noncurrent liabilities	11,541,809	1,307,477	12,849,286	807,761
<b>Total liabilities</b>	13,535,163	3,891,076	17,426,239	1,016,528
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension investment return differences	80,264	9,043	89,307	0
Pension experience differences	126,638	14,268	140,906	0
Total deferred inflows of resources	206,902	23,311	230,213	0
<b>NET POSITION</b>				
Net investment in capital assets	58,257,161	9,966,324	68,223,485	114,033
Restricted for:				
General Government	85,357	0	85,357	0
Public Safety	292,651	0	292,651	0
Public Works	2,193	0	2,193	0
Housing and Development	182,196	0	182,196	0
MEAG generation projects	0	5,057,258	5,057,258	0
Capital projects	2,551,622	0	2,551,622	0
Unrestricted	(4,161,249)	7,437,846	3,276,597	187,227
Total net position	\$ 57,209,931	\$ 22,461,428	\$ 79,671,359	\$ 301,260

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
For the fiscal year ending August 31, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities					
General Government	\$ 2,370,789	\$ 141,398	\$ 0	\$ 0	\$ (2,229,391)
Judicial	362,509	0	0	0	(362,509)
Public Safety	5,389,942	1,933,206	962,100	0	(2,494,636)
Public Works	3,252,250	0	0	2,815,817	(436,433)
Culture and Recreation	591,107	81,655	0	0	(509,452)
Housing and Development	1,284,178	317,408	0	6,129	(960,641)
Interest on long-term debt	60,393	0	0	0	(60,393)
Total governmental activities	<u>13,311,168</u>	<u>2,473,667</u>	<u>962,100</u>	<u>2,821,946</u>	<u>(7,053,455)</u>
Business-type activities					
Electric Utility	11,827,141	12,119,185	761,259	0	1,053,303
Solid Waste	2,813,823	2,548,368	0	0	(265,455)
Storm Water Utility	542,128	849,425	0	0	307,297
Total business-type activities	<u>15,183,092</u>	<u>15,516,978</u>	<u>761,259</u>	<u>0</u>	<u>1,095,145</u>
Total primary government	<u>28,494,260</u>	<u>17,990,645</u>	<u>1,723,359</u>	<u>2,821,946</u>	<u>(5,958,310)</u>
<b>Component Unit</b>					
Downtown Development Authority					
Housing and Development	112,194	0	0	0	(112,194)
<b>Primary Government</b>					
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>	
<b>Change in net assets</b>					
Net (expense) revenue	<u>\$ (7,053,455)</u>	<u>\$ 1,095,145</u>	<u>\$ (5,958,310)</u>	<u>\$ (112,194)</u>	
General revenues					
Taxes					
Property	4,279,425	0	4,279,425	0	
Franchise	1,180,724	0	1,180,724	0	
Intangibles	76,822	0	76,822	0	
Occupational	330,906	0	330,906	0	
Insurance premium	874,333	0	874,333	0	
Alcoholic beverage	272,799	0	272,799	0	
Hotel/Motel	713,150	0	713,150	0	
Other	108,889	0	108,889	0	
Interest and investment earnings	33,411	274,511	307,922	10,237	
Gain on sale of assets	43,382	0	43,382	0	
Miscellaneous	250,552	67,624	318,176	116,127	
Transfers	498,451	(498,451)	0	0	
Total general revenues and transfers	<u>8,662,844</u>	<u>(156,316)</u>	<u>8,506,528</u>	<u>126,364</u>	
Change in net position	<u>1,609,389</u>	<u>938,829</u>	<u>2,548,218</u>	<u>14,170</u>	
Net position - beginning (original)	56,219,087	21,522,599	77,741,686	287,090	
Prior period adjustments	<u>(618,545)</u>	<u>0</u>	<u>(618,545)</u>	<u>0</u>	
Net position - beginning (restated)	<u>55,600,542</u>	<u>21,522,599</u>	<u>77,123,141</u>	<u>287,090</u>	
Net position - ending	<u>\$ 57,209,931</u>	<u>\$ 22,461,428</u>	<u>\$ 79,671,359</u>	<u>\$ 301,260</u>	

**CITY OF NORCROSS, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**August 31, 2016**

	General	2009 SPLOST	2014 SPLOST	Grants	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,560,672	\$ 84,666	\$ 2,329,275	\$ 72,709	\$ 685,348	\$ 4,732,670
Certificates of deposit	3,466,488	0	0	0	0	3,466,488
Receivables (net)						
Accounts	379	0	0	0	0	379
Taxes	252,367	0	0	0	158,728	411,095
Intergovernmental	29,672	0	816,715	3,535	0	849,922
Notes	977,500	0	0	0	0	977,500
Interest	6,324	0	0	0	0	6,324
Prepaid items	135,139	0	0	0	0	135,139
Due from other funds	578,748	1,178	3,535	0	424,110	1,007,571
Property held for resale	1,085,766	0	0	0	0	1,085,766
<b>Total assets</b>	<b>\$ 8,093,055</b>	<b>\$ 85,844</b>	<b>\$ 3,149,525</b>	<b>\$ 76,244</b>	<b>\$ 1,268,186</b>	<b>\$ 12,672,854</b>
<b>LIABILITIES</b>						
Payables						
Accounts	\$ 242,359	\$ 0	\$ 674,658	\$ 0	\$ 29,472	\$ 946,489
Retainages	0	0	9,089	0	0	9,089
Accrued salaries and payroll liabilities	71,189	0	0	0	0	71,189
Unearned revenue	39,033	0	0	0	0	39,033
Due to other funds	1,606,451	0	0	74,051	10,749	1,691,251
Other liabilities	430,209	0	0	0	69,096	499,305
<b>Total liabilities</b>	<b>2,389,241</b>	<b>0</b>	<b>683,747</b>	<b>74,051</b>	<b>109,317</b>	<b>3,256,356</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue- property taxes	154,931	0	0	0	0	154,931
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid items	135,139	0	0	0	0	135,139
Notes receivable	977,500	0	0	0	0	977,500
Property held for resale	1,085,766	0	0	0	0	1,085,766
Restricted for:						
General Government	0	0	0	0	85,357	85,357
Public Safety	0	0	0	0	292,651	292,651
Public Works	0	0	0	2,193	0	2,193
Housing and Development	0	0	0	0	182,196	182,196
Capital outlay	0	85,844	2,465,778	0	0	2,551,622
Assigned for:						
Housing and Development	0	0	0	0	598,665	598,665
Budget	477,816	0	0	0	0	477,816
Unassigned	2,872,662	0	0	0	0	2,872,662
<b>Total fund balances</b>	<b>5,548,883</b>	<b>85,844</b>	<b>2,465,778</b>	<b>2,193</b>	<b>1,158,869</b>	<b>9,261,567</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 8,093,055</b>	<b>\$ 85,844</b>	<b>\$ 3,149,525</b>	<b>\$ 76,244</b>	<b>\$ 1,268,186</b>	<b>\$ 12,672,854</b>

**CITY OF NORCROSS, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**August 31, 2016**

**Total fund balance - total governmental funds** \$ 9,261,567

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

Some assets are not financial resources and, therefore, are not reported in the funds.

These are:

Capital assets, net of accumulated depreciation 59,133,750

Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds.

These are:

Property taxes 154,931

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

These are:

Capital leases	\$ (584,843)	
Compensated absences	(224,406)	
Net pension liability	(2,466,986)	
Net OPEB obligations	<u>(8,693,823)</u>	(11,970,058)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

These are:

Deferred outflows of resources:

Pension contributions subsequent to measurement date	331,675	
Pension assumption changes	1,260	
Pension experience differences	35,673	
Pension investment return differences	468,035	

Deferred inflows of resources:

Pension investment return differences	(80,264)	
Pension experience differences	<u>(126,638)</u>	<u>629,741</u>

Net position of governmental activities \$ 57,209,931

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the fiscal year ending August 31, 2016**

	General	2009 SPLOST	2014 SPLOST	Grants	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>						
Taxes	\$ 6,981,151	\$ 0	\$ 0	\$ 0	\$ 822,034	\$ 7,803,185
Licenses and permits	458,485	0	0	0	0	458,485
Fines, fees and forfeitures	1,740,782	0	0	0	141,201	1,881,983
Charges for services	133,198	0	0	0	0	133,198
Intergovernmental	962,100	0	2,793,125	27,843	0	3,783,068
Interest	33,290	42	938	0	121	34,391
Other	250,351	0	0	0	201	250,552
<b>Total revenues</b>	<b>10,559,357</b>	<b>42</b>	<b>2,794,063</b>	<b>27,843</b>	<b>963,557</b>	<b>14,344,862</b>
<b>EXPENDITURES</b>						
Current						
General Government	2,029,914	0	0	0	79,813	2,109,727
Judicial	324,980	0	0	0	0	324,980
Public Safety	5,454,403	0	0	0	37,055	5,491,458
Public Works	1,994,555	0	0	2,828	0	1,997,383
Culture and Recreation	581,549	0	0	0	0	581,549
Housing and Development	699,148	0	0	0	638,495	1,337,643
Capital outlay	0	375,283	2,478,905	49,896	0	2,904,084
Debt service	233,041	0	0	0	0	233,041
<b>Total expenditures</b>	<b>11,317,590</b>	<b>375,283</b>	<b>2,478,905</b>	<b>52,724</b>	<b>755,363</b>	<b>14,979,865</b>
Excess (deficiency) of revenues over (under) expenditures	(758,233)	(375,241)	315,158	(24,881)	208,194	(635,003)
Other financing sources (uses)						
Transfers in	228,451	552,281	3,535	19,156	0	803,423
Transfers out	(300,258)	0	0	(4,714)	0	(304,972)
Issuance of capital leases	304,271	0	0	0	0	304,271
Sale of capital assets	43,382	0	0	0	0	43,382
<b>Total other financing sources (uses)</b>	<b>275,846</b>	<b>552,281</b>	<b>3,535</b>	<b>14,442</b>	<b>0</b>	<b>846,104</b>
Net change in fund balance	(482,387)	177,040	318,693	(10,439)	208,194	211,101
Fund balances, September 1	6,031,270	(91,196)	2,147,085	12,632	950,675	9,050,466
<b>Fund balances, August 31</b>	<b>\$ 5,548,883</b>	<b>\$ 85,844</b>	<b>\$ 2,465,778</b>	<b>\$ 2,193</b>	<b>\$ 1,158,869</b>	<b>\$ 9,261,567</b>

**CITY OF NORCROSS, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the fiscal year ending August 31, 2016**

**Net change in fund balances - total governmental funds** \$ 211,101

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 3,668,788	
Depreciation	<u>(1,798,310)</u>	1,870,478

In the statement of activities, the gain/loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources.

Cost of disposed assets	(74,188)	
Related accumulated depreciation	<u>74,188</u>	0

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred inflows. 33,859

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	1,029,505	
Cost of benefits earned net of employee contributions	<u>(962,259)</u>	67,246

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In addition, interest on long-term debt is not recognized in the governmental funds until due, but is recognized in the statement of activities as it accrues.

Capital lease payments	172,648	
Proceeds from capital leases	<u>(304,271)</u>	(131,623)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Compensated absences	(24,363)	
Net OPEB obligations	<u>(417,309)</u>	<u>(441,672)</u>

Change in net position of governmental activities		<u><u>\$ 1,609,389</u></u>
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**CITY OF NORCROSS, GEORGIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

	Budget		Actual	Variance with
	Original	Final		Final
<b>REVENUES</b>				<b>Budget</b>
Taxes	\$ 6,871,000	\$ 6,871,000	\$ 6,981,151	\$ 110,151
Licenses and permits	512,800	512,800	458,485	(54,315)
Fines, fees and forfeitures	1,530,000	1,530,000	1,740,782	210,782
Charges for services	131,650	131,650	133,198	1,548
Intergovernmental	1,232,137	1,335,844	962,100	(373,744)
Interest	12,000	12,000	33,290	21,290
Other	137,000	137,000	250,351	113,351
<b>Total revenues</b>	<b>10,426,587</b>	<b>10,530,294</b>	<b>10,559,357</b>	<b>29,063</b>
<b>EXPENDITURES</b>				
Current				
General Government				
Governing Body	298,306	473,277	462,793	10,484
Administration	399,612	391,093	389,181	1,912
City Clerk	129,411	125,381	122,433	2,948
Chief Executive	88,562	104,617	99,366	5,251
Information Technology	971,735	1,024,375	872,414	151,961
Human Resources	116,680	116,680	83,727	32,953
Judicial				
Municipal Court	388,023	335,383	324,980	10,403
Public Safety				
Police	4,484,704	4,657,697	4,536,946	120,751
E911 Communications	1,005,044	970,943	917,457	53,486
Public Works				
Public Works Administration	1,811,909	2,083,484	1,994,555	88,929
Culture and Recreation				
Parks and Recreation	392,808	582,873	581,549	1,324
Housing and Development				
Community Development	732,837	687,437	520,764	166,673
Economic Development	209,137	209,137	178,384	30,753
Debt Service				
General Government	0	0	145,769	(145,769)
Public Safety	0	0	87,272	(87,272)
<b>Total expenditures</b>	<b>11,028,768</b>	<b>11,762,377</b>	<b>11,317,590</b>	<b>444,787</b>
Excess (deficiency) of revenues over (under) expenditures	(602,181)	(1,232,083)	(758,233)	473,850
Other financing sources (uses)				
Transfers in	529,795	529,795	228,451	(301,344)
Transfers out	0	0	(300,258)	(300,258)
Issuance of capital leases	0	0	304,271	304,271
Sale of capital asses	0	0	43,382	43,382
Contingency	(164,160)	(44,722)	0	44,722
<b>Total other financing sources (uses)</b>	<b>365,635</b>	<b>485,073</b>	<b>275,846</b>	<b>(209,227)</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(236,546)	(747,010)	(482,387)	264,623
Fund balances, September 1	236,546	747,010	6,031,270	5,284,260
<b>Fund balances, August 31</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,548,883</b>	<b>\$ 5,548,883</b>

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**August 31, 2016**

	Business Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 0	\$ 0	\$ 145,435	\$ 145,435
Investments	5,307,945	0	0	5,307,945
Restricted assets				
Cash and cash equivalents	0	166,129	0	166,129
Investments	5,525,013	0	0	5,525,013
Accounts receivable (net)	2,608,541	358,828	642,846	3,610,215
Prepaid items	49,212	0	2,817	52,029
Due from other funds	0	1,107,624	614,499	1,722,123
Inventories	822,687	0	0	822,687
<b>Total current assets</b>	<b>14,313,398</b>	<b>1,632,581</b>	<b>1,405,597</b>	<b>17,351,576</b>
<b>Noncurrent assets</b>				
Capital assets				
Non-depreciable	1,230,783	0	0	1,230,783
Depreciable (net)	7,955,617	0	779,924	8,735,541
<b>Total noncurrent assets</b>	<b>9,186,400</b>	<b>0</b>	<b>779,924</b>	<b>9,966,324</b>
<b>Total assets</b>	<b>23,499,798</b>	<b>1,632,581</b>	<b>2,185,521</b>	<b>27,317,900</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to measurement date	25,986	0	11,838	37,824
Pension assumption changes	105	0	37	142
Pension experience differences	2,553	0	1,582	4,135
Pension investment return differences	33,500	0	20,757	54,257
<b>Total deferred outflows</b>	<b>62,144</b>	<b>0</b>	<b>34,214</b>	<b>96,358</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables				
Accounts	88,812	425,765	107,200	621,777
Intergovernmental	937,745	0	0	937,745
Sales tax	94,301	0	0	94,301
Accrued salaries and payroll liabilities	8,448	0	1,939	10,387
Compensated absences	9,334	0	3,566	12,900
Unearned revenue	86,899	185,706	0	272,605
Due to other funds	1,038,443	0	0	1,038,443
Liabilities payable from restricted assets				
Customer deposits payable	467,755	166,129	0	633,884
<b>Total current liabilities</b>	<b>2,731,737</b>	<b>777,600</b>	<b>112,705</b>	<b>3,622,042</b>
<b>Noncurrent liabilities</b>				
Net pension liability	193,122	0	88,253	281,375
Net OPEB obligation	669,734	0	356,368	1,026,102
<b>Total noncurrent liabilities</b>	<b>862,856</b>	<b>0</b>	<b>444,621</b>	<b>1,307,477</b>
<b>Total liabilities</b>	<b>3,594,593</b>	<b>777,600</b>	<b>557,326</b>	<b>4,929,519</b>

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**August 31, 2016**

	<u>Business Type</u>			<u>Totals</u>
	<u>Electric Utility</u>	<u>Solid Waste</u>	<u>Storm Water Utility</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension investment return differences	\$ 6,683	\$ 0	\$ 2,360	\$ 9,043
Pension experience differences	10,544	0	3,724	14,268
<b>Total deferred inflows of resources</b>	<u>17,227</u>	<u>0</u>	<u>6,084</u>	<u>23,311</u>
<b>NET POSITON</b>				
Investment in capital assets	9,186,400	0	779,924	9,966,324
Restricted for:				
MEAG generation projects	5,057,258	0	0	5,057,258
Unrestricted	<u>5,706,464</u>	<u>854,981</u>	<u>876,401</u>	<u>7,437,846</u>
<b>Total net position</b>	<u>\$ 19,950,122</u>	<u>\$ 854,981</u>	<u>\$ 1,656,325</u>	<u>\$ 22,461,428</u>

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the fiscal year ending August 31, 2016**

	<b>Business-Type</b>			<b>Totals</b>
	<b>Electric Utility</b>	<b>Solid Waste</b>	<b>Storm Water Utility</b>	
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 12,119,185	\$ 2,548,368	\$ 849,425	\$ 15,516,978
Other	67,624	0	0	67,624
<b>Total operating revenues</b>	<b>12,186,809</b>	<b>2,548,368</b>	<b>849,425</b>	<b>15,584,602</b>
<b>OPERATING EXPENSES</b>				
Costs of sales and services	10,681,138	2,703,327	204,307	13,588,772
Personal services	859,432	110,496	319,224	1,289,152
Depreciation	286,571	0	18,597	305,168
<b>Total operating expenses</b>	<b>11,827,141</b>	<b>2,813,823</b>	<b>542,128</b>	<b>15,183,092</b>
Operating income (loss)	359,668	(265,455)	307,297	401,510
Non-operating revenues (expenses)				
Investment revenue	274,511	0	0	274,511
Intergovernmental	761,259	0	0	761,259
<b>Total non-operating revenues (expenses)</b>	<b>1,035,770</b>	<b>0</b>	<b>0</b>	<b>1,035,770</b>
Net income (loss) before transfers	1,395,438	(265,455)	307,297	1,437,280
Transfers in (out)				
Transfers out	(498,451)	0	0	(498,451)
Change in net position	896,987	(265,455)	307,297	938,829
Net position, September 1	19,053,135	1,120,436	1,349,028	21,522,599
<b>Net position, August 31</b>	<b>\$ 19,950,122</b>	<b>\$ 854,981</b>	<b>\$ 1,656,325</b>	<b>\$ 22,461,428</b>

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the fiscal year ending August 31, 2016

	<b>Business-Type</b>			<b>Totals</b>
	<b>Electric Utility</b>	<b>Solid Waste</b>	<b>Storm Water Utility</b>	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 12,366,820	\$ 2,734,696	\$ 811,308	\$ 15,912,824
Payments to suppliers	(10,692,799)	(2,480,686)	(209,537)	(13,383,022)
Payments to employees	(834,137)	(110,496)	(311,198)	(1,255,831)
Other receipts	67,624	0	0	67,624
Net cash provided (used) by operating activities	<u>907,508</u>	<u>143,514</u>	<u>290,573</u>	<u>1,341,595</u>
<b>Cash flows from non-capital financing activities:</b>				
Receipts from other funds	152,428	0	0	152,428
Payments to other funds	0	(342,020)	(148,895)	(490,915)
Receipts from other governments	761,259	0	0	761,259
Net cash provided (used) by non-capital financing activities	<u>913,687</u>	<u>(342,020)</u>	<u>(148,895)</u>	<u>422,772</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(443,285)	0	(98,666)	(541,951)
<b>Cash flows from investing activities:</b>				
Interest received	274,511	0	0	274,511
Purchase of investments	(1,652,421)	0	0	(1,652,421)
Net cash provided (used) by investing activities	<u>(1,377,910)</u>	<u>0</u>	<u>0</u>	<u>(1,377,910)</u>
Net increase (decrease) in cash and cash equivalents	0	(198,506)	43,012	(155,494)
Cash and cash equivalents, September 1	<u>0</u>	<u>364,635</u>	<u>102,423</u>	<u>467,058</u>
<b>Cash and cash equivalents, August 31</b>	<u><u>\$ 0</u></u>	<u><u>\$ 166,129</u></u>	<u><u>\$ 145,435</u></u>	<u><u>\$ 311,564</u></u>

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the fiscal year ending August 31, 2016

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 359,668	\$ (265,455)	\$ 307,297	\$ 401,510
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	286,571	0	18,597	305,168
(Increase) decrease in accounts receivable	228,896	21,747	(38,117)	212,526
(Increase) decrease in prepaid items	46,023	0	(317)	45,706
(Increase) decrease in inventories	57,496	0	0	57,496
(Increase) decrease in pension contributions subsequent to measurement date	(5,411)	0	(3,353)	(8,764)
(Increase) decrease in pension experience differences	(2,553)	0	(1,582)	(4,135)
(Increase) decrease in pension investment return differences	(33,500)	0	(20,757)	(54,257)
(Increase) decrease in pension assumption differences	30	0	19	49
Increase (decrease) in accounts payable	(165,912)	222,641	(4,913)	51,816
Increase (decrease) in intergovernmental payables	50,732	0	0	50,732
Increase (decrease) in sales tax payable	2,479	0	0	2,479
Increase (decrease) in unearned revenue	(5,306)	136,866	0	131,560
Increase (decrease) in deposits payable	21,566	27,715	0	49,281
Increase (decrease) in net OPEB obligation	30,628	0	11,486	42,114
Increase (decrease) in accrued payroll liabilities	(519)	0	(478)	(997)
Increase (decrease) in pension investment return differences	(1,909)	0	(1,183)	(3,092)
Increase (decrease) in pension experience differences	(3,013)	0	(1,867)	(4,880)
Increase (decrease) in net pension liability	41,542	0	25,741	67,283
Total adjustments	547,840	408,969	(16,724)	940,085
Net cash provided (used) by operating activities	\$ 907,508	\$ 143,514	\$ 290,573	\$ 1,341,595
<b>Cash and cash equivalents reconciliation:</b>				
Cash and cash equivalents	\$ 0	\$ 0	\$ 145,435	\$ 145,435
Restricted assets	0	166,129	0	166,129
Total cash and cash equivalents	\$ 0	\$ 166,129	\$ 145,435	\$ 311,564

**Noncash capital and related financing activities:**

Acquisition of capital assets through accounts payable totaled \$106,405 for the fiscal year ended August 31, 2016.

**CITY OF NORCROSS, GEORGIA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**August 31, 2016**

	<u>Municipal Court Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 231,220</u>
<b>LIABILITIES</b>	
Due to other agencies	<u>\$ 231,220</u>

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**1. Description of Government Unit**

The City of Norcross was established in 1870. The City operates under a council/mayor and city manager form of government and provides the following services: public safety, highways and streets, culture and recreation, public improvements and general and administrative services. In addition, the City operates public utilities for water and sewerage, and electric, as well as sanitation and storm water for the incorporated and immediate surrounding areas.

The City is governed by an elected mayor and five-member council.

**2. Summary of Significant Accounting Policies**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**B. Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Norcross (the primary government) and material component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the financial statements of the following component unit have been included as discretely presented component unit.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**B. Reporting Entity, continued**

**City of Norcross Downtown Development Authority**

The City of Norcross Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the City Council and an executive director. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Norcross. In many respects, the Authority functions similar to a City department through regular participation in department director meetings, budget approval, accounting, payroll, etc.

The City of Norcross Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the City. Individual financial statements are presented as part of the City's Annual Financial Report in the section labeled "Component Unit" (See Exhibit H). The City of Norcross Downtown Development Authority has an August 31<sup>st</sup> year-end. Individual financial statements may be obtained by contacting the City of Norcross Downtown Development Authority, 65 Lawrenceville Street, Norcross, GA 30071.

**Norcross Development Authority**

The Norcross Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the City Council. The Development Authority provides for the development and promotion of trade, commerce, industry, and employment opportunities in the City of Norcross. There was no activity for the Development Authority for the year ending August 31, 2016.

**C. Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**C. Basis of Presentation – Government-wide Financial Statements, continued**

As discussed earlier, the government has one discretely presented component unit. While the Downtown Development Authority is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

**2009 Special Purpose Local Option Sales Tax Capital Projects Fund** - This fund is used to account for long-term projects financed by the passage of a special purpose local option sales tax.

**2014 Special Purpose Local Option Sales Tax Capital Projects Fund** - This fund is used to account for long-term projects financed by the passage of a special purpose local option sales tax.

**Grants Capital Projects Fund** - This fund is used to account for capital grants used finance major capital projects.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**D. Basis of Presentation – Fund Financial Statements, continued**

The City reports the following major proprietary funds:

***Electric Utility Fund*** – This fund is used to account for activities connected with the development, operation and maintenance of electric services in the City of Norcross.

***Solid Waste Fund*** – This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Norcross.

***Storm Water Utility Fund*** – This fund is used to account for activities connected with the development, operation and maintenance of storm water services in the City of Norcross.

Additionally, the City reports the following fund types:

**Governmental Fund Types**

***Special Revenue Funds*** – These funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditures for specific purposes.

***Capital Projects Funds*** – These funds are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by the proprietary funds).

**Fiduciary Fund Types**

***Agency Funds*** - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. The City has the Municipal Court Agency Fund.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**D. Basis of Presentation – Fund Financial Statements, continued**

**Component Units**

The Norcross Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**E. Measurement Focus and Basis of Accounting, continued**

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**E. Measurement Focus and Basis of Accounting, continued**

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**F. Revenues and Expenditures/Expenses**

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer and Solid Waste Funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**G. Budgets and Budgetary Accounting**

The City Council adopts an annual budget for all governmental fund types, prior to August 31, except for the Capital Project Funds. The Capital Projects Funds are budgeted by the City Council when capital projects are approved. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of a resolution.

The City did not adopt a budget for the newly created Rental Motor Vehicle Excise Tax Special Revenue Fund.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**G. Budgets and Budgetary Accounting, continued**

At the beginning of May each year, the departments submit their budget requests to the Administrative Services Director. Meetings are held between the Administrative Services Director and department heads in to review the proposed budget. The Administrative Services Director then submits the proposed budget to the City Council by June 1.

During July and August, the Mayor and Council conduct public hearings to discuss the proposed budget and to obtain input from the citizens of the City of Norcross. These hearings are publicized in the local newspaper at least two weeks before each hearing. The final proposed budget is then adopted by the City Council on or before August 31 during a regular Council meeting, which is also open to the public.

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level. Changes may be made within an operating budget by departmental request, which must be approved by the City Council. All operating budget transfers between departments and all changes to Capital Projects budgets must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control, which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year-end. The City does not use the encumbrance system of accounting. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of August 31, 2016.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**H. Cash and Investments**

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The City reports investments using net asset value (NAV) when NAV is calculated in a manner consistent with fair value measurement guidelines, fair value is not readily determinable, and it is not probable for the investment to be sold at an amount other than NAV.

**I. Intergovernmental Receivables**

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

**J. Inventories**

Inventories of the Water and Sewer Utility and Electric Utility Enterprise Funds are valued at cost on the average cost method. The cost of these inventories is recorded as an expense when consumed rather than when purchased.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond August 31, 2016 are recorded as prepaid items. The cost of the prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

**L. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the beginning of 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are among the largest asset class of the City. Neither their historical costs nor related depreciation have historically been reported in the financial statements. The City implemented the requirements for retroactive reporting of major general infrastructure assets in the year ended December 31, 2007. The City elected to report general infrastructure assets placed into service prior to July 1, 1980.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**L. Capital Assets, continued**

Land and construction-in-progress are not depreciated. The other property, plant equipment, and infrastructure of the primary government are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	<b>Useful Life</b>	<b>Capitalization</b>
	<b>in Years</b>	<b>Threshold</b>
Buildings	50	\$ 2,000
Distribution systems	50	\$ 20,000
Roads (per lane mile)	50	\$ 50,000
Bridges and culverts	50	\$ 20,000
Sidewalks and streetlights	50	\$ 20,000
Storm water system	50	\$ 20,000
Equipment	7-10	\$ 2,000
Vehicles	5	\$ 2,000
Furniture and fixtures	7-10	\$ 2,000
Land improvements	25-50	\$ 2,000
Intangibles	15	\$ 2,000

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows or resources for their defined benefit plans.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources related to their defined benefit pension plan.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**N. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation benefits and compensatory time, which will be paid to the employees upon separation from City service. Accumulated unpaid compensated absence amounts are accrued when incurred by the City in the government-wide, proprietary, and fiduciary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

**O. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**P. Capital Contributions**

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**Q. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**R. Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**S. Restricted Assets and Restricted Net Position**

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**2. Summary of Significant Accounting Policies (continued)**

**T. Fund Balances – Governmental Funds**

The City of Norcross implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2012. In the fund financial statements, governmental funds report the following classifications of fund balance:

**Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at August 31, 2016, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

**Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

**Committed** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Norcross' highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number.

**Assigned** – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the Administrative Services Director, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

**Unassigned** – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*August 31, 2016*

**2. Summary of Significant Accounting Policies (continued)**

**T. Fund Balances – Governmental Funds, continued**

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

**3. Deposit and Investment Risk**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that, in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows State of Georgia requirements that all deposits be federally insured or fully collateralized. At August 31, 2016, the City had no uninsured, uncollateralized deposits.

**Interest Rate Risk**

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

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**3. Deposit and Investment Risk (continued)**

**Credit Risk**

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

**Concentration of Credit Risk**

The City has no formal policy on the amount the City may invest in any one issuer.

**Foreign currency risk**

The City has no investments denominated in a foreign currency.

The City is a participant in the Municipal Electric Authority of Georgia (MEAG). The MEAG board approves an annual system budget from which MEAG then bills its participants. At the end of the year, adjustments are made by MEAG to each participant's billings to agree with actual cost. Whenever MEAG recovers funds from the City in excess of its actual costs to serve the City, the City may elect to have their funds deposited in the City's Voluntary Flexible Operating Accounts or Generation Trust Accounts in MEAG's Municipal Competitive Trust in lieu of receiving a refund. This voluntary stabilization funds are used to reduce future costs of the City at its discretion while also earning interest. The City is authorized to direct MEAG to retain or use the discretionary funds. The generation trust accounts are used to offset the City's share of future MEAG generation projects. The City may not use funds in the generation trust accounts for any other purpose.

The Municipal Competitive Trust accounts are held in the Intermediate, Intermediate Extended and Short-term Portfolios; these portfolios are not rated. At August 31, 2016, the average weighted maturity of the Intermediate, Intermediate Extended, and Short-term Portfolios were 16.2, 54.9, and 1.6 months, respectively. The investments in each of the funds consist primarily of debt securities such as U.S. Treasuries, U.S Agency obligations, municipal bonds, and time deposits with financial institutions. The funds in these accounts are invested in securities that are typically held to maturity. At August 31, 2016, the City's balances in the Voluntary Flexible Operating Accounts were \$6,037,885, and in the Generation Trust Accounts were \$4,795,073.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**3. Deposit and Investment Risk (continued)**

The City of Norcross has no unfunded commitments or restriction on its ability to sell the investments in the Municipal Competitive Trust accounts.

Investments measured at net asset value at August 31, 2016 consist of the following:

<b>Investment Type</b>	<b>Fair Value</b>
Municipal Competitive Trust	
Short-term Portfolio	\$ 1,419,111
Intermediate Portfolio	4,617,884
Intermediate Extended Portfolio	4,795,963
Total Investments	\$ 10,832,958

The City participates in the State of Georgia Local Government Investment Pool. Assets in this pool are invested in Georgia Fund 1, created by OCGA 36-83-8, which is a stable net asset investment pool that follows Standard and Poor's criteria for AAf rated money market funds. Georgia Fund 1 is managed by the Georgia Office of State Treasurer. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share.

Georgia Fund 1 is rated AAf by Standard & Poor's. The weighted average maturity at August 31, 2016 was 38 days. At August 31, 2016, the City's balance in Georgia Fund 1 was \$47,268.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**4. Accounts Receivable**

Net accounts receivable at August 31, 2016 consist of the following:

<b>Major Funds</b>			
General Fund		\$	379
Enterprise Funds			
Electric Utility	\$ 2,626,352		
Less: Allowances for Uncollectibles	(17,811)		
Solid Waste	360,631		
Less: Allowances for Uncollectibles	(1,803)		
Storm Water Utility	786,773		
Less: Allowances for Uncollectibles	(143,927)		
			<u>3,610,215</u>
Total Primary Government		\$	<u><u>3,610,594</u></u>

**5. Intergovernmental Receivables**

Intergovernmental receivables at August 31, 2016 consist of the following:

<b>Major Funds</b>			
General Fund			
Gwinnett County, Georgia		\$	21,767
City of Norcross Downtown Development Authority			7,905
2014 SPLOST Capital Projects			
Gwinnett County, Georgia			816,715
Grants Capital Projects Fund			
Atlanta Regional Commission			<u>3,535</u>
Total primary government		\$	<u><u>849,922</u></u>

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**6. Taxes Receivable**

***Property Taxes***

Property taxes receivable as of August 31, 2016 consist of the following:

Year of Levy	Amount
2015	\$ 100,022
2014	88,218
2013	53,595
2012	82,836
2011	27,938
2010	24,443
2009	26,571
	403,623
Less allowance for uncollectible	(240,875)
Total	\$ 162,748

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for fiscal year 2016, based upon the assessments of January 1, 2015, were billed on September 15, 2015, and due on November 16, 2015. Tax liens are issued 90 days after the due date. The tax rate of 5.749 mills for 2015 was levied on August 3, 2015.

***Other Taxes***

\$70,032 of franchise taxes, \$148,862 of hotel/motel taxes, \$19,588 of alcohol excise taxes and \$9,865 in rental motor vehicle excise taxes are also included in taxes receivable.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**7. Interfund Receivables and Payables**

A summary of interfund receivables and payables is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Electric Utility	\$ 554,804
	Grants	13,195
	Nonmajor Governmental	10,749
2009 SPLOST	Grants	1,178
2014 SPLOST	Grants	3,535
Stormwater	General	448,895
	Electric Utility	165,604
Solid Waste	General	789,589
	Electric Utility	318,035
Nonmajor Governmental	General	367,967
	Grants	56,143
Subtotal		<u>\$ 2,729,694</u>

The balance reported as Due to/Due from represent loans between the borrower funds and the lender. Balances reported between the General Fund and Storm Water and Solid Waste enterprise funds resulted from transactions to alleviate equity in pooled cash deficits at year-end.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**8. Interfund Transfers**

A summary of interfund transfers is as follows:

<b>Transfer Out Fund</b>	<b>Transfer In Fund</b>	<b>Amount</b>
General	Grants	\$ 19,156
	2009 SPLOST	281,102
Electric	General	228,451
	2009 SPLOST	270,000
Grants	2009 SPLOST	1,179
	2014 SPLOST	<u>3,535</u>
Subtotal		<u><u>\$ 803,423</u></u>

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move capital assets between governmental activities and business-type activities, also within business-type activities. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**9. Capital Assets**

Capital asset activity for the primary government for the year ended August 31, 2016 was as follows:

	<b>Balance 9/1/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 8/31/2016</b>
<b>Governmental activities</b>				
Non-depreciable assets				
Land	\$ 20,255,576	\$ 0	\$ 0	\$ 20,255,576
Construction in progress	1,438,546	2,369,313	(1,477,984)	2,329,875
Total nondepreciable assets	<u>21,694,122</u>	<u>2,369,313</u>	<u>(1,477,984)</u>	<u>22,585,451</u>
Depreciable assets				
Buildings	12,876,800	58,098	0	12,934,898
Infrastructure	51,240,468	1,933,819	0	53,174,287
Vehicles and equipment	4,119,888	776,138	(74,188)	4,821,838
Furniture and fixtures	2,694,900	9,405	0	2,704,305
Intangible assets	227,406	0	0	227,406
Total depreciable assets	<u>71,159,462</u>	<u>2,777,460</u>	<u>(74,188)</u>	<u>73,862,734</u>
Accumulated depreciation				
Buildings	(3,109,124)	(265,261)	0	(3,374,385)
Infrastructure	(27,896,244)	(1,014,295)	0	(28,910,539)
Vehicles and equipment	(2,718,727)	(343,277)	74,188	(2,987,816)
Furniture and fixtures	(1,810,276)	(167,190)	0	(1,977,466)
Intangible assets	(55,942)	(8,287)	0	(64,229)
Total accumulated depreciation	<u>(35,590,313)</u>	<u>(1,798,310)</u>	<u>74,188</u>	<u>(37,314,435)</u>
Total depreciable assets, net	<u>35,569,149</u>	<u>979,150</u>	<u>0</u>	<u>36,548,299</u>
Governmental activities capital assets, net	<u>\$ 57,263,271</u>	<u>\$ 3,348,463</u>	<u>\$ (1,477,984)</u>	<u>\$ 59,133,750</u>
<b>Business-type activities</b>				
Non-depreciable assets				
Land	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Construction in progress	918,540	440,762	(129,519)	1,229,783
Total non-depreciable assets	<u>919,540</u>	<u>440,762</u>	<u>(129,519)</u>	<u>1,230,783</u>
Depreciable assets				
Distribution system	10,772,171	235,925	0	11,008,096
Vehicles and equipment	1,602,358	101,188	(66,430)	1,637,116
Total depreciable assets	<u>12,374,529</u>	<u>337,113</u>	<u>(66,430)</u>	<u>12,645,212</u>
Accumulated depreciation				
Distribution system	(2,557,565)	(215,081)	0	(2,772,646)
Vehicles and equipment	(1,113,368)	(90,087)	66,430	(1,137,025)
Total accumulated depreciation	<u>(3,670,933)</u>	<u>(305,168)</u>	<u>66,430</u>	<u>(3,909,671)</u>
Total depreciable assets, net	<u>8,703,596</u>	<u>31,945</u>	<u>0</u>	<u>8,735,541</u>
Business-type activities capital assets, net	<u>\$ 9,623,136</u>	<u>\$ 472,707</u>	<u>\$ (129,519)</u>	<u>\$ 9,966,324</u>

Construction in progress beginning balance in the governmental activities has been restated in the amount of \$618,545. See Note 24 for Changes in Beginning Balances for additional information.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. Capital Assets (continued)**

Capital asset activity for the Downtown Development Authority Component Unit for fiscal year ending August 31, 2016 was as follows:

	<u>Balance 9/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 8/31/2016</u>
<b>Downtown Development Authority Component Unit</b>				
Non-depreciable assets				
Land	\$ 4,000	\$ 0	\$ 0	\$ 4,000
Total non-depreciable assets	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>4,000</u>
Depreciable assets				
Buildings	104,055	0	0	104,055
Infrastructure	9,846	0	0	9,846
Total depreciable assets	<u>113,901</u>	<u>0</u>	<u>0</u>	<u>113,901</u>
Accumulated depreciation				
Buildings	(1,261)	0	0	(1,261)
Infrastructure	(329)	(2,278)	0	(2,607)
Total accumulated depreciation	<u>(1,590)</u>	<u>(2,278)</u>	<u>0</u>	<u>(3,868)</u>
Total depreciable assets, net	<u>112,311</u>	<u>(2,278)</u>	<u>0</u>	<u>110,033</u>
Downtown Development Authority capital assets, net	<u>\$ 116,311</u>	<u>\$ (2,278)</u>	<u>\$ 0</u>	<u>\$ 114,033</u>

Depreciation expense was charged to functions/programs as follows:

**Primary Government**

**Governmental activities**

General Government	\$ 229,589
Judicial	363
Public Safety	392,048
Public Works	1,046,088
Culture and Recreation	56,515
Housing and Development	73,707
	<u>73,707</u>

Total depreciation expense for governmental activities \$ 1,798,310

**Business-type activities**

Electric Utility	\$ 286,571
Storm Water Utility	18,597
	<u>18,597</u>

Total depreciation expense for business-type activities \$ 305,168

**DDA Component Unit** \$ 2,278

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. Property held for Resale**

The City has purchased property in conjunction with the Lillian Webb Park project to attract business to the Downtown Norcross area. The City will develop the property and expects to sale lots to businesses. The City has no plans to use the property. The Downtown Development Authority Component Unit has also purchased property in conjunction with the Lillian Webb Park project. The total investment in property held for resale is \$1,085,766 and \$902,900 for the primary government and the DDA, respectively.

**11. Notes Receivable**

On December 20, 2006, the City of Norcross entered into an owner-financed lending agreement with the Downtown Development Authority for the purchase of real property in the original amount of \$258,000. On July 22, 2010, the Downtown Development Authority returned a portion of the property back to the City of Norcross; \$165,500 of the original debt was forgiven. At August 31, 2016, the balance of this note is \$92,500. Payment of principal is due on September 1, 2017; interest at 0.00%. On July 22, 2010, the Downtown Development Authority sold the remaining portion of the property to a local business. See Note 13 for note payable on the sale of the property.

On July 22, 2010, the City of Norcross entered into a lending agreement with the Downtown Development Authority in the original amount of \$100,000. The proceeds of this agreement were subsequently loaned to a local business for renovation improvements. See Note 13 for note payable on the loan. At August 31, 2016, the balance of this note is \$100,000. Payment of principal is due on September 1, 2017; interest payments are due monthly through September 1, 2017 at the variable interest rate of the MEAG Municipal Competitive Trust Short-term Portfolio rate of return plus 1%; at August 31, 2016, this interest rate was 1.20%.

On October 9, 2014, the City of Norcross entered into a lending agreement with the Downtown Development Authority for the purchase of real property. At August 31, 2016, the balance of the note receivable was \$785,000. The DDA executed a promissory note in favor of the City to pay 2% simple annual interest, with payments suspended for the first 5 years, with interest on the first five years due and payable on the fifth anniversary of the loan and payable annually thereafter on the anniversary of the loan. No principal payments are due and payable until the subject property is sold or the City makes demand on the note, at which time all interest and principal become due. See Note 13 for Note Payable.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**11. Notes Receivable (continued)**

***Downtown Development Authority Component Unit***

On July 22, 2010, the Downtown Development Authority entered into an owner-financed lending agreement with a local business for the sale of real property in the original amount of \$83,901. As part of the lending agreement, the Downtown Development Authority also agreed to finance \$100,000 for renovation improvements to the property. At August 31, 2016, the balance of the note receivable was \$168,081. Monthly installments of principal and interest are due through August 1, 2017, with unpaid principal and interest due September 1, 2017; interest at 6.00%. The Downtown Development Authority will use these payments to service the lending agreements with the City of Norcross. See Note 13.

Annual service requirements for note receivable are as follows:

<b>Year ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 10,185	\$ 10,013	\$ 20,198
2018	157,896	0	157,896
Totals	<u>\$ 168,081</u>	<u>\$ 10,013</u>	<u>\$ 178,094</u>

**12. Capital and Operating Lease Agreements**

The City has entered into agreements for the lease of certain facilities and equipment. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balances of these leases at August 31, 2016 total \$584,843 for governmental activities.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**12. Capital and Operating Lease Agreements (continued)**

Total assets leased under capital leases are \$859,436 for governmental activities, consisting of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Furniture and fixtures	\$ 561,376	\$ 118,101
Vehicles and equipment	298,060	0
Totals	<u>\$ 859,436</u>	<u>\$ 118,101</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of August 31, 2016:

<u>Year Ending August 31,</u>	<u>Governmental activities</u>
2017	\$ 241,519
2018	329,147
2019	<u>88,898</u>
Total minimum lease payments	659,564
Less amounts representing interest	<u>(74,721)</u>
Present value of minimum lease payments	<u>\$ 584,843</u>

The City's lease agreements are relatively minor commitments and are in compliance with state law.

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. Long-Term Debt**

**Notes Payable**

***Downtown Development Authority Component Unit***

On August 15, 2007, the Downtown Development Authority entered into a lending agreement with the Georgia Department of Community Affairs for the purchase of real property in the original amount of \$57,500. At August 31, 2016, the balance of this note is \$26,787. Monthly installments of principal and interest are due through August 1, 2017, with unpaid principal and interest due September 1, 2017; interest at 3.00%.

On December 20, 2006, the Downtown Development Authority entered into an owner-financed lending agreement with the City of Norcross for the purchase of real property in the original amount of \$258,000. On July 22, 2010, the Downtown Development Authority returned a portion of the property back to the City of Norcross; \$165,500 of the original debt was forgiven. At August 31, 2016, the balance of this note is \$92,500. Payment of principal is due on September 1, 2017; interest at 0.00%. On July 22, 2010, the Downtown Development Authority sold the remaining portion of the property to a local business. See Note 11 for note receivable on the sale of the property.

On July 22, 2010, the Downtown Development Authority entered into a lending agreement with the City of Norcross in the original amount of \$100,000. The proceeds of this agreement were subsequently loaned to a local business for renovation improvements. See Note 11 for note receivable on the loan. At August 31, 2016, the balance of this note is \$100,000. Payment of principal is due on September 1, 2017; interest payments are due monthly through September 1, 2017 at the variable interest rate of the MEAG Municipal Competitive Trust Short-term Portfolio rate of return plus 1%; at August 31, 2016, this interest rate was 1.20%.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. Long-Term Debt (continued)**

**Notes Payable, continued**

***Downtown Development Authority Component Unit (continued)***

Annual debt service requirements for note payables are as follows:

<b>Year ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 196,526	\$ 1,631	\$ 198,157
2018	22,761	56	22,817
Totals	<u>\$ 219,287</u>	<u>\$ 1,687</u>	<u>\$ 220,974</u>

On October 9, 2014, the Downtown Development Authority entered into a lending agreement with the City of Norcross for the purchase of real property. At August 31, 2016, the balance of the note receivable was \$785,000. The DDA executed a promissory note in favor of the City to pay 2% simple annual interest, with payments suspended for the first 5 years, with interest on the first five years due and payable on the fifth anniversary of the loan and payable annually thereafter on the anniversary of the loan. No principal payments are due and payable until the subject property is sold or the City makes demand on the note, at which time all interest and principal become due. See Note 11 for Note Receivable.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. Long-Term Debt (continued)**

**Changes in Long-Term Debt**

The following is a summary of changes in long-term debt of the City for the fiscal year ending August 31, 2016:

	<u>Balance 9/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 8/31/2016</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Capital leases	\$ 453,220	\$ 304,271	\$ (172,648)	\$ 584,843	\$ 203,843
Compensated absences	200,043	224,406	(200,043)	224,406	224,406
<b>Total Governmental Activities</b>	<u>\$ 653,263</u>	<u>\$ 528,677</u>	<u>\$ (372,691)</u>	<u>\$ 809,249</u>	<u>\$ 428,249</u>
<b>Business-type activities</b>					
Compensated absences	\$ 16,335	\$ 12,900	\$ (16,335)	\$ 12,900	\$ 12,900
<b>Downtown Development Authority</b>					
<b>Component Unit</b>					
Notes payable	\$ 1,008,194	\$ 0	\$ (3,907)	\$ 1,004,287	\$ 196,526

Revenue bond issue costs and discounts/premiums are amortized over the life of the related debt using the straight-line method. In prior years, long-term liabilities of the governmental activities, such as compensated absences, were liquidated by the General Fund. The total interest incurred and charged to expense for the year ended August 31, 2016 was \$60,393 for governmental activities.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. Restricted, Committed, and Assigned Fund Balances**

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds as of August 31, 2016:

	<u>General</u>	<u>2009 SPLOST</u>	<u>2014 SPLOST</u>	<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted for:</b>						
General Government						
Technology equipment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,357	\$ 85,357
Public Safety						
Police department vehicles and equipment	0	0	0	0	292,651	292,651
Public Works						
Capital projects	0	0	0	2,193	0	2,193
Housing and Development						
Trade and tourism	0	0	0	0	182,196	182,196
Capital projects	0	85,844	2,465,778	0	0	2,551,622
	<u>\$ 0</u>	<u>\$ 85,844</u>	<u>\$ 2,465,778</u>	<u>\$ 2,193</u>	<u>\$ 560,204</u>	<u>\$ 3,114,019</u>
<b>Assigned for:</b>						
Housing and Development						
Trade and tourism	\$ 0	\$ 0	\$ 0	\$ 0	\$ 598,665	\$ 598,665
Budget	477,816	0	0	0	0	477,816
	<u>\$ 477,816</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 598,665</u>	<u>\$ 1,076,481</u>

**15. Intradepartmental Billings**

Total operating revenues and total operating expenses in the Electric Utility and Solid Waste Enterprise Funds include \$231,632 and \$72,354, respectively, of intra departmental billings for electricity and sanitation usage.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. Pension Plans**

*Plan Description.* The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a state-wide agent, multiple-employer retirement system, administered by the Georgia Municipal Association. This is a defined benefit pension plan, which provides retirement, disability and death benefits to plan members and beneficiaries. The City has established provisions, which assign the authority to the City Council members to establish and amend the benefit provisions of the plan.

Control over the operation and administration of the plan is vested with GMEBS along with custody of the plan assets. The plan provides that the City has no liability with respect to payments or benefits or otherwise under the plan except to pay over to GMEBS such actuarially determined contributions as required to meet minimum funding standards of the Public Retirement Systems Standards Law and provide benefits thereunder. If terminated, the plan provides that if there are funds remaining after the satisfaction of all liabilities, such funds shall not revert to the City but shall be allocated to employees. All employees are eligible for immediate participation. Officials are covered under the plan and are eligible for immediate participation.

There are no loans to any of the City officials or other “party-in-interest,” and there are no prohibited transactions. The plan assets do not include any securities or investments in the City of Norcross. The funds are managed by independent money managers.

The annual report and more detailed information regarding the plan can be obtained from the Plan Administrator, the Georgia Municipal Employees Benefit System.

At July 1, 2016, the date of the most recent actuarial valuation, there were 170 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	32
Terminated vested participants entitled to but not yet receiving benefits	37
Active participants	<u>101</u>
Total number of participants	<u><u>170</u></u>

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. Pension Plan (continued)**

*Benefits Provided.* The plan provides retirement and death benefits. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 65 with no reduction in benefit. Members with thirty years of total service are eligible to retire at age 62 with no reduction in benefit. Officials are eligible to retire at age 65 with no reduction of benefits. Members are eligible for early retirement with reduced benefits based on the early retirement reduction table at age 55 after 10 years of service. The benefit formula is 1.25% - 1.75% with a ten year vesting schedule for terminations on or after July 1, 2001. The benefit formula is 1.00% - 1.75% with a ten year vesting schedule for terminations prior to July 1, 2001.

*Contributions.* Employees make no contributions to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan. The City's actuarially determined contribution rate for the fiscal year ending August 31, 2016 was \$426,124, or 9.08% of covered employee payroll.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* At August 31, 2016, the City reported a net pension liability of \$2,748,361. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. For the fiscal year ended August 31, 2016, the City recognized pension expense of \$435,439.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**16. Pension Plan (continued)**

At August 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 39,808	\$ (140,906)
Changes of assumptions	1,402	0
Difference between projected and actual earnings on pension plan investments	522,292	(89,307)
City contributions subsequent to the measurement date	369,499	0
Totals	<u>\$ 933,001</u>	<u>\$ (230,213)</u>

The \$369,499 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the fiscal year ending August 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year Ending August 31</b>	
2017	\$ 64,254
2018	64,254
2019	64,254
2020	140,527
Totals	<u>\$ 333,289</u>

*Actuarial Assumptions.* The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	3.00%
Net investment rate of return	7.75%

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. Pension Plan (continued)**

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

The mortality and economic actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.75%
International equity	20%	7.45%
Fixed income	25%	5.05%
Real estate	10%	4.55%
Cash	0%	
Total	<u>100%</u>	

*Discount Rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. Pension Plan (continued)**

*Changes in Net Pension Liability (Asset)*

	<b>Total Pension Liability (Asset)</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at 3/31/2015</b>	\$ 10,878,664	\$ 8,777,988	\$ 2,100,676
<b>Changes for the year:</b>			
Service cost	261,349	0	261,349
Interest	825,040	0	825,040
Differences between expected and actual experience	49,762	0	49,762
Contributions—employer	0	426,124	(426,124)
Contributions—employee	0	52,468	(52,468)
Net investment income	0	27,244	(27,244)
Benefit payments, including refunds of employee contributions	(465,976)	(465,976)	0
Administrative expense	0	(17,370)	17,370
<b>Net changes</b>	<b>670,175</b>	<b>22,490</b>	<b>647,685</b>
<b>Balances at 3/31/2016</b>	<b>\$ 11,548,839</b>	<b>\$ 8,800,478</b>	<b>\$ 2,748,361</b>

*Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate.* The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	<b>Discount Rate</b>	<b>Net Pension Liability (Asset)</b>
1% decrease	6.75%	\$ 4,328,310
Current discount rate	7.75%	2,748,361
1% increase	8.75%	1,441,026

*Plan Fiduciary Net Position.* Detailed information about the Plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report.

*Other Plans.* In addition to the plan above, various City employees are covered under the Peace Officers' Annuity and Benefit Fund of Georgia. Further information regarding this plan can be obtained from the plan's annual report.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**17. Deferred Compensation Plans**

The City also provides retirement benefits for its employees through two deferred compensation, defined contribution plans. The Plans were created under Internal Revenue Code Sections 457 and 401(a). The first plan is administered by the Public Employees Benefits Services Corporation (PEBSCO), an independent third party. In fiscal year 2001, the City elected to participate in the plan administered by the Georgia Municipal Association (GMA), an independent third party. Participating employees at the time of the conversion were given the option of remaining with the plan administered by PEBSCO, or changing to the plan administered by GMA. All employees who became eligible to participate in the deferred compensation, defined contribution plan after the conversion could choose between the plans. The City Council provides for the benefits and funding policy through a City ordinance and maintains the authority to change the policy.

Under the terms of the Plans, employees may defer a portion of their salary through voluntary contributions to the Plan. Employees may defer up to the maximum deferral allowed by law. The City will contribute 50% of the employee's contributions for the year, up to 3% of the employee's salary per year.

Funds are vested 100% at the time of contribution. Amounts held in the Plans are not available to the employees until termination, retirement, death, or unforeseeable emergency.

During the fiscal year ending August 31, 2016, the City contributed \$39,682 to the plans based on covered salaries of \$1,385,957. Plan members made voluntary contributions of \$101,480 to the plans. Total payroll was \$5,612,293.

The City has no fiduciary relationship with the plans, and plan assets are not available to the City or its general creditors. The Plans assets are held in trust by the administrator for the exclusive benefit of the participants of the Plans.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. Post-employment Health Care Benefits**

**Plan Description**

The City of Norcross provides post employment health care benefits as a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit other post employment benefit (OPEB) plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of March 1, 2007, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 – Summary of Significant Accounting Policies for reporting of investments.

City employees who retired prior to January 1, 1999 with 10 years of service and employees who retired after January 1, 1999 with 20 years of service are eligible to participate in the Plan.

GMA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Georgia Municipal Association at 21 Pryor Street, SW, Atlanta, Georgia 30303.

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	19
Active participants	<u>100</u>
Total number of participants	<u><u>119</u></u>

The funding policy for the plan is to contribute an amount equal to the benefit and administrative costs paid on behalf of retirees and their dependents (ie, pay-as-you-go basis). Plan members receiving benefits contributed \$5,582, through their required contributions of \$60.00, \$100.00, \$7.75, and \$1.14 per month for single health coverage without Medicare, family health coverage without Medicare, family health coverage with Medicare, and family dental coverage, respectively.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. Post-employment Health Care Benefits (continued)**

**Funding Policy**

The recommended contribution meets the guidelines for calculating an annual required contribution set forth in GASB Statement No. 45. These contributions are determined under the unit credit actuarial cost method and the market value of assets for developing the actuarial value of assets. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at August 31, 2016 is 25 years. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**18. Post-employment Health Care Benefits (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

For the fiscal year ending August 31, 2016, the City's annual OPEB cost of \$645,770 was equal to the City's recommended contribution, as calculated on the pay-as-you go basis. The recommended contribution was computed as part of an actuarial valuation as of July 1, 2011. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 4.0 percent per year compounded annually, (b) a rate of inflation of 3.0 percent, (c) no post-retirement benefit increases, (d) a medical and drug cost trend rate of 9.5 percent, graded to 5.0 percent over 9 years, and (e) dental cost trend rate of 7.0 percent, graded to 5.0 percent over 4 years.

Annual required contribution	\$ 891,519
Interest on net OPEB obligation	370,422
Adjustment to ARC	<u>(616,169)</u>
Annual OPEB cost	645,772
Contributions made	<u>(186,349)</u>
Increase (decrease) in net OPEB obligation	459,423
Net OPEB obligation - beginning of year	<u>9,260,502</u>
Net OPEB obligation - end of year	<u><u>\$ 9,719,925</u></u>

**Historical Trend Information**

Historical trend information for Annual OPEB Cost and funding progress is as follows:

**Schedule of Employer Contributions**

<u>Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	\$ 1,901,715	9%	\$ 5,788,024
12/31/2013	2,215,065	8%	7,819,400
12/31/2014	609,547	27%	8,262,479
8/31/2015	1,120,395	11%	9,260,502
8/31/2016	645,772	29%	9,719,925

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**18. Post-employment Health Care Benefits (continued)**

**Historical Trend Information, continued**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/1/2007	\$ 0	\$ 7,924,626	\$ 7,924,626	0.00%	\$ 2,956,003	268.09%
7/1/2011	0	13,028,392	13,028,392	0.00%	3,726,964	349.57%
7/1/2014	0	7,497,566	7,497,566	0.00%	3,462,623	216.53%

**19. Hotel/Motel Lodging Tax**

The City has levied a 7% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(b). The City is required to spend an amount equal to the amount by which the total taxes collected under the Code section exceed the taxes which would be collected at a rate of 3 percent for the purpose of promoting tourism, conventions, and trade shows. A summary of the transactions for the fiscal year ending August 31, 2016, follows:

Lodging Tax Receipts	\$ 713,150
Disbursements to promote trade and tourism	\$ 638,495 90% of tax receipts

**20. Joint Ventures**

The City of Norcross participates with the Drug Enforcement Administration (DEA) to facilitate the investigation, arrest, prosecution and conviction of those residents and non-residents involved in the manufacture, use, distribution, and sale of illicit drugs. The City has no ongoing financial responsibility of funding for this unit. The DEA unit is funded primarily through grant monies and operates on a balanced budget determined by revenue. During the fiscal year ended August 31, 2016, the City of Norcross contributed the use of one police officer to the DEA for undercover work; the City paid \$46,965 in personnel costs for the officer.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**20. Joint Ventures (continued)**

Under Georgia law, the City, in conjunction with other cities and counties in the Greater Atlanta Metropolitan area, is a member of the Atlanta Regional Commission (ARC). During the fiscal year ended August 31, 2016, the City made no payments to the Commission for services rendered. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The 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 the ARC. Separate financial statements may be obtained from Atlanta Regional Commission, 40 Courtland Street, N.E., Atlanta, GA 30303.

**21. Related Organizations**

The Housing Authority of the City of Norcross is considered a related organization to the City of Norcross. The City appoints members to the Authority, but does not have the ability to impose its will or create a financial benefit or burden for the Authority. The Authority provides low-income housing for the individuals in the City of Norcross. The City received \$1,948 as a payment-in-lieu-of-taxes for the fiscal year ended August 31, 2016. Separate financial statements may be obtained from Housing Authority of the City of Norcross, 19 Garner Street, Norcross, GA 30071.

**22. Risk Management**

Material estimates have been made by management about the life of depreciated capital assets. Management has used a conservative approach on these estimates.

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

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**22. Risk Management (continued)**

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 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.

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

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At August 31, 2016, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

**23. Commitments and Contingencies**

**Commitments**

The City has entered into Power Sales Contracts with the Municipal Electric Authority of Georgia (MEAG). The contracts require the City to purchase from MEAG all of the City's bulk power supply, other than power supplied by Federally-owned generation projects. MEAG is authorized to establish rates and charges so as to produce revenues sufficient to cover its costs. The City's payment obligations, which extend through the year 2020, are general obligations to the payment of which the City's full faith and credit and taxing powers are pledged. The City purchased bulk power totaling \$9,498,332 from MEAG during the fiscal year ended August 31, 2016. The City's future minimum payment obligations to the Authority will be based on the Authority's costs and the City's yearly demand for bulk power supply.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**23. Commitments and Contingencies (continued)**

**Commitments, continued**

The City has adopted the provisions of a Municipal Competitive Trust agreement between the City and MEAG. MEAG established the Trust for the mutual benefit of MEAG and its wholesale customers who elect to become participants. The Trust was created to provide a means to mitigate the expected differential between “after deregulation” market rates for power and the associated costs of generating that power.

The Trust created four types of accounts that are held by MEAG in the name of the City. The generation trust account is used to offset the City’s share of future MEAG generation projects and the balance at August 31, 2016 was \$4,795,073. The voluntary stabilization fund is used to reduce future costs of the City at its discretion while also earning interest and the balance at August 31, 2016 was \$1,681,296. Both of these accounts are included in investments in the Electric Utility Fund.

The two additional accounts created were the credit support operating and the reserve funded debt account. The funds in the credit support operating account are restricted for use to offset rate increases exceeding certain criteria and for loans for capital improvements that will reduce future operating costs. The funds in the reserve funded debt account can only be applied to charges related to MEAG’s bond obligations. The balances of these accounts at August 31, 2016, were \$0 and \$1,238,111 respectively. Due to the restricted nature of these funds, neither is shown in the Electric Utility Fund.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2016**

**23. Commitments and Contingencies (continued)**

**Commitments, continued**

The City has several active construction projects as of August 31, 2016. At year-end, the City's commitments with contractors are as follows:

<b>Projects</b>	<b>Expended Date</b>	<b>Remaining Commitment</b>
Buford Hwy Medians	\$ 417,001	\$ 2,300,530

**Contingencies**

The City's legal counsel has stated that there are presently no determinable lawsuits.

**24. Changes in Beginning Balances**

**Governmental Activities**

A prior period adjustment has been made to expense the beginning balance of a construction in progress project that was incorrectly capitalized in fiscal year 2015. This adjustment decreased beginning net position of the governmental activities by \$618,545.

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF NORCROSS, GEORGIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TEN FISCAL YEARS**  
**August 31, 2016**  
**(Unaudited)**

	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>
	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 261,349	\$ 311,706
Interest	825,040	793,291
Differences between expected and actual experience	49,762	(234,843)
Benefit payments, including refunds of employee contributions	(465,976)	(459,675)
Other changes	0	2,333
Net change in total pension liability	670,175	412,812
Total pension liability - beginning	10,878,664	10,465,852
<b>Total pension liability - ending (a)</b>	<u>\$ 11,548,839</u>	<u>\$ 10,878,664</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 426,124	\$ 563,073
Contributions - employee	52,468	45,321
Net investment income	27,244	764,683
Benefit payments, including refunds of employee contributions	(465,976)	(459,675)
Administrative expense	(17,370)	(14,733)
Net change in total pension liability	22,490	898,669
Plan fiduciary net position - beginning	8,777,988	7,879,319
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 8,800,478</u>	<u>\$ 8,777,988</u>
 <b>Net pension liability (asset) - ending : (a) - (b)</b>	<u>\$ 2,748,361</u>	<u>\$ 2,100,676</u>
Plan's fiduciary net position as a percentage of the total pension liability	76.20%	80.69%
Covered-employee payroll	\$ 4,694,327	\$ 4,403,174
Net pension liability as a percentage of covered-employee payroll	58.55%	47.71%

Note: Fiscal year 2015 was the first year of implementation. Therefore, only two years are reported.

**CITY OF NORCROSS, GEORGIA**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**  
**August 31, 2016**  
**(Unaudited)**

	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>
	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 484,598	\$ 557,197
Contributions in relation to the actuarially determined contribution	<u>(510,479)</u>	<u>(667,308)</u>
Contribution deficiency (excess)	<u>\$ (25,881)</u>	<u>\$ (110,111)</u>
Covered-employee payroll	\$ 4,694,327	\$ 4,403,174
Contributions as a percentage of covered-employee payroll	10.87%	15.16%

Note: Fiscal year 2015 was the first year of implementation. Therefore, only two years are reported.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**August 31, 2016**

**1. Valuation Date**

The actuarially determined contribution rate was determined as of January 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending August 31, 2017.

**2. Methods and Assumptions Used to Determine Contribution Rates**

Actuarial cost method = Projected unit credit

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 10 years

Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Net investment rate of return = 7.75%

Projected salary increases = 3.25% plus service based merit increases

Cost of living adjustments = 3.00%

Retirement age for inactive vested participants = 65

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

**3. Changes in Benefits**

There have been no substantive changes since the last actuarial valuation.

**CITY OF NORCROSS, GEORGIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**August 31, 2016**

**4. Changes of Assumptions**

Amounts reported for the fiscal year ending in 2017 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period of January 1, 2010 to August 31, 2014:

The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.

The inflation and cost-of-living adjustment assumptions were decreased from 3.50% to 3.25%.

The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases range from 4.00% to 11.00% and include an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%

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***COMBINING STATEMENTS***

*NONMAJOR GOVERNMENTAL FUNDS*

**CITY OF NORCROSS, GEORGIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
August 31, 2016**

	<b>Special Revenue</b>		
	<b>Confiscated Assets</b>	<b>Hotel/Motel Tax</b>	<b>Federal Seized Drug</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 69,402	\$ 107,895	\$ 303,094
Receivables			
Taxes	0	148,863	0
Due from other funds	0	367,966	0
	<u>0</u>	<u>367,966</u>	<u>0</u>
<b>Total assets</b>	<b><u>\$ 69,402</u></b>	<b><u>\$ 624,724</u></b>	<b><u>\$ 303,094</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 0	\$ 26,059	\$ 0
Due to other funds	0	0	10,749
Other liabilities	69,096	0	0
	<u>69,096</u>	<u>0</u>	<u>0</u>
<b>Total liabilities</b>	<b><u>69,096</u></b>	<b><u>26,059</u></b>	<b><u>10,749</u></b>
<b>Fund balances</b>			
Restricted for:			
General Government	0	0	0
Public Safety	306	0	292,345
Housing and Development	0	0	0
Assigned for:			
Housing and Development	0	598,665	0
	<u>0</u>	<u>598,665</u>	<u>0</u>
<b>Total fund balances</b>	<b><u>306</u></b>	<b><u>598,665</u></b>	<b><u>292,345</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 69,402</u></b>	<b><u>\$ 624,724</u></b>	<b><u>\$ 303,094</u></b>

<u>Special Revenue</u>		<u>Total</u>
<u>Technology</u>	<u>Rental Motor</u>	<u>Nonmajor</u>
<u>Surcharges</u>	<u>Vehicle Excise Tax</u>	<u>Governmental</u>
		<u>Funds</u>
\$ 32,626	\$ 172,331	\$ 685,348
0	9,865	158,728
56,144	0	424,110
<u>88,770</u>	<u>182,196</u>	<u>1,268,186</u>
\$ 3,413	\$ 0	\$ 29,472
0	0	10,749
0	0	69,096
<u>3,413</u>	<u>0</u>	<u>109,317</u>
85,357	0	85,357
0	0	292,651
0	182,196	182,196
0	0	598,665
<u>85,357</u>	<u>182,196</u>	<u>1,158,869</u>
<u>\$ 88,770</u>	<u>\$ 182,196</u>	<u>\$ 1,268,186</u>

**CITY OF NORCROSS, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the fiscal year ending August 31, 2016**

	Special Revenue		
	Confiscated Assets	Hotel/Motel Tax	Federal Seized Drug
<b>REVENUES</b>			
Taxes	\$ 0	\$ 713,150	\$ 0
Fees, fines, and forfeitures	0	0	40,573
Interest	0	0	121
Other	201	0	0
<b>Total revenues</b>	<b>201</b>	<b>713,150</b>	<b>40,694</b>
<b>EXPENDITURES</b>			
Current			
General Government	0	0	0
Public Safety	714	0	36,341
Housing and Development	0	638,495	0
<b>Total expenditures</b>	<b>714</b>	<b>638,495</b>	<b>36,341</b>
Excess (deficiency) of revenues over (under) expenditures	(513)	74,655	4,353
Fund balances, September 1	819	524,010	287,992
<b>Fund balances, August 31</b>	<b>\$ 306</b>	<b>\$ 598,665</b>	<b>\$ 292,345</b>

<u>Special Revenue</u>		<b>Total Nonmajor</b>
<u>Technology Surcharges</u>	<u>Rental Motor Vehicle Excise Tax</u>	<u>Governmental Funds</u>
\$ 0	\$ 108,884	\$ 822,034
100,628	0	141,201
0	0	121
0	0	201
<u>100,628</u>	<u>108,884</u>	<u>963,557</u>
79,813	0	79,813
0	0	37,055
0	0	638,495
<u>79,813</u>	<u>0</u>	<u>755,363</u>
20,815	108,884	208,194
<u>64,542</u>	<u>73,312</u>	<u>950,675</u>
<u>\$ 85,357</u>	<u>\$ 182,196</u>	<u>\$ 1,158,869</u>

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***GENERAL FUND***

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

**CITY OF NORCROSS, GEORGIA  
GENERAL FUND  
BALANCE SHEET  
August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$	1,560,672
Certificates of deposit		3,466,488
Receivables (net)		
Accounts		379
Taxes		252,367
Intergovernmental		29,672
Notes		977,500
Interest		6,324
Prepaid items		135,139
Due from other funds		578,748
Property held for resale		<u>1,085,766</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>8,093,055</u></u></b>

**LIABILITIES**

Payables		
Accounts	\$	242,359
Accrued salaries and payroll liabilities		71,189
Unearned revenue		39,033
Other liabilities		430,209
Due to other funds		<u>1,606,451</u>
<b>Total liabilities</b>		<u><u>2,389,241</u></u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue - property taxes		<u>154,931</u>
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**FUND BALANCES**

Nonspendable:		
Prepaid items		135,139
Notes receivable		977,500
Property held for resale		1,085,766
Assigned for:		
Budget		477,816
Unassigned		<u>2,872,662</u>
<b>Total fund balances</b>		<u><u>5,548,883</u></u>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$</b>	<b><u><u>8,093,055</u></u></b>

**CITY OF NORCROSS, GEORGIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the fiscal year ending August 31, 2016**

<b>REVENUES</b>	
Taxes	\$ 6,981,151
Licenses and permits	458,485
Fines, fees and forfeitures	1,740,782
Charges for services	133,198
Intergovernmental	962,100
Interest	33,290
Other	250,351
	<hr/>
<b>Total revenues</b>	<b>10,559,357</b>
	<hr/>
<b>EXPENDITURES</b>	
Current	
General Government	2,029,914
Judicial	324,980
Public Safety	5,454,403
Public Works	1,994,555
Culture and Recreation	581,549
Housing and Development	699,148
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Total Current	11,084,549
	<hr/>
Debt Service	
General Government	145,769
Public Safety	87,272
	<hr/>
Total Debt Service	233,041
	<hr/>
<b>Total expenditures</b>	<b>11,317,590</b>
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(758,233)
	<hr/>
Other financing sources (uses)	
Transfers in (out)	
Electric Fund	228,451
Grants Capital Projects Fund	(19,156)
2009 SPLOST Fund	(281,102)
Issuance of capital leases	304,271
Sales of capital assets	43,382
	<hr/>
Total other financing sources (uses)	275,846
	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(482,387)
	<hr/>
Fund balances, September 1	6,031,270
	<hr/>
<b>Fund balances, August 31</b>	<b>\$ 5,548,883</b>
	<hr/> <hr/>

**CITY OF NORCROSS, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

<b>REVENUES</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Taxes</b>			
General property taxes			
Property tax	\$ 4,000,000	\$ 3,808,521	\$ (191,479)
Motor vehicle tax	400,000	386,392	(13,608)
Cost, penalties, and interest	45,000	50,654	5,654
Total general property taxes	4,445,000	4,245,567	(199,433)
Intangible tax	45,000	49,202	4,202
Real estate transfer tax	25,000	27,620	2,620
Franchise tax	1,200,000	1,180,724	(19,276)
Insurance premium tax	600,000	874,333	274,333
Occupational tax	326,000	330,906	4,906
Alcoholic beverage excise tax	230,000	272,799	42,799
Total taxes	6,871,000	6,981,151	110,151
<b>Licenses and Permits</b>			
Alcohol licenses	100,000	128,350	28,350
Building permits	400,000	317,408	(82,592)
Other permits	12,800	12,727	(73)
Total licenses and permits	512,800	458,485	(54,315)
<b>Fines, fees and forfeitures</b>	1,530,000	1,740,782	210,782
<b>Charges for Services</b>	131,650	133,198	1,548
<b>Intergovernmental</b>	1,335,844	962,100	(373,744)
<b>Interest</b>	12,000	33,290	21,290
<b>Other</b>	137,000	250,351	113,351
<b>Total revenues</b>	<u>\$ 10,530,294</u>	<u>\$ 10,559,357</u>	<u>\$ 29,063</u>

**CITY OF NORCROSS, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
<b>General Government</b>			
Governing Body			
Personal services	\$ 103,370	\$ 102,652	\$ 718
Contract services	366,107	357,991	8,116
Supplies and materials	<u>3,800</u>	<u>2,150</u>	<u>1,650</u>
Total Governing Body	<u>473,277</u>	<u>462,793</u>	<u>10,484</u>
Administration			
Personal services	297,312	297,312	0
Contract services	84,640	84,004	636
Supplies and materials	<u>9,141</u>	<u>7,865</u>	<u>1,276</u>
Total Administration	<u>391,093</u>	<u>389,181</u>	<u>1,912</u>
City Clerk			
Personal services	88,546	87,891	655
Contract services	31,065	28,837	2,228
Supplies and materials	<u>5,770</u>	<u>5,705</u>	<u>65</u>
Total City Clerk	<u>125,381</u>	<u>122,433</u>	<u>2,948</u>
Chief Executive			
Personal services	67,562	66,519	1,043
Contract services	33,055	30,714	2,341
Supplies and materials	<u>4,000</u>	<u>2,133</u>	<u>1,867</u>
Total Chief Executive	<u>104,617</u>	<u>99,366</u>	<u>5,251</u>
Information Technology			
Personal services	158,335	129,298	29,037
Contract services	825,004	697,263	127,741
Supplies and materials	41,036	39,642	1,394
Capital outlay	<u>0</u>	<u>6,211</u>	<u>(6,211)</u>
Total Information Technology	<u>1,024,375</u>	<u>872,414</u>	<u>151,961</u>
Human Resources			
Personal services	60,251	49,877	10,374
Contract services	45,594	23,715	21,879
Supplies and materials	2,335	2,335	0
Capital outlay	<u>8,500</u>	<u>7,800</u>	<u>700</u>
Total Human Resources	<u>116,680</u>	<u>83,727</u>	<u>32,953</u>
Total General Government	<u>2,235,423</u>	<u>2,029,914</u>	<u>205,509</u>
<b>Judicial</b>			
Municipal Court			
Personal services	321,083	316,239	4,844
Contract services	11,600	6,528	5,072
Supplies and materials	<u>2,700</u>	<u>2,213</u>	<u>487</u>
Total Judicial	<u>335,383</u>	<u>324,980</u>	<u>10,403</u>

**CITY OF NORCROSS, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Public Safety</b>			
Police			
Personal services	\$ 3,739,092	\$ 3,679,478	\$ 59,614
Contract services	287,600	247,564	40,036
Supplies and materials	270,850	236,489	34,361
Capital outlay	<u>360,155</u>	<u>373,415</u>	<u>(13,260)</u>
Total Police	<u>4,657,697</u>	<u>4,536,946</u>	<u>120,751</u>
E-911 Communications			
Personal services	578,506	560,449	18,057
Contract services	50,899	49,140	1,759
Supplies and materials	<u>341,538</u>	<u>307,868</u>	<u>33,670</u>
Total E-911 Communications	<u>970,943</u>	<u>917,457</u>	<u>53,486</u>
Total Public Safety	<u>5,628,640</u>	<u>5,454,403</u>	<u>174,237</u>
<b>Public Works</b>			
Public Works Administration			
Personal services	525,203	525,203	0
Contract services	983,960	925,283	58,677
Supplies and materials	213,750	189,648	24,102
Capital outlay	<u>360,571</u>	<u>354,421</u>	<u>6,150</u>
Total Public Works Administration	<u>2,083,484</u>	<u>1,994,555</u>	<u>88,929</u>
<b>Culture and Recreation</b>			
Parks and Recreation			
Personal services	307,575	306,487	1,088
Contract services	130,867	130,636	231
Supplies and materials	36,200	36,196	4
Capital outlay	<u>108,231</u>	<u>108,230</u>	<u>1</u>
Total Culture and Recreation	<u>582,873</u>	<u>581,549</u>	<u>1,324</u>
<b>Housing and Development</b>			
Community Development			
Personal services	522,829	361,226	161,603
Contract services	89,938	86,955	2,983
Supplies and materials	4,670	2,583	2,087
Capital outlay	<u>70,000</u>	<u>70,000</u>	<u>0</u>
Total Community Development	<u>687,437</u>	<u>520,764</u>	<u>166,673</u>
Economic Development			
Personal services	102,537	83,491	19,046
Contract services	106,000	94,748	11,252
Supplies and materials	<u>600</u>	<u>145</u>	<u>455</u>
Total Economic Development	<u>209,137</u>	<u>178,384</u>	<u>30,753</u>
Total Housing and Development	<u>896,574</u>	<u>699,148</u>	<u>197,426</u>
Total Current	<u>11,762,377</u>	<u>11,084,549</u>	<u>677,828</u>

**CITY OF NORCROSS, GEORGIA  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET (GAAP BASIS) AND ACTUAL  
For the fiscal year ending August 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Debt Service</b>			
<b>General Government</b>			
Information Technology	\$ 0	\$ 145,769	\$ (145,769)
<b>Public Safety</b>			
E-911 Communications	<u>0</u>	<u>87,272</u>	<u>(87,272)</u>
Total Debt Service	<u>0</u>	<u>233,041</u>	<u>(233,041)</u>
<b>Total expenditures</b>	<u><u>\$ 11,762,377</u></u>	<u><u>\$ 11,317,590</u></u>	<u><u>\$ 444,787</u></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 or donor restricted to expenditure for specified purposes.

Confiscated Assets Fund - This fund is used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid in participation with the Gwinnett County Drug Task Force.

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Norcross.

Federal Seized Drug Fund - This fund is used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid in participation with the Drug Enforcement Administration.

Technology Surcharges Fund - This fund is used to account for fines and fees received restricted for the purchase of computer hardware and software for the Police, City Marshall, and Municipal Court Departments.

Rental Motor Vehicle Excise Tax Fund - This fund is used to collect taxes on the rental of motor vehicles and is used to support trade and tourism and certain capital outlay projects in the City of Norcross.

**CITY OF NORCROSS, GEORGIA**  
**CONFISCATED ASSETS SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 69,402
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**LIABILITIES**

Other liabilities	\$ 69,096
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**FUND BALANCES**

Restricted for Public Safety	<u>306</u>
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<b>Total liabilities and fund balances</b>	<u>\$ 69,402</u>
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**CITY OF NORCROSS, GEORGIA**  
**CONFISCATED ASSETS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 1	\$ 0	\$ (1)
Other	200	201	1
<b>Total revenues</b>	<u>201</u>	<u>201</u>	<u>0</u>
<b>EXPENDITURES</b>			
Current			
Public Safety			
Supplies	714	714	0
Excess (deficiency) of revenues over (under) expenditures	(513)	(513)	0
Fund balances, September 1	513	819	306
<b>Fund balances, August 31</b>	<u>\$ 0</u>	<u>\$ 306</u>	<u>\$ 306</u>

**CITY OF NORCROSS, GEORGIA**  
**HOTEL/MOTEL TAX SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 107,895
Taxes receivable	148,863
Due from other funds	<u>367,966</u>
<b>Total assets</b>	<b><u><u>\$ 624,724</u></u></b>

**LIABILITIES**

Accounts Payable	\$ 26,059
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**FUND BALANCES**

Assigned for Housing and Development	<u>598,665</u>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 624,724</u></u></b>

**CITY OF NORCROSS, GEORGIA**  
**HOTEL/MOTEL TAX SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Hotel/Motel taxes	\$ 676,445	\$ 713,150	\$ 36,705
Interest	1,900	0	(1,900)
Other	<u>78,400</u>	<u>0</u>	<u>(78,400)</u>
<b>Total revenues</b>	<u>756,745</u>	<u>713,150</u>	<u>(43,595)</u>
<b>EXPENDITURES</b>			
Current			
Housing and Development			
Personal services	117,722	117,722	0
Contract services	563,917	445,668	118,249
Supplies	106	105	1
Capital outlay	<u>75,000</u>	<u>75,000</u>	<u>0</u>
<b>Total expenditures</b>	<u>756,745</u>	<u>638,495</u>	<u>118,250</u>
Excess (deficiency) of revenues over (under) expenditures	0	74,655	74,655
Fund balances, September 1	<u>0</u>	<u>524,010</u>	<u>524,010</u>
<b>Fund balances, August 31</b>	<u><u>\$ 0</u></u>	<u><u>\$ 598,665</u></u>	<u><u>\$ 598,665</u></u>

**CITY OF NORCROSS, GEORGIA**  
**FEDERAL SEIZED DRUG SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 303,094
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**LIABILITIES**

Due to other funds	\$ 10,749
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**FUND BALANCES**

Restricted for Public Safety	<u>292,345</u>
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<b>Total liabilities and fund balances</b>	<u>\$ 303,094</u>
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**CITY OF NORCROSS, GEORGIA**  
**FEDERAL SEIZED DRUG SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fees, fines and forfeitures	\$ 425,000	\$ 40,573	\$ (384,427)
Interest	0	121	121
<b>Total revenues</b>	<u>425,000</u>	<u>40,694</u>	<u>(384,306)</u>
<b>EXPENDITURES</b>			
Current			
Public Safety			
Supplies and materials	425,000	31,284	393,716
Capital outlay	0	5,057	(5,057)
<b>Total expenditures</b>	<u>425,000</u>	<u>36,341</u>	<u>388,659</u>
Excess (deficiency) of revenues over (under) expenditures	0	4,353	4,353
Fund balances, September 1	<u>0</u>	<u>287,992</u>	<u>287,992</u>
<b>Fund balances, August 31</b>	<u><u>\$ 0</u></u>	<u><u>\$ 292,345</u></u>	<u><u>\$ 292,345</u></u>

**CITY OF NORCROSS, GEORGIA**  
**TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 32,626
Due from other funds	<u>56,144</u>
<b>Total assets</b>	<b><u><u>\$ 88,770</u></u></b>

**LIABILITIES**

Accounts Payable	\$ 3,413
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**FUND BALANCES**

Restricted for General Government	<u>85,357</u>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 88,770</u></u></b>

**CITY OF NORCROSS, GEORGIA**  
**TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fees, fines and forfeitures	\$ 79,814	\$ 100,628	\$ 20,814
Interest			
	<u>79,814</u>	<u>100,628</u>	<u>20,814</u>
<b>Total revenues</b>			
<b>EXPENDITURES</b>			
Current			
General Government			
Contract services	41,000	0	41,000
Supplies and materials	<u>38,814</u>	<u>79,813</u>	<u>(40,999)</u>
<b>Total expenditures</b>	<u>79,814</u>	<u>79,813</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	0	20,815	20,815
Fund balances, September 1	<u>0</u>	<u>64,542</u>	<u>64,542</u>
<b>Fund balances, August 31</b>	<u><u>\$ 0</u></u>	<u><u>\$ 85,357</u></u>	<u><u>\$ 85,357</u></u>

**CITY OF NORCROSS, GEORGIA**  
**RENTAL MOTOR VEHICLE EXCISE TAX SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 172,331
Taxes receivable	<u>9,865</u>
<b>Total assets</b>	<b><u><u>\$ 182,196</u></u></b>

**LIABILITIES**

**FUND BALANCES**

Restricted for Housing and Development	<u>\$ 182,196</u>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 182,196</u></u></b>

**CITY OF NORCROSS, GEORGIA**  
**RENTAL MOTOR VEHICLE EXCISE TAX SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
*For the fiscal year ending August 31, 2016*

**REVENUES**

Taxes \$ 108,884

**EXPENDITURES**

Fund balances, September 1 73,312

**Fund balances, August 31** \$ 182,196

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## ***CAPITAL PROJECTS FUNDS***

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

2009 Special Purpose Local Option Sales Tax Capital Projects Fund – This fund is used to account for long-term projects financed by the passage of the 2009 special purpose local option sales tax.

2014 Special Purpose Local Option Sales Tax Capital Projects Fund – This fund is used to account for long-term projects financed by the passage of the 2014 special purpose local option sales tax.

Grants Capital Projects Fund – This fund is used to account for capital grants used to finance major capital projects.

**CITY OF NORCROSS, GEORGIA**  
**2009 SPECIAL PURPOSE LOCAL OPTION SALES TAX**  
**CAPITAL PROJECTS FUND**  
**BALANCE SHEET**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 84,666
Due from other funds	<u>1,178</u>
<b>Total assets</b>	<b><u><u>\$ 85,844</u></u></b>

**LIABILITIES**

**FUND BALANCES**

Restricted for capital outlay	<u>\$ 85,844</u>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 85,844</u></u></b>

**CITY OF NORCROSS, GEORGIA**  
**2009 SPECIAL PURPOSE LOCAL OPTION SALES TAX**  
**CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**For the fiscal year ending August 31, 2016**

<b>REVENUES</b>	
Interest	\$ <u>42</u>
<b>EXPENDITURES</b>	
Public Works	
Capital outlay	4,967
Culture and Recreation	
Capital outlay	<u>370,316</u>
<b>Total expenditures</b>	<u>375,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(375,241)</u>
Other financing sources (uses)	
Transfers in (out)	
General Fund	281,102
Grants Capital Projects Fund	1,179
Electric Fund	<u>270,000</u>
Total other financing sources (uses)	<u>552,281</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	177,040
Fund balances, September 1	<u>(91,196)</u>
<b>Fund balances, August 31</b>	<u><u>\$ 85,844</u></u>

**CITY OF NORCROSS, GEORGIA**  
**2014 SPECIAL PURPOSE LOCAL OPTION SALES TAX**  
**CAPITAL PROJECTS FUND**  
**BALANCE SHEET**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 2,329,275
Intergovernmental receivable	816,715
Due from Other Funds	<u>3,535</u>

<b>Total assets</b>	<b>\$ 3,149,525</b>
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**LIABILITIES**

Accounts Payable	\$ 674,658
Accounts Retainages Payable	<u>9,089</u>

<b>Total liabilities</b>	683,747
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**FUND BALANCES**

Restricted for capital outlay	<u>2,465,778</u>
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<b>Total liabilities and fund balances</b>	<b>\$ 3,149,525</b>
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**CITY OF NORCROSS, GEORGIA**  
**2014 SPECIAL PURPOSE LOCAL OPTION SALES TAX**  
**CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
*For the fiscal year ending August 31, 2016*

<b>REVENUES</b>	
Intergovernmental	\$ 2,793,125
Interest	<u>938</u>
<b>Total revenues</b>	<u>2,794,063</u>
<b>EXPENDITURES</b>	
Recreation	
Capital outlay	1,461,308
Public Works	
Capital outlay	<u>1,017,597</u>
<b>Total expenditures</b>	<u>2,478,905</u>
Excess (deficiency) of revenues over (under) expenditures	315,158
Other financing sources (uses)	
Transfers in (out)	
Grants Capital Projects Fund	<u>3,535</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	318,693
Fund balances, September 1	<u>2,147,085</u>
<b>Fund balances, August 31</b>	<u><u>\$ 2,465,778</u></u>

**CITY OF NORCROSS, GEORGIA  
GRANTS CAPITAL PROJECTS FUND  
BALANCE SHEET  
August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 72,709
Intergovernmental receivable	<u>3,535</u>
Total assets	<u><u>\$ 76,244</u></u>

**LIABILITIES**

Due to other funds	\$ 74,051
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**FUND BALANCES**

Restricted for Capital Outlay	<u>2,193</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 76,244</u></u>

**CITY OF NORCROSS, GEORGIA  
GRANTS CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
For the fiscal year ending August 31, 2016**

<b>REVENUES</b>	
Intergovernmental	\$ 27,843
<b>Total revenues</b>	<u>27,843</u>
<b>EXPENDITURES</b>	
Public Works	
Contract Services	2,828
Capital outlay	<u>49,896</u>
<b>Total expenditures</b>	<u>52,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,881)</u>
Other financing sources (uses)	
Transfers in (out)	
General Fund	19,156
2009 SPLOST Fund	(1,179)
2014 SPLOST Fund	<u>(3,535)</u>
<b>Total other financing sources (uses)</b>	<u>14,442</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(10,439)
Fund balances, September 1	<u>12,632</u>
<b>Fund balances, August 31</b>	<u><u>\$ 2,193</u></u>

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## ***ENTERPRISE FUNDS***

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Electric Utility Fund - Used to account for activities connected with the development, operation and maintenance of electric services in the City of Norcross.

Solid Waste Fund - Used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Norcross.

Storm Water Utility Fund - Used to account for activities connected with the development, operation and maintenance of storm water services in the City of Norcross.

**CITY OF NORCROSS, GEORGIA  
ELECTRIC UTILITY ENTERPRISE FUND  
STATEMENT OF NET POSITION  
August 31, 2016**

**ASSETS**

**Current assets**

Investments	\$ 5,307,945
Accounts receivable (net)	2,608,541
Prepaid items	49,212
Inventories	<u>822,687</u>
Total current assets	<u>8,788,385</u>

**Restricted assets**

MEAG Generation Trust	
Investments	5,057,258
Customer Deposits	
Investments	<u>467,755</u>
Total restricted assets	<u>5,525,013</u>

**Capital assets**

Land	1,000
Electric system	10,289,359
Vehicles and equipment	1,224,889
Construction in progress	1,229,783
Accumulated depreciation	<u>(3,558,631)</u>
Total capital assets (net of accumulated depreciation)	<u>9,186,400</u>

<b>Total assets</b>	<u>23,499,798</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Pension contributions subsequent to measurement date	25,986
Pension experience differences	2,553
Pension investment return differences	33,500
Pension assumption differences	<u>105</u>
<b>Total deferred outflows of resources</b>	<u>62,144</u>

**LIABILITIES**

**Current liabilities**

Payables	
Accounts	88,812
Intergovernmental	937,745
Sales tax	94,301
Accrued salaries and payroll liabilities	8,448
Compensated absences	9,334
Unearned revenue	86,899
Due to other funds	<u>1,038,443</u>
Total current liabilities	<u>2,263,982</u>

**Current liabilities payable from restricted assets**

Customer deposits	<u>467,755</u>
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**CITY OF NORCROSS, GEORGIA**  
**ELECTRIC UTILITY ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**August 31, 2016**

<b>Noncurrent liabilities</b>	
Net pension liability	\$ 193,122
Net OPEB obligation	<u>669,734</u>
Total noncurrent liabilities	<u>862,856</u>
<b>Total liabilities</b>	<u>3,594,593</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension investment return differences	6,683
Pension experience differences	<u>10,544</u>
<b>Total deferred inflows of resources</b>	<u>17,227</u>
<b>NET POSITION</b>	
Investment in capital assets	9,186,400
Restricted for MEAG generation projects	5,057,258
Unrestricted	<u>5,706,464</u>
<b>Total net position</b>	<u><u>\$ 19,950,122</u></u>

**CITY OF NORCROSS, GEORGIA  
ELECTRIC UTILITY ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
For the fiscal year ending August 31, 2016**

**OPERATING REVENUES**

Charges for sales and services	
Electric sales	\$ 12,119,185
Other	67,624
	12,186,809

**OPERATING EXPENSES**

Costs of sales and services	10,681,138
Personal services	859,432
Depreciation	286,571
	11,827,141

Operating income (loss)	359,668
-------------------------	---------

Non-operating revenues (expenses)	
Investment revenue	274,511
Intergovernmental	761,259
	1,035,770

Total non-operating revenues (expenses)	1,035,770
---	-----------

Net income (loss) before transfers	1,395,438
------------------------------------	-----------

Transfers in (out)	
General Fund	(228,451)
2009 SPLOST Fund	(270,000)
	(498,451)

Total transfers in (out)	(498,451)
--------------------------	-----------

Change in net position	896,987
------------------------	---------

Net position, September 1	19,053,135
---------------------------	------------

<b>Net position, August 31</b>	<b>\$ 19,950,122</b>
--------------------------------	----------------------

**CITY OF NORCROSS, GEORGIA**  
**ELECTRIC UTILITY ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
*For the fiscal year ending August 31, 2016*

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 12,366,820
Payments to suppliers	(10,692,799)
Payments to employees	(834,137)
Other receipts	67,624
	<hr/>
Net cash provided (used) by operating activities	907,508
<b>Cash flows from non-capital financing activities</b>	
Receipts from other funds	152,428
Receipts from other governments	761,259
	<hr/>
Net cash provided (used) by non-capital financing activities	913,687
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(443,285)
	<hr/>
<b>Cash flows from investing activities:</b>	
Interest received	274,511
Purchase of investments	(1,652,421)
	<hr/>
Net cash provided (used) by investing activities	(1,377,910)
Net increase (decrease) in cash and cash equivalents	0
Cash and cash equivalents, September 1	0
	<hr/>
<b>Cash and cash equivalents, August 31</b>	<b>\$ 0</b>
	<hr/> <hr/>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 359,668
	<hr/>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	286,571
(Increase) decrease in accounts receivable	228,896
(Increase) decrease in prepaid items	46,023
(Increase) decrease in inventories	57,496
(Increase) decrease in pension contributions subsequent to measurement date	(5,411)
(Increase) decrease in pension experience differences	(2,553)
(Increase) decrease in pension investment return differences	(33,500)
(Increase) decrease in pension assumption differences	30
Increase (decrease) in accounts payable	(165,912)
Increase (decrease) in intergovernmental payables	50,732
Increase (decrease) in unearned revenue	(5,306)
Increase (decrease) in deposits payable	21,566
Increase (decrease) in sales tax payable	2,479
Increase (decrease) in accrued payroll liabilities	(519)
Increase (decrease) in net OPEB obligation	30,628
Increase (decrease) in pension investment return differences	(1,909)
Increase (decrease) in pension experience differences	(3,013)
Increase (decrease) in net pension liability	41,542
	<hr/>
Total adjustments	547,840
	<hr/>
Net cash provided (used) by operating activities	\$ 907,508
	<hr/> <hr/>

**CITY OF NORCROSS, GEORGIA  
SOLID WASTE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
August 31, 2016**

**ASSETS**

**Current assets**

Accounts receivable (net)	\$ 358,828
Due from other funds	<u>1,107,624</u>
Total current assets	1,466,452

**Restricted assets**

Customer deposits	
Cash and cash equivalents	<u>166,129</u>
<b>Total assets</b>	<u><u>1,632,581</u></u>

**LIABILITIES**

**Current liabilities**

Accounts payable	425,765
Unearned revenue	<u>185,706</u>
Total current liabilities	611,471

**Current liabilities payable from restricted assets**

Customer deposits	<u>166,129</u>
<b>Total liabilities</b>	<u><u>777,600</u></u>

**NET POSITION**

Unrestricted	<u><u>\$ 854,981</u></u>
--------------	--------------------------

**CITY OF NORCROSS, GEORGIA  
SOLID WASTE ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
For the fiscal year ending August 31, 2016**

**OPERATING REVENUES**

Charges for sales and services	
Sanitation fees	<u>\$ 2,548,368</u>

**OPERATING EXPENSES**

Costs of sales and services	2,703,327
Personal services	<u>110,496</u>

<b>Total operating expenses</b>	<u><b>2,813,823</b></u>
---------------------------------	-------------------------

Operating income (loss)	(265,455)
-------------------------	-----------

Net position, September 1	<u>1,120,436</u>
---------------------------	------------------

<b>Net position, August 31</b>	<u><b>\$ 854,981</b></u>
--------------------------------	--------------------------

**CITY OF NORCROSS, GEORGIA**  
**SOLID WASTE ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
*For the fiscal year ending August 31, 2016*

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 2,734,696
Payments to suppliers	(2,480,686)
Payments to employees	<u>(110,496)</u>
Net cash provided (used) by operating activities	143,514
<b>Cash flows from non-capital financing activities</b>	
Payments to other funds	<u>(342,020)</u>
Net increase (decrease) in cash and cash equivalents	(198,506)
Cash and cash equivalents, September 1	<u>364,635</u>
<b>Cash and cash equivalents, August 31</b>	<u><u>\$ 166,129</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ (265,455)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	21,747
Increase (decrease) in accounts payable	222,641
Increase (decrease) in unearned revenue	136,866
Increase (decrease) in deposits payable	<u>27,715</u>
Total adjustments	<u>408,969</u>
Net cash provided by operating activities	<u><u>\$ 143,514</u></u>
<b>Cash and cash equivalents reconciliation:</b>	
Cash and cash equivalents	\$ 0
Customer Deposits	
Cash and cash equivalents	<u>166,129</u>
Total cash and cash equivalents	<u><u>\$ 166,129</u></u>

**CITY OF NORCROSS, GEORGIA**  
**STORM WATER UTILITY ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**August 31, 2016**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 145,435
Receivables	
Accounts (net)	642,846
Prepaid items	2,817
Due from other funds	614,499
	1,405,597

**Capital assets**

Storm water system	718,737
Vehicles and equipment	412,228
Accumulated depreciation	(351,041)
	779,924

Total capital assets (net of accumulated depreciation)

**Total assets**

2,185,521

**DEFERRED OUTFLOWS OF RESOURCES**

Pension contributions subsequent to measurement date	11,838
Pension experience differences	1,582
Pension investment return differences	20,757
Pension assumption differences	37
	34,214

**Total deferred outflows of resources**

34,214

**LIABILITIES**

**Current liabilities**

Payables	
Accounts	107,200
Accrued salaries and payroll liabilities	1,939
Compensated absences	3,566
	112,705

Total current liabilities

**Noncurrent liabilities**

Net pension liability	88,253
Net OPEB obligation	356,368
	444,621

Total noncurrent liabilities

**Total liabilities**

557,326

**DEFERRED INFLOWS OF RESOURCES**

Pension investment return differences	2,360
Pension experience differences	3,724
	6,084

**Total deferred inflows of resources**

6,084

**NET POSITION**

Investment in capital assets	779,924
Unrestricted	876,401
	1,656,325

**Total net position**

\$ 1,656,325

**CITY OF NORCROSS, GEORGIA**  
**STORM WATER UTILITY ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
*For the fiscal year ending August 31, 2016*

**OPERATING REVENUES**

Charges for sales and services	
Storm water fees	\$ 849,425

**OPERATING EXPENSES**

Costs of sales and services	204,307
Personal services	319,224
Depreciation	18,597

<b>Total operating expenses</b>	<b>542,128</b>
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Operating income (loss)	307,297
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Net position, September 1	1,349,028
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<b>Net position, August 31</b>	<b>\$ 1,656,325</b>
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**CITY OF NORCROSS, GEORGIA**  
**STORM WATER UTILITY ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**For the fiscal year ending August 31, 2016**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 811,308
Payments to suppliers	(209,537)
Payments to employees	<u>(311,198)</u>
Net cash provided (used) by operating activities	290,573
<b>Cash flows from non-capital financing activities</b>	
Payments to other funds	(148,895)
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(98,666)</u>
Net increase (decrease) in cash and cash equivalents	43,012
Cash and cash equivalents, September 1	<u>102,423</u>
<b>Cash and cash equivalents, August 31</b>	<u><u>\$ 145,435</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ 307,297</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	18,597
(Increase) decrease in accounts receivable	(38,117)
(Increase) decrease in prepaid items	(317)
(Increase) decrease in pension contributions subsequent to measurement date	(3,353)
(Increase) decrease in pension experience differences	(1,582)
(Increase) decrease in pension investment return differences	(20,757)
(Increase) decrease in pension assumption differences	19
Increase (decrease) in accounts payable	(4,913)
Increase (decrease) in payroll liabilities	(478)
Increase (decrease) in net OPEB obligation	11,486
Increase (decrease) in pension investment return differences	(1,183)
Increase (decrease) in pension experience differences	(1,867)
Increase (decrease) in net pension liability	<u>25,741</u>
Total adjustments	<u>(16,724)</u>
Net cash provided by operating activities	<u><u>\$ 290,573</u></u>

**Noncash capital and related financing activities:**

Acquisition of capital assets through accounts payable totaled \$106,405 for the fiscal year ended August 31, 2016.

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## ***AGENCY FUND***

Agency funds are used to account for assets held by the City as an agent to be expended in accordance with the conditions of its agency capacity.

Municipal Court Fund – This fund is used to account, on a temporary basis, for fines collected by the municipal court that ultimately are transmitted to the general fund or another agency.

**CITY OF NORCROSS, GEORGIA**  
**MUNICIPAL COURT AGENCY FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	<u>\$ 231,220</u>
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**LIABILITIES**

Due to other agencies	<u>\$ 231,220</u>
-----------------------	-------------------

**CITY OF NORCROSS, GEORGIA**  
**MUNICIPAL COURT AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
*For the fiscal year ending August 31, 2016*

	<u>Balance September 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance August 31</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 260,559	\$ 1,740,782	\$ (1,770,121)	\$ 231,220
<b>LIABILITIES</b>				
Due to others agencies	\$ 260,559	\$ 1,740,782	\$ (1,770,121)	\$ 231,220

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***COMPONENT UNIT***

Downtown Development Authority – This component unit is used to account for governmental revenues and contributions reserved for City business development.

**CITY OF NORCROSS, GEORGIA**  
**DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)**  
**BALANCE SHEET**  
**August 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 132,774
Property held for resale	902,900
Notes receivable	<u>168,081</u>
<b>Total assets</b>	<b><u><u>\$ 1,203,755</u></u></b>

**LIABILITIES**

Payables	
Accounts	\$ 2,557
Intergovernmental	7,906
Customer deposits	1,778
Notes	<u>785,000</u>
Total liabilities	<u>797,241</u>

**FUND BALANCES**

Nonspendable:	
Property held for resale	902,900
Notes receivable	168,081
Unassigned	<u>(664,467)</u>
Total fund balances	<u>406,514</u>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 1,203,755</u></u></b>

**CITY OF NORCROSS, GEORGIA**  
**DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ending August 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 43,500	\$ 0	\$ (43,500)
Interest	7,453	10,237	2,784
Rent	46,766	107,062	60,296
Other	3,333	9,065	5,732
<b>Total revenues</b>	<u>101,052</u>	<u>126,364</u>	<u>25,312</u>
<b>EXPENDITURES</b>			
Current			
Housing and Development			
Contract services	100,700	97,250	3,450
Supplies and materials	10,916	10,916	0
Capital outlay	10,000	0	10,000
Debt service	4,868	5,657	(789)
<b>Total expenditures</b>	<u>126,484</u>	<u>113,823</u>	<u>12,661</u>
Excess (deficiency) of revenues over (under) expenditures	(25,432)	12,541	37,973
Other financing sources (uses)			
Contingency	(21,555)	0	21,555
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(46,987)	12,541	59,528
Fund balances, September 1	<u>46,987</u>	<u>393,973</u>	<u>346,986</u>
<b>Fund balances, August 31</b>	<u><u>\$ 0</u></u>	<u><u>\$ 406,514</u></u>	<u><u>\$ 406,514</u></u>

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***OTHER REPORTING SECTION***

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards***

Honorable Mayor and Members  
of the City Council  
City of Norcross, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Norcross, Georgia, as of and for the period ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Norcross, Georgia's basic financial statements and have issued our report thereon dated February 24, 2017.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified deficiencies in internal control that we consider to be material weaknesses.

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

**Comment 2016-001**

*Condition:* The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting. There were 111 journal entries posted to the general ledger after the final trial balance was received from management. Of the 111 journal entries, 51 were made by management and 60 were made by the auditors.

*Criteria:* Internal controls should be in place to ensure the City can perform timely and accurate year-end close procedures in order for the City to be able to produce its annual financial statements in compliance with State statutes.

*Effect:* Failure to properly design and implement internal controls over year-end close procedures may lead to financial statements that are materially misstated and lead to delays in financial reporting.

### **Comment 2016-001, continued**

*Recommendation:* We recommend that the City's Finance Department continue to implement and/or strengthen internal controls over the year-end closeout procedures. We also recommend management reconcile account balances monthly to the subsidiary ledgers to ensure proper and timely recording.

*Management Response:* Management concurs with this finding. The City Manager and Administrative Services Director will ensure that proper internal controls over the year-end close procedures are designed and implemented. Also, the Administrative Services Director will ensure that account balances are reconciled monthly to the subsidiary ledgers. This action was taken immediately upon receipt of the comment from our auditors.

### **Comment 2016-002**

*Condition:* Material adjustments were needed and made to the financial statements during year end closing and the audit process.

*Criteria:* Internal controls should be in place to ensure the City can prevent, detect, and correct material misstatements on a timely basis and adjustments made on a monthly basis during the year.

*Effect:* Monthly financial statements and reporting during the fiscal year were materially misstated.

*Recommendation:* We recommend that the City's Finance Department continue to implement and/or strengthen internal controls over reconciling the general ledger and financial statements that will ensure that the City can prevent, detect, and correct material misstatements on a timely basis and provide accurate financial reporting throughout the year.

*Management Response:* Management concurs with this finding. The City Manager and Administrative Services Director will ensure that proper internal controls over reconciling the general ledger and financial statements are designed and implemented. This action was taken immediately upon receipt of the comment from our auditors.

### **Comment 2016-003**

*Condition:* The 2015 financial statements were restated to remove a capital project that was incorrectly capitalized by the City.

*Criteria:* Projects should only be capitalized when the project is an asset of the City.

*Effect:* The assets and net position of the City were overstated for fiscal year 2015.

*Recommendation:* Management should review all projects to be certain if the City will be the owner of the project when complete.

*Management Response:* Management concurs with this finding. The City Manager and Administrative Services Director will ensure that proper internal controls over the review of capital projects are in place going forward. This action was taken immediately upon receipt of the comment from our auditors.

## Compliance and Other Matters

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

### Comment 2016-004

*Condition:* The City did not adopt a budget for the new Rental Motor Vehicle Excise Tax Special Revenue Fund. In addition, there were two departments for debt service over budget in the General Fund.

*Criteria:* OCGA Code Section 36-81-3 requires local governments to operate under an approved annual budget for the General Fund, special revenue funds, and debt service funds.

*Effect:* Failure to maintain expenditures within the balanced budget for the General Fund and Special Revenue Funds as required by OCGA Code Section 36-81-3 will place the City in violation of state law.

*Recommendation:* The City should consult the Department of Community Affairs chart of accounts for required separate reporting funds when establishing new activities and adopt budgets for all required reporting funds.

*Management Response:* Management concurs with this finding. City management will review the budgets for all funds and present those to the Mayor and City Council for approval. This action was implemented immediately upon receipt of the comment from our auditors.

## City of Norcross, Georgia's Responses to Findings

City of Norcross, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City Norcross' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

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

*Rushton & Company, LLC*

Certified Public Accountants

Gainesville, Georgia  
February 24, 2017

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**CITY OF NORCROSS, GEORGIA**  
**SCHEDULE OF PROJECTS FINANCED WITH SPECIAL**  
**PURPOSE LOCAL OPTION SALES TAX**  
**For the fiscal year ending August 31, 2016**

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>2009 SPLOST Referendum</b>					
Roads Improvements	\$ 1,500,000	\$ 1,500,000	\$ 1,001,191	\$ 4,967	\$ 1,006,158
Recreational Facilities	3,568,281	3,568,281	2,592,964	370,316	2,963,280
Administrative Facilities	2,000,000	2,000,000	2,393,343	0	2,393,343
Parking Facilities	2,000,000	2,000,000	1,205,899	0	1,205,899
Total	<u>\$ 9,068,281</u>	<u>\$ 9,068,281</u>	<u>\$ 7,193,397</u>	<u>\$ 375,283</u>	<u>\$ 7,568,680</u>
<b>2014 SPLOST Referendum</b>					
Transportation (roads, streets, bridges, drainage, sidewalks, and related facilities and equipment)	\$ 4,723,144	\$ 4,723,144	\$ 0	\$ 904,852	\$ 904,852
Recreational Facilities and Equipment	590,393	590,393	0	1,461,308	1,461,308
Administrative Facilities	1,377,583	1,377,583	0	0	0
Parking Facilities	1,180,786	1,180,786	1,100,000	112,745	1,212,745
Total	<u>\$ 7,871,906</u>	<u>\$ 7,871,906</u>	<u>\$ 1,100,000</u>	<u>\$ 2,478,905</u>	<u>\$ 3,578,905</u>

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