

CITY OF NORCROSS, GEORGIA

Annual Financial Report

For the fiscal year ending August 31, 2017

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CITY OF NORCROSS, GEORGIA
ANNUAL FINANCIAL REPORT
For the fiscal year ending August 31, 2017

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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, 2017, 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, 2017, 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 4 through 22 and 80 through 83 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 state reporting section with 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, the schedule of projects financed with special purpose local option sales tax, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Norcross, Georgia's basic financial statements for the year ended August 31, 2016, which are not presented with the accompanying financial statements. In our report dated February 24, 2017, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. That 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 as a whole. The individual fund financial statements and schedules, related to the 2016 financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 2016 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018, 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, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
February 28, 2018



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, 2017. 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.

FINANCIAL HIGHLIGHTS

- The assets of the City of Norcross exceeded its liabilities at the close of the year by \$83,831,565 (reported as "net position"). Of this amount \$5,953,388 is unrestricted, of which \$-3,227,094 is Governmental Activities and \$9,180,482 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 \$4,160,206.
- The City's governmental funds reported combined ending fund balances of \$11,457,235. Approximately 39 percent of this amount, \$4,459,731 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 \$24,186,388 at year end, an increase of \$1,724,960 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 84.

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 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 37-79 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

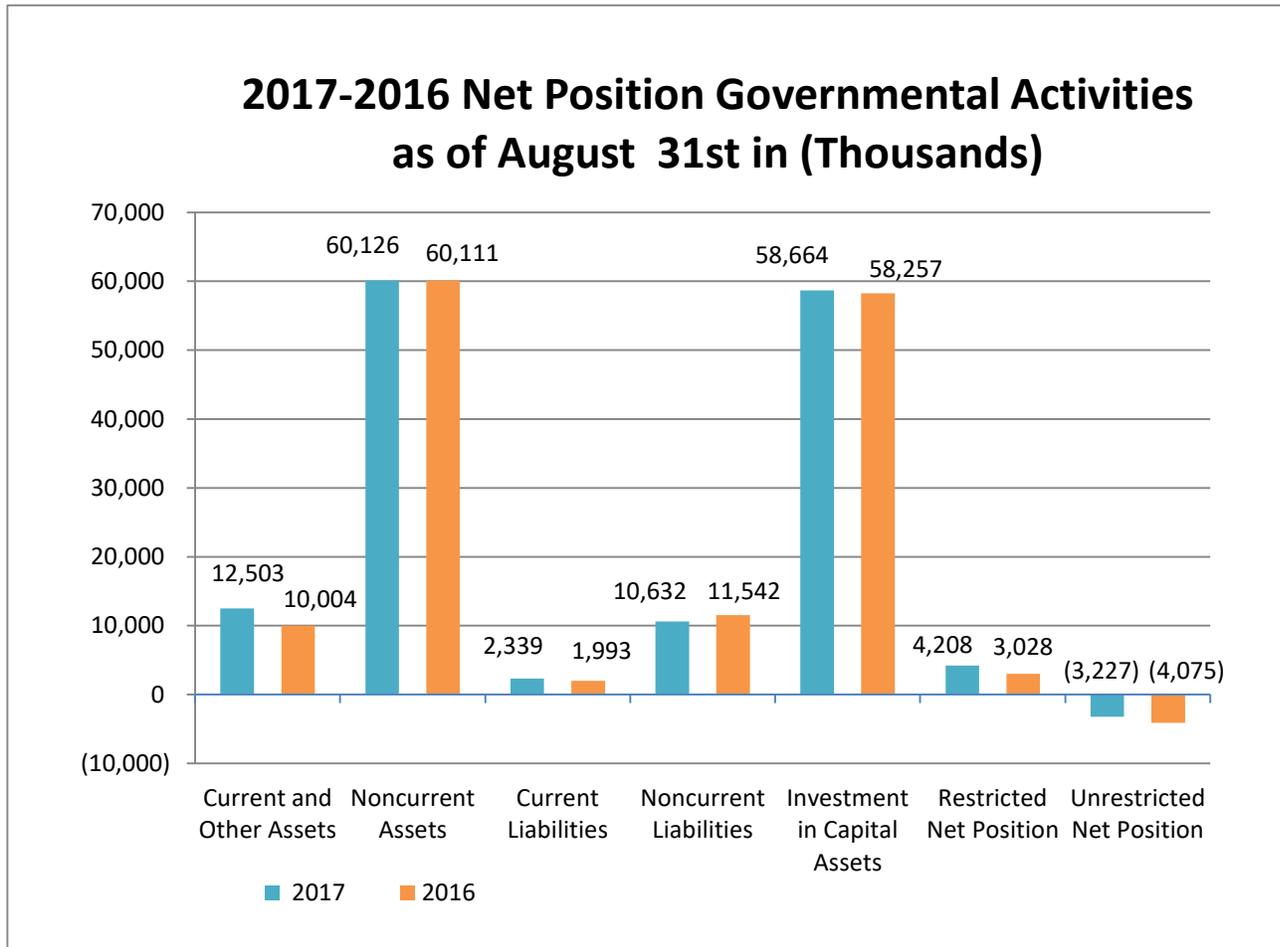
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Norcross, assets exceeded liabilities by \$83,831,565 as of August 31, 2017. The following table provides a summary of the City's governmental and business-type net position for the fiscal years ending August 31, 2017 and 2016.

City of Norcross Net Position as of August 31, 2017 and 2016 (in Thousands)

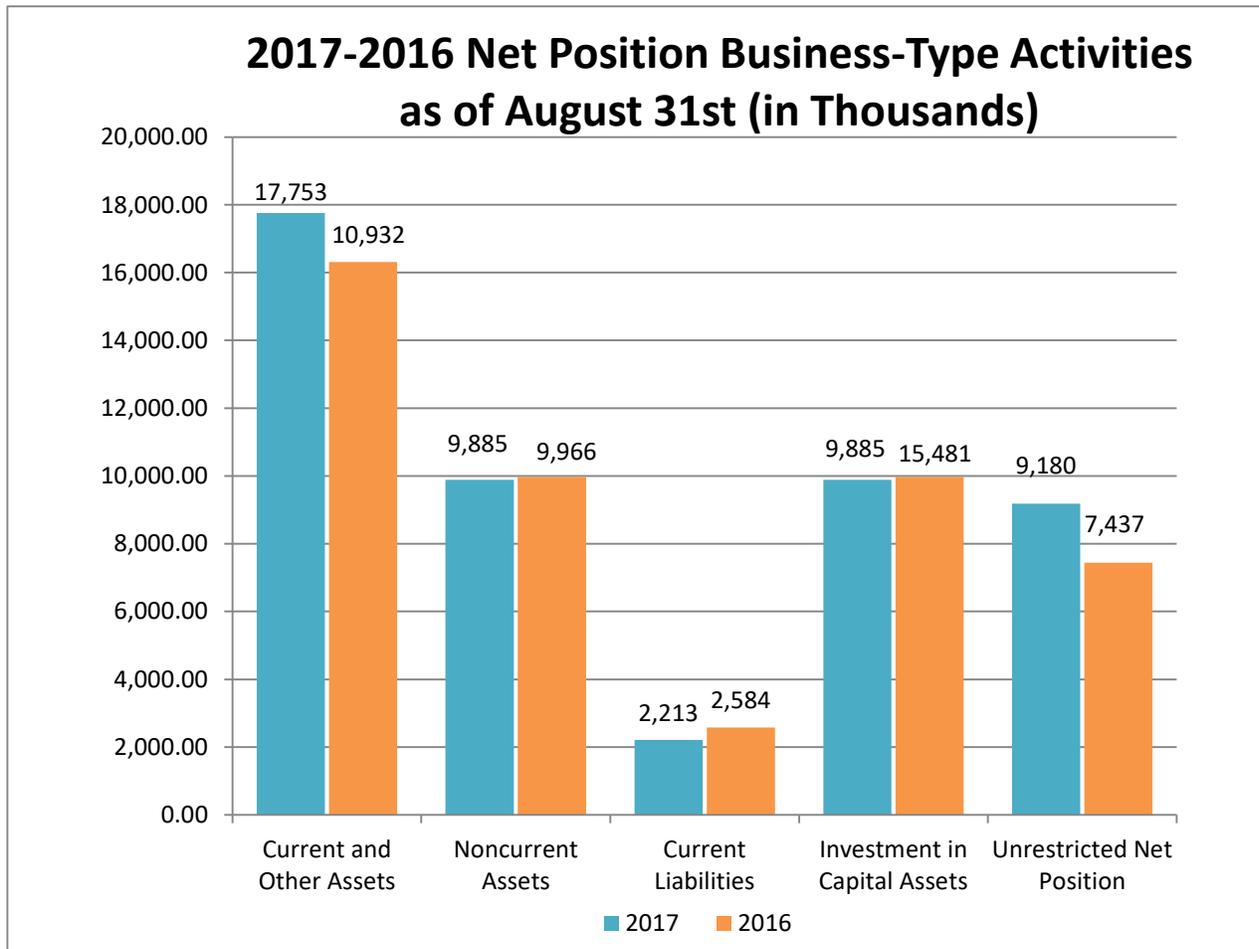
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	\$12,503	\$10,004	\$17,752	\$16,313	\$30,255	\$26,317
Capital Assets	59,341	59,134	9,885	9,966	69,226	69,100
Other Noncurrent Assets	785	978	0	0	785	978
Total Assets	<u>72,629</u>	<u>70,116</u>	<u>27,637</u>	<u>26,279</u>	<u>100,266</u>	<u>96,395</u>
Deferred Outflows of Resources	<u>584</u>	<u>837</u>	<u>52</u>	<u>96</u>	<u>637</u>	<u>933</u>
Current Liabilities	2,339	1,993	2,213	2,584	4,552	4,577
Long-term Liabilities	10,632	11,542	1,200	1,307	11,832	12,849
Total Liabilities	<u>12,971</u>	<u>13,535</u>	<u>3,413</u>	<u>3,891</u>	<u>16,384</u>	<u>17,426</u>
Deferred inflows of Resources	<u>598</u>	<u>207</u>	<u>91</u>	<u>23</u>	<u>689</u>	<u>230</u>
Net Investment in Capital Assets	58,664	58,257	9,885	9,966	68,549	68,223
Restricted Net Position	4,208	3,114	5,121	5,057	9,329	8,171
Unrestricted Net Position	(3,227)	(4,161)	9,180	7,438	5,953	3,277
Total Net Position	<u>\$59,645</u>	<u>\$57,210</u>	<u>\$24,186</u>	<u>\$22,461</u>	<u>\$83,831</u>	<u>\$79,671</u>

The largest portion of the City's net position as of August 31, 2017 (82%) 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 1% over 2016. Unrestricted net position decreased in 2017 by 23%.



Business-Type: Current assets increased by 8%, capital assets decreased by 1%, and unrestricted net position increased by 23%.



Restricted net position of the primary government totaling \$9,328,880 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 \$5,953,388 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 \$9,180,482 at the end of the year.

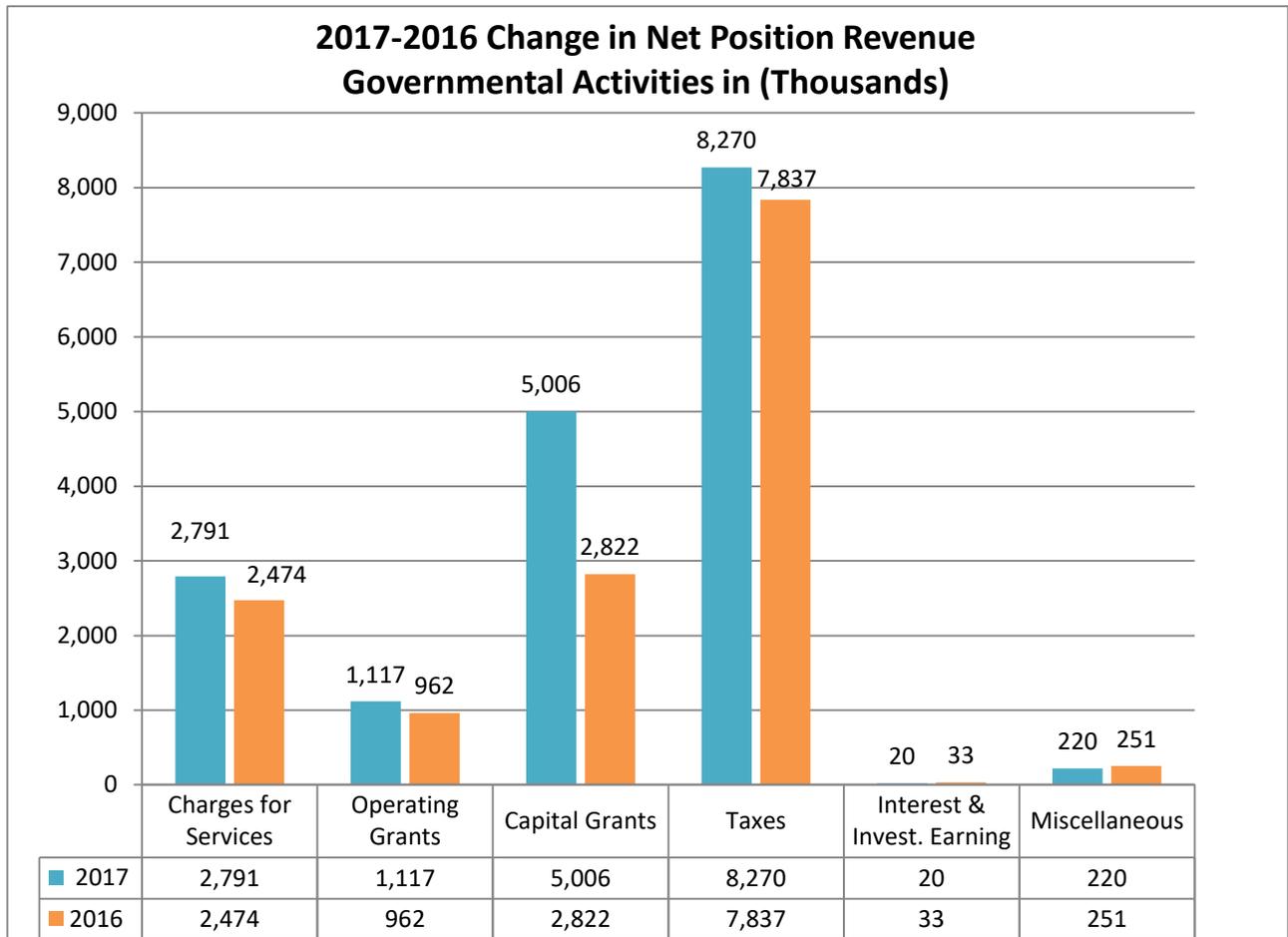
The City's net position increased by \$4,160,206 during the current year. Governmental activities resulted in an increase in net position of \$2,435,246 while business-type activities resulted in an increase of net position of \$1,724,960. The following table was derived from the government-wide Statement 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, 2017 and 2016
(in Thousands)

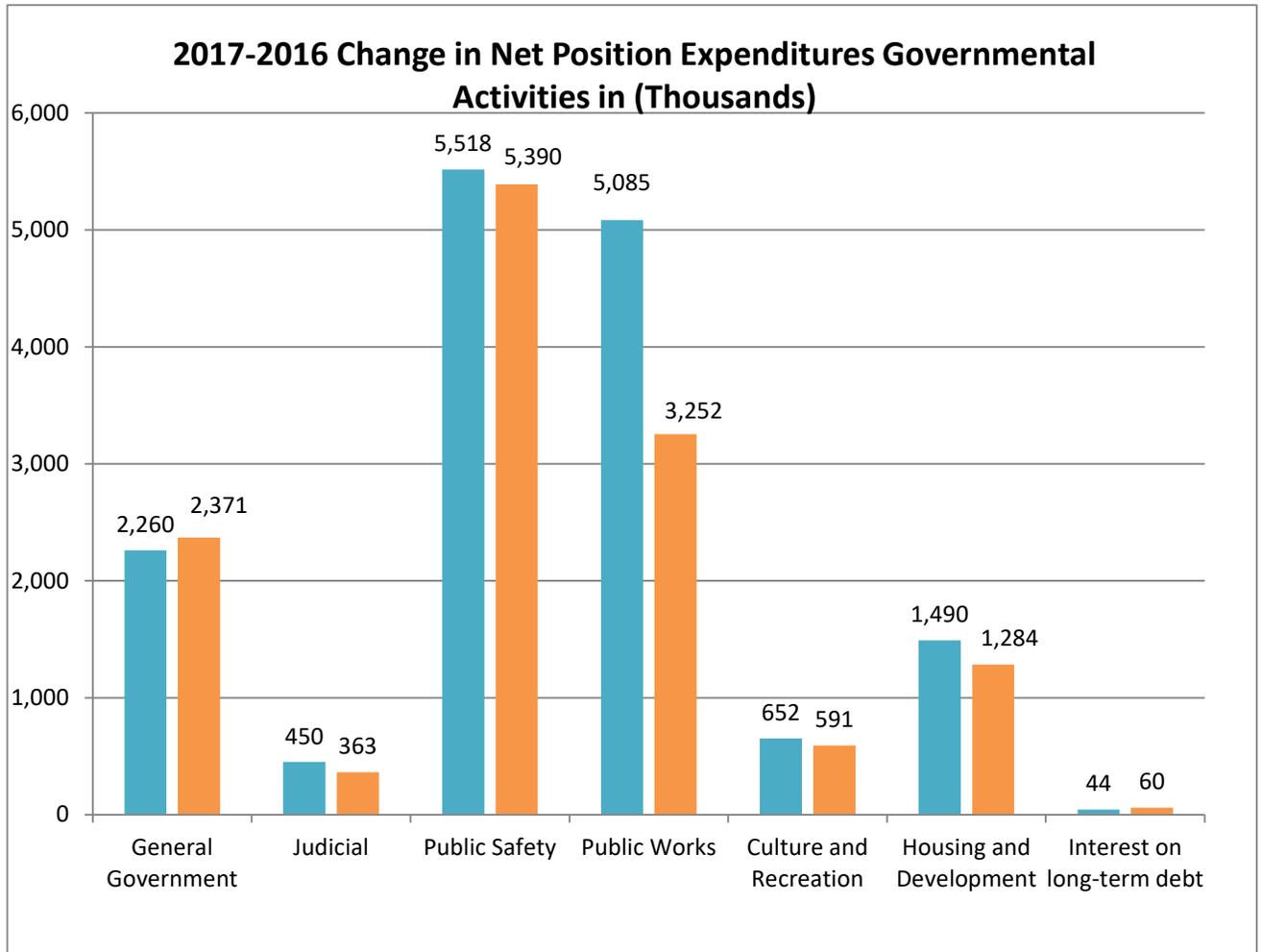
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$2,791	\$2,474	\$17,650	\$15,517	\$20,441	\$17,991
Operating Grants	1,117	962	736	761	1,853	1,723
Capital Grants	5,006	2,822	0	0	5,006	2,822
General Revenues:						
Taxes	8,270	7,837	0	0	8,270	7,837
Interest and Investment Earnings	20	33	107	275	127	308
Payment component	0	0	0	0	0	0
Miscellaneous	266	294	8	67	274	361
Total Revenues	17,470	14,422	18,501	16,620	35,971	31,042
Expenses:						
General Government	2,260	2,371	0	0	2,260	2,371
Judicial	450	363	0	0	450	363
Public Safety	5,518	5,390	0	0	5,518	5,390
Public Works	5,085	3,252	0	0	5,085	3,252
Culture and Recreation	652	591	0	0	652	591
Housing and Development	1,490	1,284	0	0	1,490	1,284
Interest on long-term debt	44	60	0	0	44	60
Electric	0	0	12,620	11,827	12,620	11,827
Solid Waste	0	0	2,989	2,814	2,989	2,814
Storm Water	0	0	701	542	701	542
Total Expenses	15,499	13,311	16,310	15,183	31,809	28,494
Increase in net position before special items and transfers	1,971	1,111	2,190	1,437	4,161	2,548
Transfers	465	498	(465)	(498)	0	0
Change in Net Position	2,435	1,609	1,725	939	4,160	2,548
Net Position- Sept. 1	57,210	56,219	22,461	21,522	79,671	77,741
Prior period adjustments	(0)	(618)	0	0	(0)	(618)
Aug. 31 Net Position	\$59,645	\$57,210	\$24,186	\$22,461	\$83,831	\$79,671

Governmental Activities. Governmental Activities increased the City's net position by \$2,435,246. Revenues for the City's governmental activities increased by 41% (\$358,951) over 2016. This increase in revenue was the result of an increase in property tax and occupational tax. Expenses are up by 14% over 2016 (\$2,188,846). This increase in expenses was the result of an increase in the Housing and Development, Public Safety and Public Works functions.

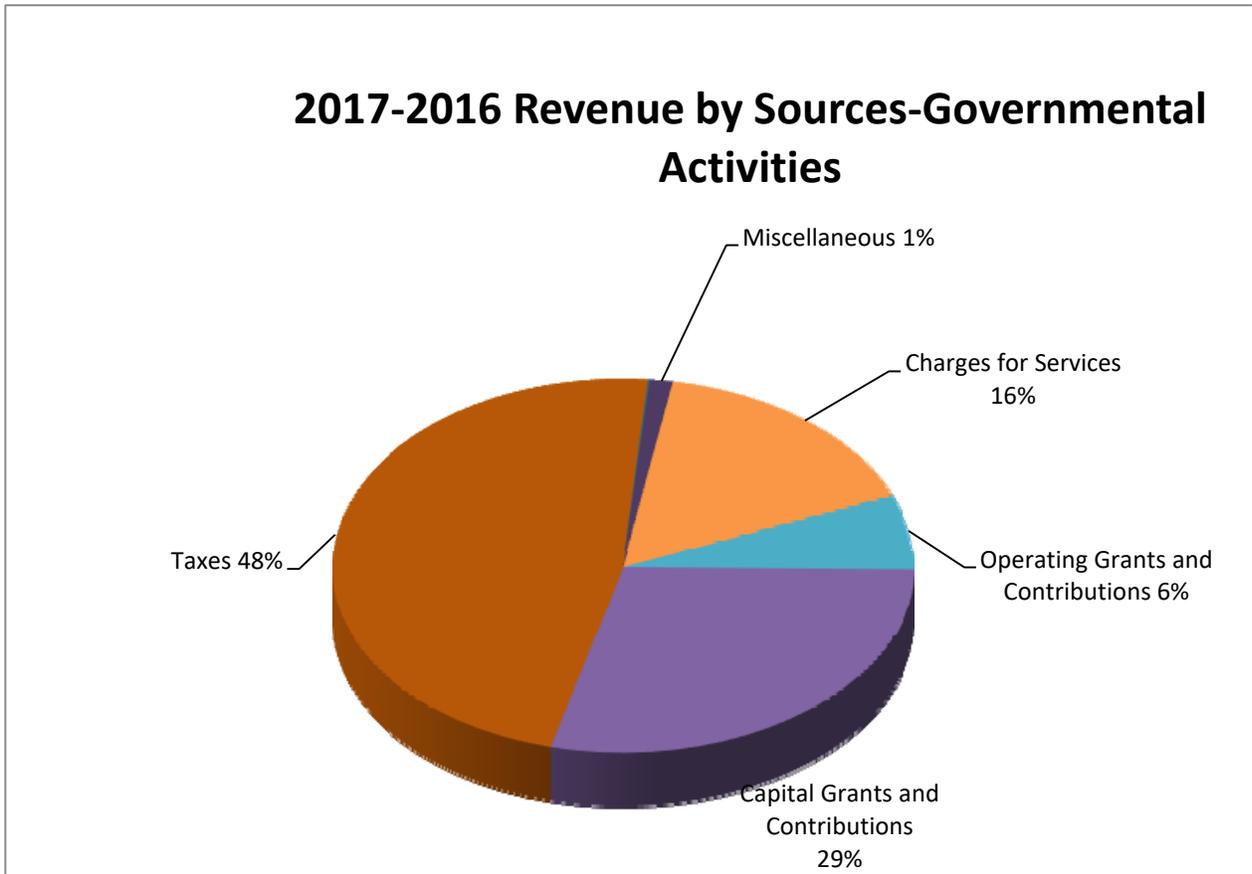
Operating Grants and Contributions increased 16%, Capital Grants and Contributions increased 77%, Taxes increased 5%, Interest and Investment Earnings decreased 41%.



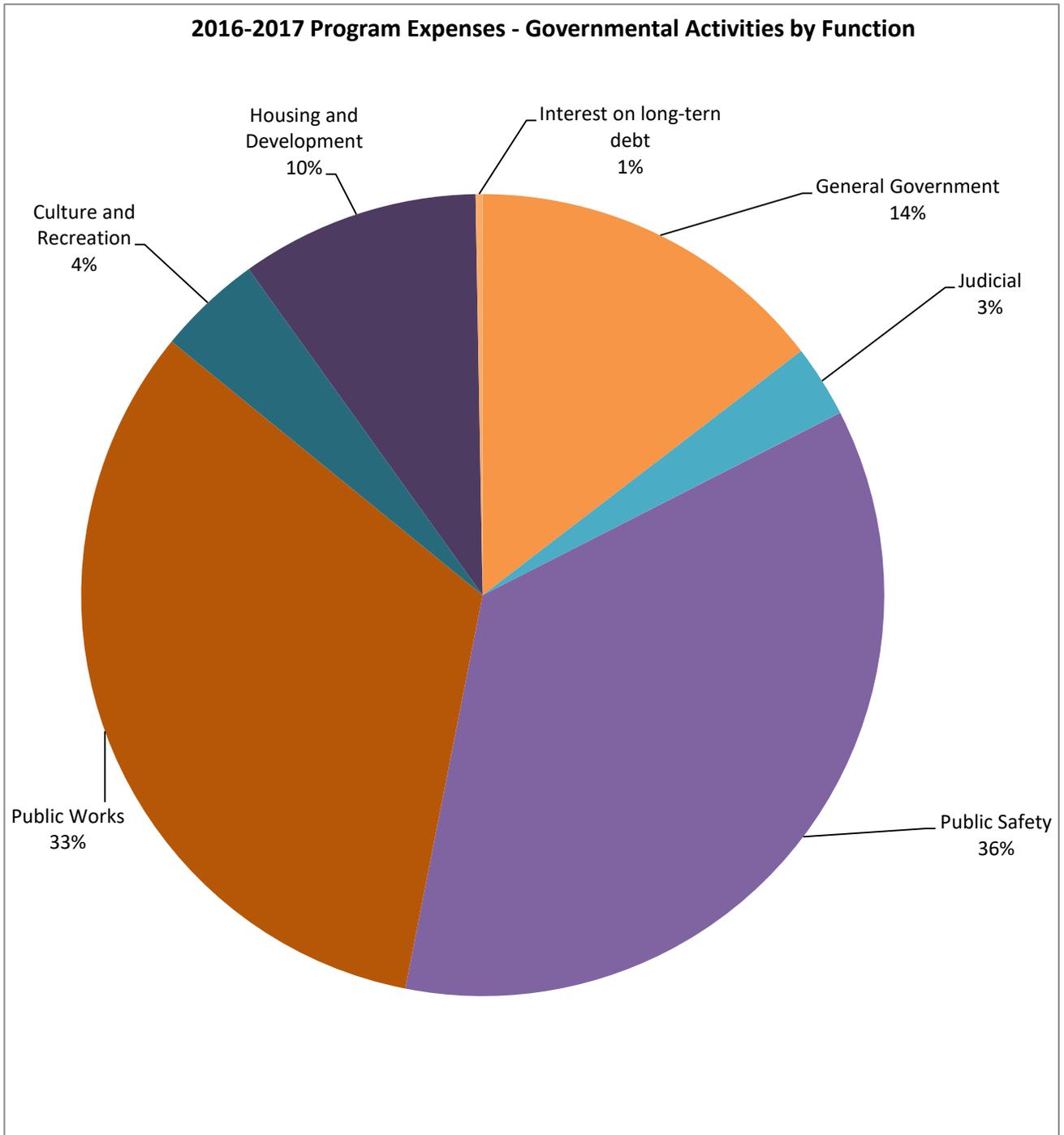
Governmental Activities: General Government expenses decreased by 5%, Public Safety increased 2%, Judicial increased 24%, Culture and Recreation increased 10%, Public Works increased 56%, Housing and Development increased 16% and Interest on long term debt decreased 27%.



Revenue for governmental activities was \$17.5 million. The major revenue sources were taxes (47%), capital grants and contributions (29%), charges for services (16%), operating grants and contributions (6%) and miscellaneous (1%).

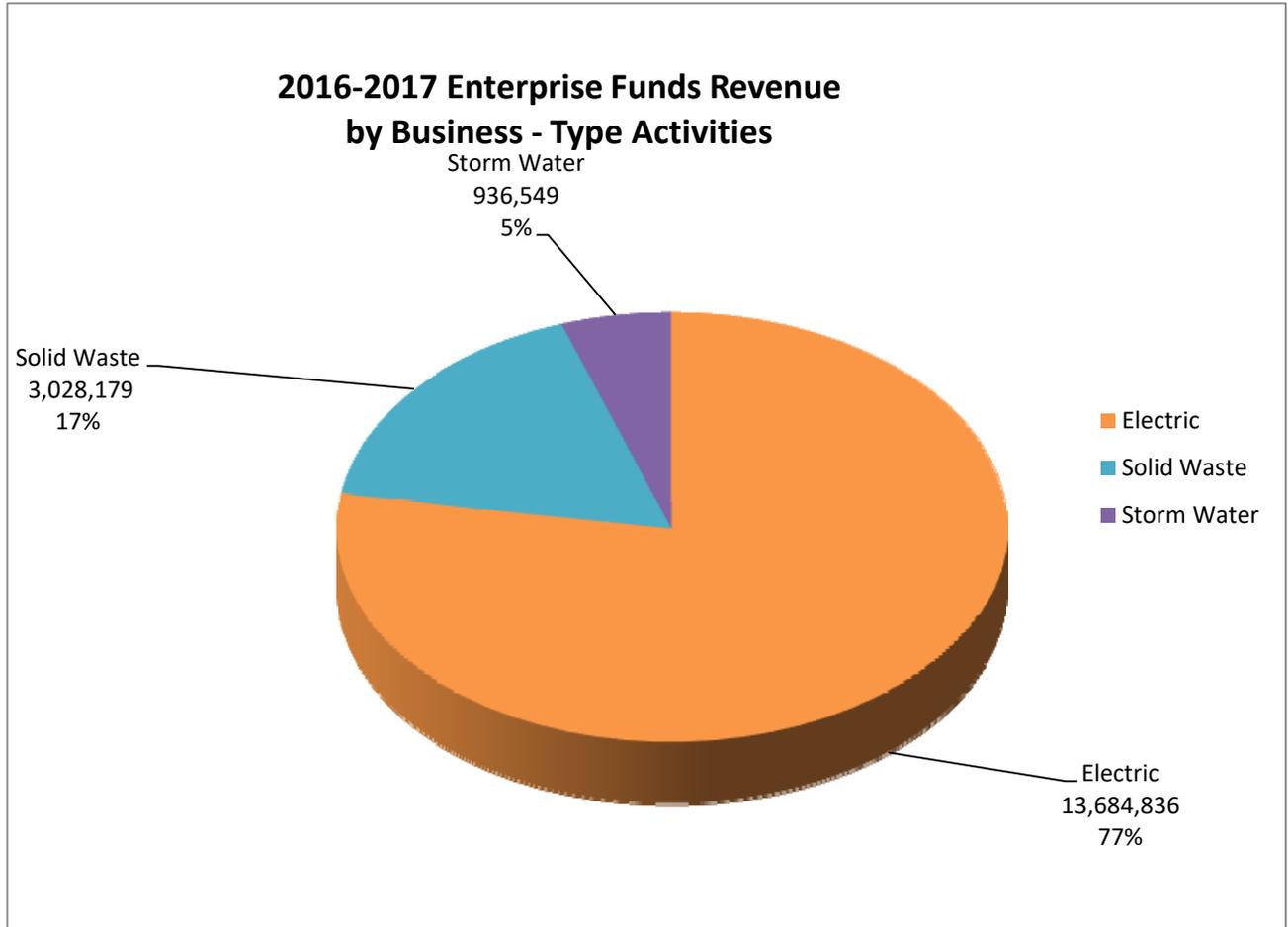


Expenses for the Governmental Activities were \$15.5 million, of which Public Safety accounted for 36%, Public Works 33%, General Government 14%, Housing and Development 10%, Judicial 3%, and Culture and Recreation 4%, interest on long-term debt 1%.

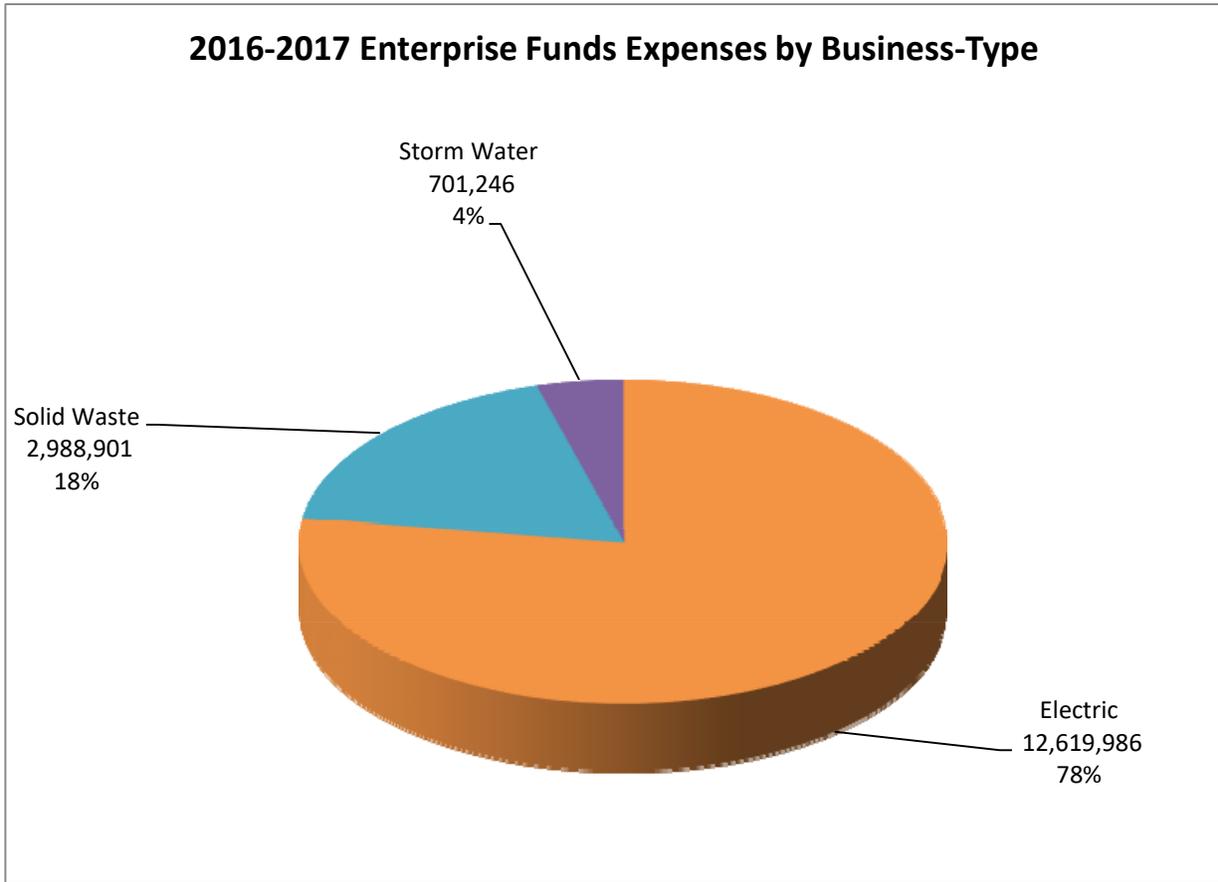


Business-Type Activities. Operations of business-type activities increased the City's net position by \$1,724,960. Key elements of this increase were as follows:

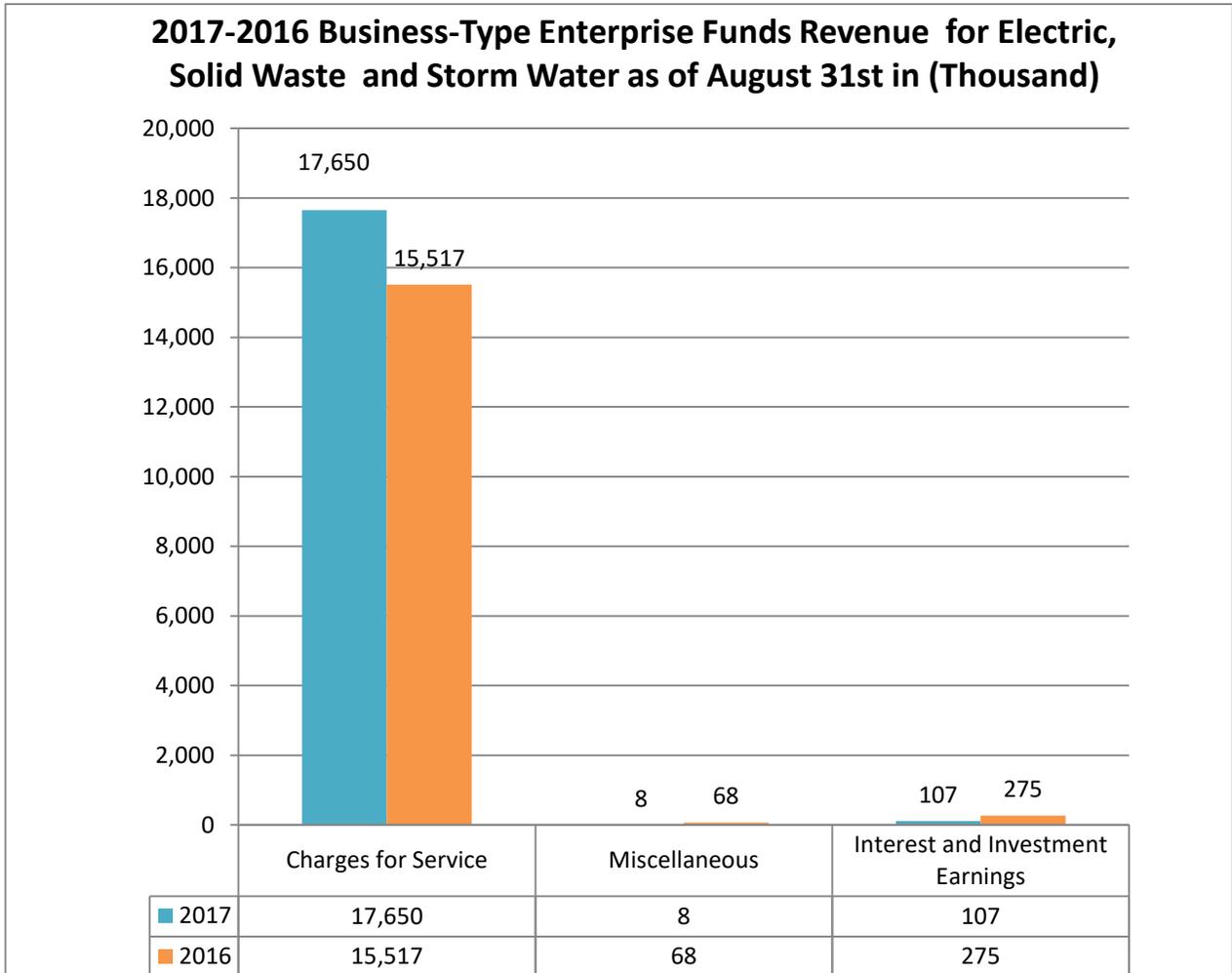
Sales for Business-Type activities were \$17,649,564 an increase of 14% over the prior year sales of \$15,516,978.



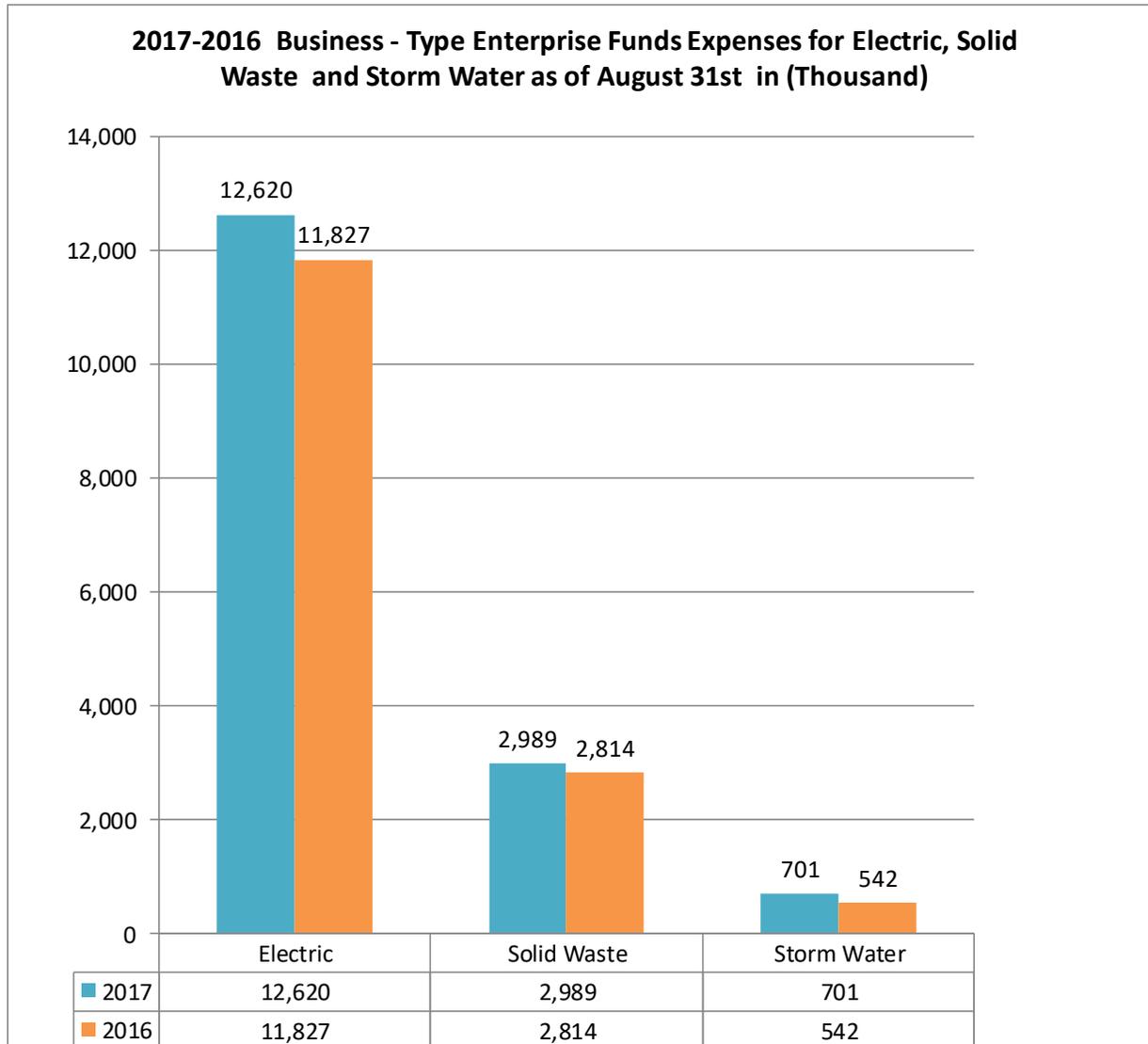
Expenses for the Business-type Activities were \$16.3 million, of which Electric accounted for 77%, Solid Waste 18% and Storm Water 4%.



Business-Type; Electric, Storm Water, and Solid Waste charges for services increased 14%, Miscellaneous decreased 88% and Interest on Investment Earning decreased by 61%



Business-Type: Electric increased 7%, Solid Waste increased 6% and Storm Water increased 29%.



The Electric Utility Enterprise Fund net position increased by \$1,446,815. This was a increase from 2016 of \$896,987 due to the increase in charges for sales and services.

The Solid Waste Utility Enterprise Fund net position increased by \$42,842. This is an increase from 2016 of \$265,455 due to the increase in charges for sales and services.

The Storm Water Utility Fund net position increased by \$235,305. This is a decrease from 2016 of \$307,297 due to an increase in cost of services.

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 \$6,708,407 a increase of \$1,159,524 or (21%) in comparison with the prior year. Approximately 66.7% of this amount \$4,471,586 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 41% of total general fund expenditures for the current year.

Key factors in the increase of the General Fund's fund balance of \$2,435,246 during the current year are:

- This increase is due to the decrease in issuance of capital leases over 2016
- For 2017, there was an increase in the funds transferred in over 2016

Below is a breakdown of 2017-2016 Revenues and Expenses comparison:

- 2017-2016 Revenues comparison: Revenues for 2017 are \$11,499,519 and 2016 revenues were \$10,559,357. Revenues increased by \$940,162 which is an increase of 9% over 2016.
- 2017-2016 Expenditures comparison: Expenditures for 2017 are \$10,855,878 and 2016 expenditures were \$11,317,590. Expenditures decreased by \$461,712, a 4% decrease over 2016.

Below are several revenue line items that have an increase (decrease) in revenue over 2016

- Tax revenue increased by \$532,494 (7.6%).
- Investment earnings decreased by \$13,846 (41.6%).
- Licenses and permits increased by \$64,003 (13.9%).
- Fine, fees and forfeitures increased by \$229,311 (13.2%) over 2016.
- Charges for services increased by \$4,602 (3.5%).
- Other decreased by \$30,859 (12.3%).

Review pages 88-93 (Exhibits D-1 thru D-4) for additional information on the General Fund.

SPECIAL REVENUE FUNDS

- Confiscated Assets Fund: The fund balance for 2016 was \$306 and for 2017 is \$507. There was an increase of \$201, which is an increase of 66% over 2016.
- Hotel/Motel Tax Fund: The fund balance for 2016 was \$598,665 and for 2017 is \$552,454. This is a decrease of \$46,211, which is a 8% decrease over 2016.
- Federal Seized Drug Fund: The fund balance for 2016 was \$292,345 and for 2017 is \$245,188. This is a decrease of \$47,157, which is a 16% decrease over 2016.
- Technology Surcharges Fund: The fund balance for 2016 was \$85,357 and for 2017 is \$120,017. This is an increase of \$34,660 which is a 41% increase over 2016.
- Rental Motor Vehicle Fund: The fund balance for 2016 was \$182,196 and for 2017 is \$292,975. This is an increase of \$110,779 which is a 57% increase over 2016.

Review pages 94-103 (Exhibits E-1 thru E-10) for additional information on the Special Revenue Funds.

CAPITAL PROJECTS FUNDS

The City has three 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 2016 is \$85,844 and for 2017 is \$10,522. This is a decrease of \$75,322.
- 2014 Special Purpose Local Option Sales Tax Fund: The fund balance for 2016 was \$2,465,778 and for 2017 is \$2,509,327. This is an increase of \$43,549.
- 2017 Special Purpose Local Option Sales Tax Fund: The fund balance is \$1,029,693, was not established in 2016.
- Capital Grants: The fund balance for 2016 was \$2,193 and for 2017 is (\$11,855). This is a decrease of \$14,048, which is a decrease of 641% over 2016.

Review pages 104-111 (Exhibits F-1 thru F-8) 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.

2017 Net position of the City's four proprietary funds are as follows:

Electric Utility	21,396,937
Solid Waste Utility	897,823
Storm Water Utility	1,891,628

The increase in net position for the funds was \$1,724,960, which is a 8% increase over 2016. 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 2016 Balance Sheet shows fund balance of \$406,514 and 2017 Balance Sheet shows fund balance of \$402,083. This is a decrease of \$4,431 which is a decrease of 1% over 2016. 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 2016-2017 adopted budget was \$11,738,501 Final year end budget total was \$11,815,667.

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, 2017, amounted to \$69,226,089 (net of accumulated depreciation), which is a 1% increase from 2016. 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, 2017, the City invested \$3,732,656 in new capital assets. Investment for business-type activities totaled \$432,432, while \$3,300,224 was for governmental activities. Major capital asset events during the current year included the following:

Governmental Activities : \$3,300,224

- \$ 0 Purchase of Land
- \$ 788,598 Construction in Progress
- \$ 0 Buildings
- \$2,167,659 Infrastructure
- \$ 343,967 Vehicles and equipment
- \$ 0 Furniture and Fixtures

Business-type Activities : \$432,432

- \$ 13,373 Construction in Progress
- \$ 229,332 Investment in the electrical, and storm water distribution systems
- \$ 189,727 Vehicles and equipment

More information on capital assets may be found in the Note 9 to the Financial Statements, Exhibit A-12, on pages 58-59 of this report.

Debt Administration

Primary Government:

At the end of August 31, 2017 the City had a capital lease agreement with Dell and Motorola with a balance of \$378,530.

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, 2017 the balance of the note is \$0. Monthly installments of principle and interest were due through August 1, 2017, however the note was paid off prior to August 31, 2017.

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, 2017 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, 2017, 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 62-64 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, 2018. Budget calculations were based on, but not limited to, the following factors:

- The Storm Water department has been operating for seven 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 \$210,000. 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.
- The revenue projected is expected to be consistent with 2017 due to the increase in the housing market.
- The biggest challenge for 2018 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.

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BASIC FINANCIAL STATEMENTS

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
August 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,060,404	\$ 1,295,421	\$ 7,355,825	\$ 149,948
Certificates of deposit	2,058,300	0	2,058,300	0
Investments	0	6,925,015	6,925,015	0
Restricted assets				
Cash and cash equivalents	0	169,292	169,292	0
Investments	0	5,534,896	5,534,896	0
Receivables (net)				
Accounts	0	4,022,541	4,022,541	0
Taxes	262,950	0	262,950	0
Intergovernmental	1,530,764	0	1,530,764	144,458
Notes	192,500	0	192,500	0
Interest	3,140	0	3,140	0
Internal balances	1,135,545	(1,135,545)	0	0
Prepaid items	173,555	66,094	239,649	0
Property held for resale	1,085,766	0	1,085,766	902,900
Inventories	0	874,547	874,547	0
Total current assets	12,502,924	17,752,261	30,255,185	1,197,306
Noncurrent assets				
Notes receivable	785,000	0	785,000	0
Capital assets				
Non-depreciable	22,230,564	1,051,288	23,281,852	4,000
Depreciable (net)	37,110,270	8,833,967	45,944,237	130,548
Total noncurrent assets	60,125,834	9,885,255	70,011,089	134,548
Total assets	72,628,758	27,637,516	100,266,274	1,331,854
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date				
Pension contributions subsequent to measurement date	199,578	14,941	214,519	0
Pension assumption changes	862	73	935	0
Pension experience differences	27,190	2,665	29,855	0
Pension investment return differences	356,741	34,978	391,719	0
Total deferred outflows	584,371	52,657	637,028	0
LIABILITIES				
Current liabilities				
Payables				
Accounts	702,159	377,384	1,079,543	497
Retainages	52,084	0	52,084	0
Intergovernmental	144,458	849,613	994,071	7,906
Sales tax	0	85,818	85,818	0
Customer deposits	0	0	0	1,820
Accrued salaries and payroll liabilities	125,508	18,169	143,677	0
Compensated absences	250,066	24,358	274,424	0
Unearned revenue	29,037	274,131	303,168	0
Other liabilities	732,785	0	732,785	0
Notes payable	0	0	0	192,500
Capital lease payable	302,615	0	302,615	0
Liabilities payable from restricted assets				
Customer deposits payable	0	583,537	583,537	0
Total current liabilities	2,338,712	2,213,010	4,551,722	202,723

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
August 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Net pension liability	\$ 1,692,615	\$ 147,232	\$ 1,839,847	\$ 0
Notes payable	0	0	0	785,000
Capital lease payable	75,915	0	75,915	0
Net OPEB obligation	8,863,125	1,052,555	9,915,680	0
Total noncurrent liabilities	10,631,655	1,199,787	11,831,442	785,000
Total liabilities	12,970,367	3,412,797	16,383,164	987,723
DEFERRED INFLOWS OF RESOURCES				
Pension investment return differences	351,889	56,096	407,985	0
Pension experience differences	245,696	34,892	280,588	0
Total deferred inflows of resources	597,585	90,988	688,573	0
NET POSITION				
Net investment in capital assets	58,664,042	9,885,255	68,549,297	134,548
Restricted for:				
General Government	120,017	0	120,017	0
Public Safety	245,695	0	245,695	0
Housing and Development	292,975	0	292,975	0
MEAG generation projects	0	5,120,651	5,120,651	0
Capital projects	3,549,542	0	3,549,542	0
Unrestricted	(3,227,094)	9,180,482	5,953,388	209,583
Total net position	\$ 59,645,177	\$ 24,186,388	\$ 83,831,565	\$ 344,131

CITY OF NORCROSS, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended August 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General Government	\$ 2,260,058	\$ 144,551	\$ 0	\$ 0	\$ (2,115,507)
Judicial	450,112	0	0	0	(450,112)
Public Safety	5,518,415	2,188,381	1,116,558	0	(2,213,476)
Public Works	5,085,490	0	0	5,005,888	(79,602)
Culture and Recreation	652,112	85,390	0	0	(566,722)
Housing and Development	1,489,894	372,769	0	0	(1,117,125)
Interest on long-term debt	43,933	0	0	0	(43,933)
Total governmental activities	<u>15,500,014</u>	<u>2,791,091</u>	<u>1,116,558</u>	<u>5,005,888</u>	<u>(6,586,477)</u>
Business-type activities					
Electric Utility	12,619,986	13,684,836	735,661	0	1,800,511
Solid Waste	2,988,901	3,028,179	0	0	39,278
Storm Water Utility	701,246	936,549	0	0	235,303
Total business-type activities	<u>16,310,133</u>	<u>17,649,564</u>	<u>735,661</u>	<u>0</u>	<u>2,075,092</u>
Total primary government	<u>31,810,147</u>	<u>20,440,655</u>	<u>1,852,219</u>	<u>5,005,888</u>	<u>(4,511,385)</u>
Component Unit					
Downtown Development Authority					
Housing and Development	87,081	0	0	0	(87,081)
Primary Government					
	Governmental Activities	Business-Type Activities	Total	Component Unit	
Change in net assets					
Net (expense) revenue	\$ (6,586,477)	\$ 2,075,092	\$ (4,511,385)	\$ (87,081)	
General revenues					
Taxes					
Property	4,652,793	0	4,652,793	0	
Franchise	1,079,777	0	1,079,777	0	
Intangibles	69,385	0	69,385	0	
Occupational	362,743	0	362,743	0	
Insurance premium	947,072	0	947,072	0	
Alcoholic beverage	291,602	0	291,602	0	
Hotel/Motel	755,714	0	755,714	0	
Other	110,779	0	110,779	0	
Interest and investment earnings	19,559	106,572	126,131	2,624	
Gain on sale of assets	48,051	0	48,051	0	
Miscellaneous	219,689	7,855	227,544	127,328	
Transfers	464,559	(464,559)	0	0	
Total general revenues and transfers	<u>9,021,723</u>	<u>(350,132)</u>	<u>8,671,591</u>	<u>129,952</u>	
Change in net position	2,435,246	1,724,960	4,160,206	42,871	
Net position - beginning	<u>57,209,931</u>	<u>22,461,428</u>	<u>79,671,359</u>	<u>301,260</u>	
Net position - ending	<u>\$ 59,645,177</u>	<u>\$ 24,186,388</u>	<u>\$ 83,831,565</u>	<u>\$ 344,131</u>	

CITY OF NORCROSS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2017

	<u>General</u>	<u>2014 SPLOST</u>	<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 2,420,955	\$ 1,749,417	\$ 0	\$ 1,890,032	\$ 6,060,404
Certificates of deposit	2,058,300	0	0	0	2,058,300
Receivables (net)					
Taxes	151,941	0	0	111,009	262,950
Intergovernmental	36,583	1,074,936	0	419,245	1,530,764
Notes	977,500	0	0	0	977,500
Interest	3,140	0	0	0	3,140
Prepaid items	173,555	0	0	0	173,555
Due from other funds	1,527,984	0	0	88,652	1,616,636
Property held for resale	1,085,766	0	0	0	1,085,766
Total assets	<u>\$ 8,435,724</u>	<u>\$ 2,824,353</u>	<u>\$ 0</u>	<u>\$ 2,508,938</u>	<u>\$ 13,769,015</u>
LIABILITIES					
Payables					
Accounts	\$ 256,195	\$ 262,942	\$ 0	\$ 183,022	\$ 702,159
Intergovernmental	144,458	0	0	0	144,458
Retainages	0	52,084	0	0	52,084
Accrued salaries and payroll liabilities	125,508	0	0	0	125,508
Unearned revenue	29,037	0	0	0	29,037
Due to other funds	469,236	0	11,855	0	481,091
Other liabilities	658,225	0	0	74,560	732,785
Total liabilities	<u>1,682,659</u>	<u>315,026</u>	<u>11,855</u>	<u>257,582</u>	<u>2,267,122</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue- property taxes	44,658	0	0	0	44,658
FUND BALANCES					
Nonspendable:					
Prepaid items	173,555	0	0	0	173,555
Notes receivable	977,500	0	0	0	977,500
Property held for resale	1,085,766	0	0	0	1,085,766
Restricted for:					
General Government	0	0	0	120,017	120,017
Public Safety	0	0	0	245,695	245,695
Housing and Development	0	0	0	292,975	292,975
Capital outlay	0	2,509,327	0	1,040,215	3,549,542
Assigned for:					
Housing and Development	0	0	0	552,454	552,454
Unassigned	4,471,586	0	(11,855)	0	4,459,731
Total fund balances	<u>6,708,407</u>	<u>2,509,327</u>	<u>(11,855)</u>	<u>2,251,356</u>	<u>11,457,235</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 8,435,724</u>	<u>\$ 2,824,353</u>	<u>\$ 0</u>	<u>\$ 2,508,938</u>	<u>\$ 13,769,015</u>

CITY OF NORCROSS, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
August 31, 2017

Total fund balance - total governmental funds \$ 11,457,235

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	59,340,834
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Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds.

These are:

Property taxes	44,658
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

These are:

Capital leases	\$ (378,530)	
Compensated absences	(250,066)	
Net pension liability	(1,692,615)	
Net OPEB obligations	<u>(8,863,125)</u>	(11,184,336)

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	199,578
Pension assumption changes	862
Pension experience differences	27,190
Pension investment return differences	356,741

Deferred inflows of resources:

Pension investment return differences	(351,889)	
Pension experience differences	<u>(245,696)</u>	<u>(13,214)</u>

Net position of governmental activities		<u><u>\$ 59,645,177</u></u>
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CITY OF NORCROSS, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended August 31, 2017

	General	2014 SPLOST	Grants	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 7,513,645	\$ 0	\$ 0	\$ 866,493	\$ 8,380,138
Licenses and permits	522,488	0	0	0	522,488
Fines, fees and forfeitures	1,970,093	0	0	160,710	2,130,803
Charges for services	137,800	0	0	0	137,800
Intergovernmental	1,116,557	2,101,294	1,874,241	1,029,653	6,121,745
Interest	19,444	628	0	187	20,259
Other	219,492	0	0	201	219,693
Total revenues	11,499,519	2,101,922	1,874,241	2,057,244	17,532,926
EXPENDITURES					
Current					
General Government	1,909,038	0	0	79,958	1,988,996
Judicial	376,297	0	0	0	376,297
Public Safety	5,316,972	0	0	93,364	5,410,336
Public Works	1,776,170	0	0	0	1,776,170
Culture and Recreation	589,166	0	0	0	589,166
Housing and Development	637,988	0	0	801,925	1,439,913
Capital outlay	0	2,058,373	1,888,289	72,081	4,018,743
Debt service	250,247	0	0	0	250,247
Total expenditures	10,855,878	2,058,373	1,888,289	1,047,328	15,849,868
Excess (deficiency) of revenues over (under) expenditures	643,641	43,549	(14,048)	1,009,916	1,683,058
Other financing sources (uses)					
Transfers in	467,832	0	0	0	467,832
Transfers out	0	0	0	(3,273)	(3,273)
Sale of capital assets	48,051	0	0	0	48,051
Total other financing sources (uses)	515,883	0	0	(3,273)	512,610
Net change in fund balance	1,159,524	43,549	(14,048)	1,006,643	2,195,668
Fund balances, September 1	5,548,883	2,465,778	2,193	1,244,713	9,261,567
Fund balances, August 31	\$ 6,708,407	\$ 2,509,327	\$ (11,855)	\$ 2,251,356	\$ 11,457,235

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 ended August 31, 2017

Net change in fund balances - total governmental funds **\$ 2,195,668**

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	\$ 2,156,739	
Depreciation	<u>(1,949,655)</u>	207,084

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. (110,273)

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	642,274	
Cost of benefits earned net of employee contributions	<u>(510,858)</u>	131,416

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		206,313
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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	(25,660)	
Net OPEB obligations	<u>(169,302)</u>	<u>(194,962)</u>

Change in net position of governmental activities		<u><u>\$ 2,435,246</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 ended August 31, 2017

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 7,080,703	\$ 7,080,703	\$ 7,513,645	\$ 432,942
Licenses and permits	537,800	537,800	522,488	(15,312)
Fines, fees and forfeitures	1,590,000	1,590,000	1,970,093	380,093
Charges for services	101,650	101,650	137,800	36,150
Intergovernmental	997,989	997,989	1,116,557	118,568
Interest	12,001	12,000	19,444	7,444
Other	187,978	187,978	219,492	31,514
Total revenues	10,508,121	10,508,120	11,499,519	991,399
EXPENDITURES				
Current				
General Government				
Governing Body	623,756	623,756	605,379	18,377
Administration	151,223	151,223	146,104	5,119
City Clerk	108,922	108,922	92,038	16,884
Chief Executive	21,086	98,253	63,453	34,800
Information Technology	1,081,742	1,081,742	879,241	202,501
Human Resources	122,823	122,823	122,823	0
Judicial				
Municipal Court	414,547	414,547	376,297	38,250
Public Safety				
Police	4,872,833	4,872,832	4,758,157	114,675
E911 Communications	675,572	675,572	558,815	116,757
Public Works				
Public Works Administration	2,078,253	2,078,253	1,776,170	302,083
Culture and Recreation				
Parks and Recreation	658,846	658,846	589,166	69,680
Housing and Development				
Community Development	612,644	612,644	468,029	144,615
Economic Development	296,254	296,254	169,959	126,295
Debt Service				
General Government	0	0	145,520	(145,520)
Public Safety	0	0	104,727	(104,727)
Total expenditures	11,718,501	11,795,667	10,855,878	939,789
Excess (deficiency) of revenues over (under) expenditures	(1,210,380)	(1,287,547)	643,641	1,931,188
Other financing sources (uses)				
Transfers in	467,832	467,832	467,832	0
Sale of capital asses	0	0	48,051	48,051
Contingency	(20,000)	(20,000)	0	20,000
Total other financing sources (uses)	447,832	447,832	515,883	68,051
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(762,548)	(839,715)	1,159,524	1,999,239
Fund balances, September 1	762,548	839,715	5,548,883	4,709,168
Fund balances, August 31	\$ 0	\$ 0	\$ 6,708,407	\$ 6,708,407

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2017

	Business Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 74,000	\$ 421,758	\$ 799,663	\$ 1,295,421
Investments	6,925,015	0	0	6,925,015
Restricted assets				
Cash and cash equivalents	0	169,292	0	169,292
Investments	5,534,896	0		5,534,896
Accounts receivable (net)	2,886,429	411,252	724,860	4,022,541
Prepaid items	61,788	0	4,306	66,094
Due from other funds	0	380,584	11,855	392,439
Inventories	874,547	0	0	874,547
Total current assets	16,356,675	1,382,886	1,540,684	19,280,245
Noncurrent assets				
Capital assets				
Non-depreciable	1,051,288	0	0	1,051,288
Depreciable (net)	7,931,641	110,834	791,492	8,833,967
Total noncurrent assets	8,982,929	110,834	791,492	9,885,255
Total assets	25,339,604	1,493,720	2,332,176	29,165,500
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	9,002	0	5,939	14,941
Pension assumption changes	54	0	19	73
Pension experience differences	1,462	0	1,203	2,665
Pension investment return differences	19,190	0	15,788	34,978
Total deferred outflows of resources	29,708	0	22,949	52,657
LIABILITIES				
Current liabilities				
Payables				
Accounts	125,084	239,373	12,927	377,384
Intergovernmental	849,613	0	0	849,613
Sales tax	85,818	0	0	85,818
Accrued salaries and payroll liabilities	14,308	0	3,861	18,169
Compensated absences	18,275	0	6,083	24,358
Unearned revenue	86,899	187,232	0	274,131
Due to other funds	1,527,984	0	0	1,527,984
Liabilities payable from restricted assets				
Customer deposits payable	414,245	169,292	0	583,537
Total current liabilities	3,122,226	595,897	22,871	3,740,994
Noncurrent liabilities				
Net pension liability	93,556	0	53,676	147,232
Net OPEB obligation	689,133	0	363,422	1,052,555
Total noncurrent liabilities	782,689	0	417,098	1,199,787
Total liabilities	3,904,915	595,897	439,969	4,940,781

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2017

	Business Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
DEFERRED INFLOWS OF RESOURCES				
Pension investment return differences	\$ 41,608	\$ 0	\$ 14,488	\$ 56,096
Pension experience differences	25,852	0	9,040	34,892
Total deferred inflows of resources	67,460	0	23,528	90,988
NET POSITON				
Investment in capital assets	8,982,929	110,834	791,492	9,885,255
Restricted for:				
MEAG generation projects	5,120,651	0	0	5,120,651
Unrestricted	7,293,357	786,989	1,100,136	9,180,482
Total net position	\$ 21,396,937	\$ 897,823	\$ 1,891,628	\$ 24,186,388

CITY OF NORCROSS, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2017

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
OPERATING REVENUES				
Charges for sales and services	\$ 13,684,836	\$ 3,028,179	\$ 936,549	\$ 17,649,564
Other	7,564	291	0	7,855
Total operating revenues	<u>13,692,400</u>	<u>3,028,470</u>	<u>936,549</u>	<u>17,657,419</u>
OPERATING EXPENSES				
Costs of sales and services	11,125,437	2,738,697	166,822	14,030,956
Personal services	1,202,380	250,204	505,960	1,958,544
Depreciation	292,169	0	28,464	320,633
Total operating expenses	<u>12,619,986</u>	<u>2,988,901</u>	<u>701,246</u>	<u>16,310,133</u>
Operating income (loss)	<u>1,072,414</u>	<u>39,569</u>	<u>235,303</u>	<u>1,347,286</u>
Non-operating revenues (expenses)				
Investment revenue	106,572	0	0	106,572
Intergovernmental	735,661	0	0	735,661
Total non-operating revenues (expenses)	<u>842,233</u>	<u>0</u>	<u>0</u>	<u>842,233</u>
Net income (loss) before transfers	<u>1,914,647</u>	<u>39,569</u>	<u>235,303</u>	<u>2,189,519</u>
Transfers in (out)				
Transfers in	0	3,273	0	3,273
Transfers out	(467,832)	0	0	(467,832)
Total transfers	<u>(467,832)</u>	<u>3,273</u>	<u>0</u>	<u>(464,559)</u>
Change in net position	1,446,815	42,842	235,303	1,724,960
Net position, September 1	<u>19,950,122</u>	<u>854,981</u>	<u>1,656,325</u>	<u>22,461,428</u>
Net position, August 31	<u><u>\$ 21,396,937</u></u>	<u><u>\$ 897,823</u></u>	<u><u>\$ 1,891,628</u></u>	<u><u>\$ 24,186,388</u></u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2017

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
Cash flows from operating activities:				
Receipts from customers	\$ 13,344,955	\$ 2,980,735	\$ 854,535	\$ 17,180,225
Payments to suppliers	(11,241,733)	(2,925,089)	(156,179)	(14,323,001)
Payments to employees	(1,185,077)	(250,204)	(500,335)	(1,935,616)
Other receipts	7,564	0	0	7,564
Net cash provided (used) by operating activities	<u>925,709</u>	<u>(194,558)</u>	<u>198,021</u>	<u>929,172</u>
Cash flows from non-capital financing activities:				
Receipts from other funds	21,709	727,040	602,644	1,351,393
Receipts from other governments	735,661	0	0	735,661
Net cash provided (used) by non-capital financing activities	<u>757,370</u>	<u>727,040</u>	<u>602,644</u>	<u>2,087,054</u>
Cash flows from capital and related financing activities:				
Receipts from other funds	0	3,273	0	3,273
Acquisition of capital assets	(88,698)	(110,834)	(40,032)	(239,564)
Payment of capital related accounts payable	0	0	(106,405)	(106,405)
Net cash provided (used) by capital and related financing activities	<u>(88,698)</u>	<u>(107,561)</u>	<u>(146,437)</u>	<u>(342,696)</u>
Cash flows from investing activities:				
Interest received	106,572	0	0	106,572
Purchase of investments	(1,626,953)	0	0	(1,626,953)
Net cash provided (used) by investing activities	<u>(1,520,381)</u>	<u>0</u>	<u>0</u>	<u>(1,520,381)</u>
Net increase (decrease) in cash and cash equivalents	74,000	424,921	654,228	1,153,149
Cash and cash equivalents, September 1	<u>0</u>	<u>166,129</u>	<u>145,435</u>	<u>311,564</u>
Cash and cash equivalents, August 31	<u><u>\$ 74,000</u></u>	<u><u>\$ 591,050</u></u>	<u><u>\$ 799,663</u></u>	<u><u>\$ 1,464,713</u></u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2017

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,072,414	\$ 39,569	\$ 235,303	\$ 1,347,286
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	292,169	0	28,464	320,633
(Increase) decrease in accounts receivable	(277,888)	(52,424)	(82,014)	(412,326)
(Increase) decrease in prepaid items	(12,576)	0	(1,489)	(14,065)
(Increase) decrease in inventories	(51,860)	0	0	(51,860)
(Increase) decrease in pension contributions subsequent to measurement date	16,984	0	5,899	22,883
(Increase) decrease in pension experience differences	1,091	0	379	1,470
(Increase) decrease in pension investment return differences	14,310	0	4,969	19,279
(Increase) decrease in pension assumption differences	51	0	18	69
Increase (decrease) in accounts payable	36,272	(186,392)	12,132	(137,988)
Increase (decrease) in intergovernmental payables	(88,132)	0	0	(88,132)
Increase (decrease) in unearned revenue	0	1,526	0	1,526
Increase (decrease) in deposits payable	(53,510)	3,163	0	(50,347)
Increase (decrease) in sales tax payable	(8,483)	0	0	(8,483)
Increase (decrease) in accrued payroll liabilities	14,801	0	4,439	19,240
Increase (decrease) in net OPEB obligation	19,399	0	7,054	26,453
Increase (decrease) in pension investment return differences	34,925	0	12,128	47,053
Increase (decrease) in pension experience differences	15,308	0	5,316	20,624
Increase (decrease) in net pension liability	(99,566)	0	(34,577)	(134,143)
Total adjustments	(146,705)	(234,127)	(37,282)	(418,114)
Net cash provided (used) by operating activities	\$ 925,709	\$ (194,558)	\$ 198,021	\$ 929,172
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 74,000	\$ 421,758	\$ 799,663	\$ 1,295,421
Restricted assets				
Cash and cash equivalents	0	169,292	0	169,292
Total cash and cash equivalents	\$ 74,000	\$ 591,050	\$ 799,663	\$ 1,464,713

CITY OF NORCROSS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
August 31, 2017

	<u>Municipal Court Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>201,362</u>
LIABILITIES	
Due to other agencies	\$ <u>201,362</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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, 2017

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 31st 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, 2017.

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, 2017

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.

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, 2017

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, 2017

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, 2017

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, 2017

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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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, 2017.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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, 2017

2. Summary of Significant Accounting Policies (continued)

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond August 31, 2017 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, 2017

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:

	Useful Life	Capitalization
	in Years	Threshold
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, 2017

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, 2017

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, 2017

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, 2017

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, 2017, 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, 2017

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, 2017, 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.

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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

3. Deposit and Investment Risk (continued)

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, 2017, the average weighted maturity of the Intermediate, Intermediate Extended, and Short-term Portfolios were 9.6, 56.5, and 2.6 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, 2017, the City's balances in the Voluntary Flexible Operating Accounts were \$7,604,821, and in the Generation Trust Accounts were \$4,855,090.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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, 2017 consist of the following:

Investment Type	Fair Value
Municipal Competitive Trust	
Short-term Portfolio	\$ 2,955,274
Intermediate Portfolio	4,646,924
Intermediate Extended Portfolio	4,857,713
Total Investments	\$ 12,459,911

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 AAAf 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 AAAf by Standard & Poor's. The weighted average maturity at August 31, 2017 was 16 days. At August 31, 2017, the City's balance in Georgia Fund 1 was \$47,605.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

4. Accounts Receivable

Net accounts receivable at August 31, 2017 consist of the following:

Major Funds		
Enterprise Funds		
Electric Utility	\$ 2,901,558	
Less: Allowances for Uncollectibles	(15,129)	
Solid Waste	413,319	
Less: Allowances for Uncollectibles	(2,067)	
Storm Water Utility	875,553	
Less: Allowances for Uncollectibles	<u>(150,693)</u>	<u>\$ 4,022,541</u>
Total Primary Government		<u><u>\$ 4,022,541</u></u>

5. Intergovernmental Receivables

Intergovernmental receivables at August 31, 2017 consist of the following:

Major Funds		
General Fund		
Gwinnett County, Georgia	\$ 28,677	
City of Norcross Downtown Development Authority		7,906
2014 SPLOST		
Georgia Department of Transportation	590,614	
Gwinnett County, Georgia		484,322
Nonmajor Governmental		
Gwinnett County, Georgia		<u>419,245</u>
Total primary government		<u><u>\$ 1,530,764</u></u>
Downtown Development Authority Component Unit		
City of Norcross, Georgia		<u><u>\$ 144,458</u></u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

6. Taxes Receivable

Property Taxes

Property taxes receivable as of August 31, 2017 consist of the following:

Year of Levy	Amount
2016	\$ 64,562
2015	18,120
2014	73,991
2013	29,816
2012	74,094
2011	16,165
2010	16,699
	293,447
Less allowance for uncollectible	(218,737)
Total	\$ 74,710

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 2017, based upon the assessments of January 1, 2016, were billed on September 13, 2016, and due on November 14, 2016. Tax liens are issued 90 days after the due date. The tax rate of 5.749 mills for 2016 was levied on August 8, 2016.

Other Taxes

\$58,450 of franchise taxes, \$101,264 of hotel/motel taxes, \$18,781 of alcohol excise taxes and \$9,745 in rental motor vehicle excise taxes are also included in taxes receivable.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

7. Interfund Receivables and Payables

A summary of interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Electric Utility	\$ 1,527,984
Solid Waste	General	380,584
Storm Water Utility	Grants	11,855
Nonmajor Governmental	General	<u>88,652</u>
Subtotal		<u><u>\$ 2,009,075</u></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”.

8. Interfund Transfers

A summary of interfund transfers is as follows:

Transfer Out Fund	Transfer In Fund	Amount
Electric	General	\$ 467,832
2009 SPLOST	Solid Waste	<u>3,273</u>
Subtotal		<u><u>\$ 471,105</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, 2017

9. Capital Assets

Capital asset activity for the primary government for the year ended August 31, 2017 was as follows:

	Balance 9/1/2016	Increases	Decreases	Balance 8/31/2017
Governmental activities				
Non-depreciable assets				
Land	\$ 20,255,576	\$ 0	\$ 0	\$ 20,255,576
Construction in progress	2,329,875	788,598	(1,143,485)	1,974,988
Total nondepreciable assets	<u>22,585,451</u>	<u>788,598</u>	<u>(1,143,485)</u>	<u>22,230,564</u>
Depreciable assets				
Buildings	12,934,898	0	0	12,934,898
Infrastructure	53,174,287	2,167,659	0	55,341,946
Vehicles and equipment	4,821,838	343,967	0	5,165,805
Furniture and fixtures	2,704,305	0	0	2,704,305
Intangible assets	227,406	0	0	227,406
Total depreciable assets	<u>73,862,734</u>	<u>2,511,626</u>	<u>0</u>	<u>76,374,360</u>
Accumulated depreciation				
Buildings	(3,374,385)	(271,071)	0	(3,645,456)
Infrastructure	(28,910,539)	(1,049,204)	0	(29,959,743)
Vehicles and equipment	(2,987,816)	(455,179)	0	(3,442,995)
Furniture and fixtures	(1,977,466)	(165,914)	0	(2,143,380)
Intangible assets	(64,229)	(8,287)	0	(72,516)
Total accumulated depreciation	<u>(37,314,435)</u>	<u>(1,949,655)</u>	<u>0</u>	<u>(39,264,090)</u>
Total depreciable assets, net	<u>36,548,299</u>	<u>561,971</u>	<u>0</u>	<u>37,110,270</u>
Governmental activities capital assets, net	<u>\$ 59,133,750</u>	<u>\$ 1,350,569</u>	<u>\$ (1,143,485)</u>	<u>\$ 59,340,834</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Construction in progress	1,229,783	13,373	(192,868)	1,050,288
Total non-depreciable assets	<u>1,230,783</u>	<u>13,373</u>	<u>(192,868)</u>	<u>1,051,288</u>
Depreciable assets				
Distribution system	11,008,096	229,332	0	11,237,428
Vehicles and equipment	1,637,116	189,727	0	1,826,843
Total depreciable assets	<u>12,645,212</u>	<u>419,059</u>	<u>0</u>	<u>13,064,271</u>
Accumulated depreciation				
Distribution system	(2,772,646)	(219,815)	0	(2,992,461)
Vehicles and equipment	(1,137,025)	(100,818)	0	(1,237,843)
Total accumulated depreciation	<u>(3,909,671)</u>	<u>(320,633)</u>	<u>0</u>	<u>(4,230,304)</u>
Total depreciable assets, net	<u>8,735,541</u>	<u>98,426</u>	<u>0</u>	<u>8,833,967</u>
Business-type activities capital assets, net	<u>\$ 9,966,324</u>	<u>\$ 111,799</u>	<u>\$ (192,868)</u>	<u>\$ 9,885,255</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

9. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for fiscal year ending August 31, 2017 was as follows:

	<u>Balance 9/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 8/31/2017</u>
Downtown Development Authority Component Unit				
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
Equipment	0	2,375	0	2,375
Infrastructure	9,846	20,418	0	30,264
Total depreciable assets	<u>113,901</u>	<u>22,793</u>	<u>0</u>	<u>136,694</u>
Accumulated depreciation				
Buildings	(1,261)	(197)	0	(1,458)
Infrastructure	(2,607)	(2,081)	0	(4,688)
Total accumulated depreciation	<u>(3,868)</u>	<u>(2,278)</u>	<u>0</u>	<u>(6,146)</u>
Total depreciable assets, net	<u>110,033</u>	<u>20,515</u>	<u>0</u>	<u>130,548</u>
Downtown Development Authority capital assets, net	<u>\$ 114,033</u>	<u>\$ 20,515</u>	<u>\$ 0</u>	<u>\$ 134,548</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 229,176
Judicial	363
Public Safety	491,174
Public Works	1,067,004
Culture and Recreation	78,414
Housing and Development	83,524
	<u>1,949,655</u>
Total depreciation expense for governmental activities	<u>\$ 1,949,655</u>

Business-type activities

Electric Utility	\$ 292,169
Storm Water Utility	28,464
	<u>320,633</u>
Total depreciation expense for business-type activities	<u>\$ 320,633</u>

DDA Component Unit

\$ 2,278

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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 sell 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, 2017, 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, 2017, 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, 2017, 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, 2017

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. This note was paid off prior to August 31, 2017, so the balance of this note receivable is \$0. 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.

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, 2017 total \$378,530 for governmental activities.

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

	Cost	Accumulated Depreciation
Furniture and fixtures	\$ 561,376	\$ 198,298
Vehicles and equipment	298,060	42,580
Totals	<u>\$ 859,436</u>	<u>\$ 240,878</u>

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

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

12. Capital and Operating Lease Agreements (continued)

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, 2017:

Year Ending August 31,	Governmental activities
2018	\$ 313,391
2019	87,295
Total minimum lease payments	400,686
Less amounts representing interest	<u>(22,156)</u>
Present value of minimum lease payments	<u>\$ 378,530</u>

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

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. 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%. This note was paid off prior to August 31, 2017, so the balance of this note is \$0.

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, 2017, 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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

13. Long-Term Debt (continued)

Notes Payable, continued

Downtown Development Authority Component Unit (continued)

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, 2017, 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, 2017, this interest rate was 2.25%.

Annual debt service requirements for note payables are as follows:

<u>Year ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 192,500</u>	<u>\$ 893</u>	<u>\$ 193,393</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, 2017, 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
August 31, 2017

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, 2017:

	<u>Balance 9/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 8/31/2017</u>	<u>Due Within One Year</u>
Governmental activities					
Capital leases	\$ 584,843	\$ 0	\$ (206,313)	\$ 378,530	\$ 302,615
Compensated absences	224,406	250,066	(224,406)	250,066	250,066
Total Governmental Activities	<u>\$ 809,249</u>	<u>\$ 250,066</u>	<u>\$ (430,719)</u>	<u>\$ 628,596</u>	<u>\$ 552,681</u>
Business-type activities					
Compensated absences	<u>\$ 12,900</u>	<u>\$ 24,358</u>	<u>\$ (12,900)</u>	<u>\$ 24,358</u>	<u>\$ 24,358</u>
Downtown Development Authority					
Component Unit					
Notes payable	<u>\$ 1,004,287</u>	<u>\$ 0</u>	<u>\$ (26,787)</u>	<u>\$ 977,500</u>	<u>\$ 192,500</u>

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, 2017 was \$43,933 for governmental activities.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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, 2017:

	<u>2014 SPLOST</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
General Government			
Technology equipment	\$ 0	\$ 120,017	\$ 120,017
Public Safety			
Police department vehicles and equipment	0	245,695	245,695
Housing and Development			
Trade and tourism	0	292,975	292,975
Capital projects	2,509,327	1,040,215	3,549,542
	<u>\$ 2,509,327</u>	<u>\$ 1,698,902</u>	<u>\$ 4,208,229</u>
Assigned for:			
Housing and Development			
Trade and tourism	\$ 0	\$ 552,454	\$ 552,454
	<u>\$ 0</u>	<u>\$ 552,454</u>	<u>\$ 552,454</u>

15. Intradepartmental Billings

Total operating revenues and total operating expenses in the Electric Utility and Solid Waste Enterprise Funds include \$220,321 and \$367,019, respectively, of intra departmental billings for electricity and sanitation usage.

16. Pension Plan

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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

16. Pension Plan (continued)

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, 2017, the date of the most recent actuarial valuation, there were 180 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	32
Terminated vested participants entitled to but not yet receiving benefits	44
Active participants	104
Total number of participants	180

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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

16. Pension Plan (continued)

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, 2017 was \$675,679, or 13.45% of covered employee payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, the City reported a net pension liability of \$1,839,847. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. For the fiscal year ended August 31, 2017, the City recognized pension expense of \$366,519. In prior years, net pension liabilities have been liquidated in the General Fund, Electric Enterprise Fund, and the Storm Water Enterprise Fund.

At August 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,855	\$ (280,588)
Changes of assumptions	935	0
Difference between projected and actual earnings on pension plan investments	391,719	(407,985)
City contributions subsequent to the measurement date	214,519	0
Totals	<u>\$ 637,028</u>	<u>\$ (688,573)</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

16. Pension Plan (continued)

The \$214,519 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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending August 31	
2018	\$ (85,075)
2019	(85,075)
2020	(8,804)
2021	<u>(87,110)</u>
Totals	<u>\$ (266,064)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2017 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%

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, 2017 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

16. Pension Plan (continued)

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, 2017 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%	6.71%
International equity	20%	7.71%
Fixed income	25%	5.47%
Real estate	10%	5.21%
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
August 31, 2017

16. Pension Plan (continued)

Changes in Net Pension Liability (Asset)

	<u>Total Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 3/31/2016	\$ 11,548,839	\$ 8,800,478	\$ 2,748,361
Changes for the year:			
Service cost	303,187	0	303,187
Interest	876,775	0	876,775
Differences between expected and actual experience	(248,867)	0	(248,867)
Contributions—employer	0	675,679	(675,679)
Contributions—employee	0	66,757	(66,757)
Net investment income	0	1,126,953	(1,126,953)
Benefit payments, including refunds of employee contributions	(471,229)	(471,229)	0
Administrative expense	0	(29,780)	29,780
Net changes	<u>459,866</u>	<u>1,368,380</u>	<u>(908,514)</u>
Balances at 3/31/2017	<u>\$ 12,008,705</u>	<u>\$ 10,168,858</u>	<u>\$ 1,839,847</u>

Plan's fiduciary net position as a percentage of the total pension liability	84.68%
Covered payroll	\$ 5,024,965
Net pension liability as a percentage of covered payroll	36.61%

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:

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.75%	\$ 3,452,277
Current discount rate	7.75%	1,839,847
1% increase	8.75%	503,465

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. These plans are immaterial to the financial statements.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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, 2017, the City contributed \$76,239 to the plans based on covered salaries of \$3,291,001. Plan members made voluntary contributions of \$192,592 to the plans. Total payroll was \$5,853,554.

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
August 31, 2017

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>104</u>
Total number of participants	<u><u>123</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 \$9,456, 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
August 31, 2017

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, 2017 is 24 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, 2017

18. Post-employment Health Care Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ending August 31, 2017, the City's annual OPEB cost of \$405,748 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, 2017. 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	\$ 683,141
Interest on net OPEB obligation	388,797
Adjustment to ARC	<u>(666,190)</u>
Annual OPEB cost	405,748
Contributions made	<u>(209,992)</u>
Increase (decrease) in net OPEB obligation	195,756
Net OPEB obligation - beginning of year	<u>9,719,924</u>
Net OPEB obligation - end of year	<u><u>\$ 9,915,680</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>
12/31/2013	\$ 2,215,065	8%	\$ 7,819,400
12/31/2014	609,547	27%	8,262,479
12/31/2015	1,120,395	11%	9,260,502
8/31/2016	645,772	29%	9,719,924
8/31/2017	405,748	52%	9,915,680

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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%
7/1/2017	0	6,827,684	6,827,684	0.00%	5,052,184	135.14%

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, 2017, follows:

Lodging Tax Receipts	\$ 755,714
Disbursements to promote trade and tourism	\$ 801,925 106% 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, 2017, the City of Norcross contributed the use of one police officer to the DEA for undercover work; the City paid \$58,669 in personnel costs for the officer.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

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, 2017, 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, 2017. 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, 2017

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, 2017, 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 \$9,397,640 from MEAG during the fiscal year ended August 31, 2017. 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, 2017

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, 2017 was \$4,855,090. 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, 2017 was \$3,220,835. 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, 2017, were \$0 and \$630,055 respectively. Due to the restricted nature of these funds, neither is shown in the Electric Utility Fund.

Contingencies

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

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

24. Tax Abatements

The City is subject to tax incentives granted by the Downtown Development Authority of Norcross, an entity created by the State of Georgia and activated by the City Council (“Authority”). These incentives are negotiated on an individual basis as a reduction of property taxes by percentage of total taxes and have the stated purpose of increasing business activity and employment in the City by allowing localities to abate property taxes for a variety of economic development purposes, including business relocation, retention, and expansion. The incentives may be granted to any business located within or promising to relocate to a local government’s geographic area and require the business to enter into a sale-leaseback transaction with the Authority in exchange for tax exempt debt financing for the purpose of locating to the area or expansion of current facilities. In addition to the commitment of the debt financing, the business may also commit to certain economic or employment increases. The incentive agreements contain a provision that the business may lose a portion or a portion of the abatement for that year if the business fails to meet its jobs and/or investment goals.

The City has not made any commitments as part of the agreement other than to reduce taxes.

The following incentive exists for the City:

<u>Purpose</u>	<u>% Abated</u>	<u>Current Year \$ Abated</u>
Manufacturing jobs	60%	<u>\$ 10,773</u>

25. Deficit Equity Balances

At August 31, 2017, the Grants Capital Projects Fund has a deficit fund balance of \$11,855. This is due to a deficit pooled cash balance. The City plans to liquidate this deficit fund balance through future revenue recognition.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORCROSS, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
August 31, 2017
(Unaudited)

	<u>Fiscal</u> <u>Year End</u>	<u>Fiscal</u> <u>Year End</u>	<u>Fiscal</u> <u>Year End</u>
	2017	2016	2015
Total pension liability			
Service cost	\$ 303,187	\$ 261,349	\$ 311,706
Interest	876,775	825,040	793,291
Differences between expected and actual experience	(248,867)	49,762	(234,843)
Benefit payments, including refunds of employee contributions	(471,229)	(465,976)	(459,675)
Other changes	<u>0</u>	<u>0</u>	<u>2,333</u>
Net change in total pension liability	459,866	670,175	412,812
Total pension liability - beginning	<u>11,548,839</u>	<u>10,878,664</u>	<u>10,465,852</u>
Total pension liability - ending (a)	<u>\$ 12,008,705</u>	<u>\$ 11,548,839</u>	<u>\$ 10,878,664</u>
Plan fiduciary net position			
Contributions - employer	\$ 675,679	\$ 426,124	\$ 563,073
Contributions - employee	66,757	52,468	45,321
Net investment income	1,126,953	27,244	764,683
Benefit payments, including refunds of employee contributions	(471,229)	(465,976)	(459,675)
Administrative expense	<u>(29,780)</u>	<u>(17,370)</u>	<u>(14,733)</u>
Net change in total pension liability	1,368,380	22,490	898,669
Plan fiduciary net position - beginning	<u>8,800,478</u>	<u>8,777,988</u>	<u>7,879,319</u>
Plan fiduciary net position - ending (b)	<u>\$ 10,168,858</u>	<u>\$ 8,800,478</u>	<u>\$ 8,777,988</u>
Net pension liability (asset) - ending : (a) - (b)	<u>\$ 1,839,847</u>	<u>\$ 2,748,361</u>	<u>\$ 2,100,676</u>
Plan's fiduciary net position as a percentage of the total pension liability	84.68%	76.20%	80.69%
Covered payroll	\$ 5,024,965	\$ 4,694,327	\$ 4,403,174
Net pension liability as a percentage of covered payroll	36.61%	58.55%	47.71%

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

CITY OF NORCROSS, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
August 31, 2017
(Unaudited)

	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 514,845	\$ 484,598	\$ 557,197
Contributions in relation to the actuarially determined contribution	<u>(514,845)</u>	<u>(532,037)</u>	<u>(667,308)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ (47,439)</u>	<u>\$ (110,111)</u>
Covered payroll	\$ 5,378,999	\$ 5,172,355	\$ 3,329,286
Contributions as a percentage of covered payroll	9.57%	10.29%	20.04%

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

CITY OF NORCROSS, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2017

1. Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2017, 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, 2018.

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, 2017

4. Changes of Assumptions

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

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COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF NORCROSS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2017

	<u>Special Revenue</u>			
	<u>Confiscated Assets</u>	<u>Hotel/Motel Tax</u>	<u>Federal Seized Drug</u>	<u>Technology Surcharges</u>
ASSETS				
Cash and cash equivalents	\$ 75,067	\$ 594,322	\$ 156,536	\$ 124,365
Receivables				
Taxes	0	101,264	0	0
Intergovernmental	0	0	0	0
Due from other funds	0	0	88,652	0
	<u>0</u>	<u>0</u>	<u>88,652</u>	<u>0</u>
Total assets	<u>\$ 75,067</u>	<u>\$ 695,586</u>	<u>\$ 245,188</u>	<u>\$ 124,365</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 0	\$ 143,132	\$ 0	\$ 4,348
Other liabilities	74,560	0	0	0
	<u>74,560</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>74,560</u>	<u>143,132</u>	<u>0</u>	<u>4,348</u>
Fund balances				
Restricted for:				
General Government	0	0	0	120,017
Public Safety	507	0	245,188	0
Housing and Development	0	0	0	0
Capital Outlay	0	0	0	0
Assigned for:				
Housing and Development	0	552,454	0	0
	<u>0</u>	<u>552,454</u>	<u>0</u>	<u>0</u>
Total fund balances	<u>507</u>	<u>552,454</u>	<u>245,188</u>	<u>120,017</u>
Total liabilities and fund balances	<u>\$ 75,067</u>	<u>\$ 695,586</u>	<u>\$ 245,188</u>	<u>\$ 124,365</u>

<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Total</u>
Rental			Nonmajor
Motor Vehicle	<u>2009 SPLOST</u>	<u>2017 SPLOST</u>	Governmental
Excise Tax			Funds
\$ 283,230	\$ 46,064	\$ 610,448	\$ 1,890,032
9,745	0	0	111,009
0	0	419,245	419,245
0	0	0	88,652
<u>\$ 292,975</u>	<u>\$ 46,064</u>	<u>\$ 1,029,693</u>	<u>\$ 2,508,938</u>
\$ 0	\$ 35,542	\$ 0	\$ 183,022
0	0	0	74,560
0	35,542	0	257,582
0	0	0	120,017
0	0	0	245,695
292,975	0	0	292,975
0	10,522	1,029,693	1,040,215
0	0	0	552,454
<u>292,975</u>	<u>10,522</u>	<u>1,029,693</u>	<u>2,251,356</u>
<u>\$ 292,975</u>	<u>\$ 46,064</u>	<u>\$ 1,029,693</u>	<u>\$ 2,508,938</u>

CITY OF NORCROSS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended August 31, 2017

	Special Revenue			
	Confiscated Assets	Hotel/Motel Tax	Federal Seized Drug	Technology Surcharges
REVENUES				
Taxes	\$ 0	\$ 755,714	\$ 0	\$ 0
Fees, fines, and forfeitures	0	0	46,092	114,618
Intergovernmental	0	0	0	0
Interest	0	0	115	0
Other	201	0	0	0
Total revenues	201	755,714	46,207	114,618
EXPENDITURES				
Current				
General Government	0	0	0	79,958
Public Safety	0	0	93,364	0
Housing and Development	0	801,925	0	0
Capital Outlay	0	0	0	0
Total expenditures	0	801,925	93,364	79,958
Excess (deficiency) of revenues over (under) expenditures	201	(46,211)	(47,157)	34,660
Other financing sources (uses)				
Transfers (out)	0	0	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	201	(46,211)	(47,157)	34,660
Fund balances, September 1	306	598,665	292,345	85,357
Fund balances, August 31	\$ 507	\$ 552,454	\$ 245,188	\$ 120,017

<u>Special Revenue</u> <u>Rental</u> <u>Motor Vehicle</u> <u>Excise Tax</u>	<u>Capital Projects</u>		<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>2009 SPLOST</u>	<u>2017 SPLOST</u>	
\$ 110,779	\$ 0	\$ 0	\$ 866,493
0	0	0	160,710
0	0	1,029,653	1,029,653
0	32	40	187
0	0	0	201
<u>110,779</u>	<u>32</u>	<u>1,029,693</u>	<u>2,057,244</u>
0	0	0	79,958
0	0	0	93,364
0	0	0	801,925
0	72,081	0	72,081
<u>0</u>	<u>72,081</u>	<u>0</u>	<u>1,047,328</u>
110,779	(72,049)	1,029,693	1,009,916
0	(3,273)	0	(3,273)
110,779	(75,322)	1,029,693	1,006,643
182,196	85,844	0	1,244,713
<u>\$ 292,975</u>	<u>\$ 10,522</u>	<u>\$ 1,029,693</u>	<u>\$ 2,251,356</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
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 2,420,955	\$ 1,560,672
Certificates of deposit	2,058,300	3,466,488
Receivables (net)		
Accounts	0	379
Taxes	151,941	252,367
Intergovernmental	36,583	29,672
Notes	977,500	977,500
Interest	3,140	6,324
Prepaid items	173,555	135,139
Due from other funds	1,527,984	578,748
Property held for resale	1,085,766	1,085,766
	\$ 8,435,724	\$ 8,093,055
 LIABILITIES		
Payables		
Accounts	\$ 256,195	\$ 242,359
Intergovernmental	144,458	0
Accrued salaries and payroll liabilities	125,508	71,189
Unearned revenue	29,037	39,033
Other liabilities	658,225	430,209
Due to other funds	469,236	1,606,451
	1,682,659	2,389,241
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	44,658	154,931
 FUND BALANCES		
Nonspendable:		
Prepaid items	173,555	135,139
Notes receivable	977,500	977,500
Property held for resale	1,085,766	1,085,766
Assigned for:		
Budget	0	477,816
Unassigned	4,471,586	2,872,662
	6,708,407	5,548,883
Total fund balances	\$ 8,435,724	\$ 8,093,055
Total liabilities, deferred inflows, and fund balances	\$ 8,435,724	\$ 8,093,055

CITY OF NORCROSS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended August 31, 2017 and 2016

	2017	2016
REVENUES		
Taxes	\$ 7,513,645	\$ 6,981,151
Licenses and permits	522,488	458,485
Fines, fees and forfeitures	1,970,093	1,740,782
Charges for services	137,800	133,198
Intergovernmental	1,116,557	962,100
Interest	19,444	33,290
Other	219,492	250,351
Total revenues	11,499,519	10,559,357
EXPENDITURES		
Current		
General Government	1,909,038	2,029,914
Judicial	376,297	324,980
Public Safety	5,316,972	5,454,403
Public Works	1,776,170	1,994,555
Culture and Recreation	589,166	581,549
Housing and Development	637,988	699,148
Total Current	10,605,631	11,084,549
Debt Service		
General Government	145,520	145,769
Public Safety	104,727	87,272
Total Debt Service	250,247	233,041
Total expenditures	10,855,878	11,317,590
Excess (deficiency) of revenues over (under) expenditures	643,641	(758,233)
Other financing sources (uses)		
Transfers in (out)		
Electric Fund	467,832	228,451
Grants Capital Projects Fund	0	(19,156)
2009 SPLOST Fund	0	(281,102)
Issuance of capital leases	0	304,271
Sales of capital assets	48,051	43,382
Total other financing sources (uses)	515,883	275,846
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,159,524	(482,387)
Fund balances, September 1	5,548,883	6,031,270
Fund balances, August 31	\$ 6,708,407	\$ 5,548,883

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2017

(with comparative actual amounts for the year ended August 31, 2016)

	<u>2017</u>			<u>2016</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 4,209,703	\$ 4,404,071	\$ 194,368	\$ 3,808,521
Motor vehicle tax	400,000	339,431	(60,569)	386,392
Cost, penalties, and interest	45,000	19,564	(25,436)	50,654
Total general property taxes	4,654,703	4,763,066	108,363	4,245,567
Intangible tax	45,000	41,806	(3,194)	49,202
Real estate transfer tax	25,000	27,579	2,579	27,620
Franchise tax	1,200,000	1,079,777	(120,223)	1,180,724
Insurance premium tax	600,000	947,072	347,072	874,333
Occupational tax	326,000	362,743	36,743	330,906
Alcoholic beverage excise tax	230,000	291,602	61,602	272,799
Total taxes	7,080,703	7,513,645	432,942	6,981,151
Licenses and Permits				
Alcohol licenses	125,000	133,850	8,850	128,350
Building permits	400,000	372,769	(27,231)	317,408
Other permits	12,800	15,869	3,069	12,727
Total licenses and permits	537,800	522,488	(15,312)	458,485
Fines, fees and forfeitures	1,590,000	1,970,093	380,093	1,740,782
Charges for Services	101,650	137,800	36,150	133,198
Intergovernmental	997,989	1,116,557	118,568	962,100
Interest	12,000	19,444	7,444	33,290
Other	187,978	219,492	31,514	250,351
Total revenues	<u>\$ 10,508,120</u>	<u>\$ 11,499,519</u>	<u>\$ 991,399</u>	<u>\$ 10,559,357</u>

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2017

(with comparative actual amounts for the year ended August 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	\$ 119,954	\$ 115,885	\$ 4,069	\$ 102,652
Contract services	501,936	487,629	14,307	357,991
Supplies and materials	1,866	1,865	1	2,150
Total Governing Body	<u>623,756</u>	<u>605,379</u>	<u>18,377</u>	<u>462,793</u>
Administration				
Personal services	35,813	34,819	994	297,312
Contract services	101,110	100,619	491	84,004
Supplies and materials	14,300	10,666	3,634	7,865
Total Administration	<u>151,223</u>	<u>146,104</u>	<u>5,119</u>	<u>389,181</u>
City Clerk				
Personal services	78,622	74,523	4,099	87,891
Contract services	20,500	16,145	4,355	28,837
Supplies and materials	9,800	1,370	8,430	5,705
Total City Clerk	<u>108,922</u>	<u>92,038</u>	<u>16,884</u>	<u>122,433</u>
Chief Executive				
Personal services	503	503	0	66,519
Contract services	95,250	62,850	32,400	30,714
Supplies and materials	2,500	100	2,400	2,133
Total Chief Executive	<u>98,253</u>	<u>63,453</u>	<u>34,800</u>	<u>99,366</u>
Information Technology				
Personal services	150,842	142,403	8,439	129,298
Contract services	884,600	702,065	182,535	697,263
Supplies and materials	46,300	34,773	11,527	39,642
Capital outlay	0	0	0	6,211
Total Information Technology	<u>1,081,742</u>	<u>879,241</u>	<u>202,501</u>	<u>872,414</u>
Human Resources				
Personal services	0	0	0	49,877
Contract services	122,323	122,323	0	23,715
Supplies and materials	500	500	0	2,335
Capital outlay	0	0	0	7,800
Total Human Resources	<u>122,823</u>	<u>122,823</u>	<u>0</u>	<u>83,727</u>
Total General Government	<u>2,186,719</u>	<u>1,909,038</u>	<u>277,681</u>	<u>2,029,914</u>

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2017
(with comparative actual amounts for the year ended August 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
Judicial				
Municipal Court				
Personal services	\$ 401,988	\$ 369,452	\$ 32,536	\$ 316,239
Contract services	8,859	4,783	4,076	6,528
Supplies and materials	3,700	2,062	1,638	2,213
Total Judicial	<u>414,547</u>	<u>376,297</u>	<u>38,250</u>	<u>324,980</u>
Public Safety				
Police				
Personal services	3,963,159	3,922,656	40,503	3,679,478
Contract services	299,124	270,693	28,431	247,564
Supplies and materials	262,408	264,693	(2,285)	236,489
Capital outlay	348,141	300,115	48,026	373,415
Total Police	<u>4,872,832</u>	<u>4,758,157</u>	<u>114,675</u>	<u>4,536,946</u>
E-911 Communications				
Personal services	539,854	532,799	7,055	560,449
Contract services	28,520	25,102	3,418	49,140
Supplies and materials	107,198	914	106,284	307,868
Total E-911 Communications	<u>675,572</u>	<u>558,815</u>	<u>116,757</u>	<u>917,457</u>
Total Public Safety	<u>5,548,404</u>	<u>5,316,972</u>	<u>231,432</u>	<u>5,454,403</u>
Public Works				
Public Works Administration				
Personal services	520,653	514,773	5,880	525,203
Contract services	1,134,100	1,070,709	63,391	925,283
Supplies and materials	220,000	179,147	40,853	189,648
Capital outlay	203,500	11,541	191,959	354,421
Total Public Works Administration	<u>2,078,253</u>	<u>1,776,170</u>	<u>302,083</u>	<u>1,994,555</u>
Culture and Recreation				
Parks and Recreation				
Personal services	349,068	322,994	26,074	306,487
Contract services	252,978	216,902	36,076	130,636
Supplies and materials	47,800	40,580	7,220	36,196
Capital outlay	9,000	8,690	310	108,230
Total Culture and Recreation	<u>658,846</u>	<u>589,166</u>	<u>69,680</u>	<u>581,549</u>

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2017
(with comparative actual amounts for the year ended August 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
Housing and Development				
Community Development				
Personal services	\$ 347,017	\$ 342,004	\$ 5,013	\$ 361,226
Contract services	236,627	121,532	115,095	86,955
Supplies and materials	7,000	4,493	2,507	2,583
Capital outlay	22,000	0	22,000	70,000
Total Community Development	<u>612,644</u>	<u>468,029</u>	<u>144,615</u>	<u>520,764</u>
Economic Development				
Personal services	104,654	101,146	3,508	83,491
Contract services	190,199	67,491	122,708	94,748
Supplies and materials	1,401	1,322	79	145
Total Economic Development	<u>296,254</u>	<u>169,959</u>	<u>126,295</u>	<u>178,384</u>
Total Housing and Development	<u>908,898</u>	<u>637,988</u>	<u>270,910</u>	<u>699,148</u>
Total Current	<u>11,795,667</u>	<u>10,605,631</u>	<u>1,190,036</u>	<u>11,084,549</u>
Debt Service				
General Government				
Information Technology	0	145,520	(145,520)	145,769
Public Safety				
E-911 Communications	0	104,727	(104,727)	87,272
Total Debt Service	<u>0</u>	<u>250,247</u>	<u>(250,247)</u>	<u>233,041</u>
Total expenditures	<u>\$ 11,795,667</u>	<u>\$ 10,855,878</u>	<u>\$ 939,789</u>	<u>\$ 11,317,590</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
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 75,067	\$ 69,402
LIABILITIES		
Other liabilities	\$ 74,560	\$ 69,096
FUND BALANCES		
Restricted for Public Safety	507	306
Total liabilities and fund balances	\$ 75,067	\$ 69,402

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 ended August 31, 2017
(with comparative actual amounts for the year ended August 31, 2016)

	<u>2017</u>			<u>2016</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Interest	\$ 7	\$ 0	\$ (7)	\$ 0
Other	0	201	201	201
Total revenues	<u>7</u>	<u>201</u>	<u>194</u>	<u>201</u>
EXPENDITURES				
Current				
Public Safety				
Supplies and materials	<u>208</u>	<u>0</u>	<u>208</u>	<u>714</u>
Excess (deficiency) of revenues over (under) expenditures	(201)	201	402	(513)
Fund balances, September 1	<u>201</u>	<u>306</u>	<u>105</u>	<u>819</u>
Fund balances, August 31	<u><u>\$ 0</u></u>	<u><u>\$ 507</u></u>	<u><u>\$ 507</u></u>	<u><u>\$ 306</u></u>

CITY OF NORCROSS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 594,322	\$ 107,895
Taxes receivable	101,264	148,863
Due from other funds	0	367,966
Total assets	\$ 695,586	\$ 624,724
LIABILITIES		
Accounts Payable	\$ 143,132	\$ 26,059
FUND BALANCES		
Assigned for Housing and Development	552,454	598,665
Total liabilities and fund balances	\$ 695,586	\$ 624,724

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 ended August 31, 2017
(with comparative actual amounts for the year ended August 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	\$ 676,445	\$ 755,714	\$ 79,269	\$ 713,150
Interest	1,000	0	(1,000)	0
Other	500	0	(500)	0
Total revenues	677,945	755,714	77,769	713,150
EXPENDITURES				
Current				
Housing and Development				
Personal services	142,821	136,692	6,129	117,723
Contract services	633,791	637,645	(3,854)	445,667
Supplies and materials	0	0	0	105
Capital outlay	27,589	27,588	1	75,000
Total expenditures	804,201	801,925	2,276	638,495
Excess (deficiency) of revenues over (under) expenditures	(126,256)	(46,211)	80,045	74,655
Fund balances, September 1	126,256	598,665	472,409	524,010
Fund balances, August 31	\$ 0	\$ 552,454	\$ 552,454	\$ 598,665

CITY OF NORCROSS, GEORGIA
FEDERAL SEIZED DRUG SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 156,536	\$ 303,094
Due from other funds	88,652	0
Total Assets	\$ 245,188	\$ 303,094
LIABILITIES		
Due to other funds	\$ 0	\$ 10,749
FUND BALANCES		
Restricted for Public Safety	245,188	292,345
Total liabilities and fund balances	\$ 245,188	\$ 303,094

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 ended August 31, 2017
(with comparative actual amounts for the year ended August 31, 2016)

	<u>2017</u>			<u>2016</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Fees, fines and forfeitures	\$ 46,092	\$ 46,092	\$ 0	\$ 40,573
Interest	115	115	0	121
Total revenues	<u>46,207</u>	<u>46,207</u>	<u>0</u>	<u>40,694</u>
EXPENDITURES				
Current				
Public Safety				
Supplies and materials	235,257	61,052	174,205	31,284
Capital outlay	67,290	32,312	34,978	5,057
Total expenditures	<u>302,547</u>	<u>93,364</u>	<u>209,183</u>	<u>36,341</u>
Excess (deficiency) of revenues over (under) expenditures	(256,340)	(47,157)	209,183	4,353
Fund balances, September 1	<u>256,340</u>	<u>292,345</u>	<u>36,005</u>	<u>287,992</u>
Fund balances, August 31	<u>\$ 0</u>	<u>\$ 245,188</u>	<u>\$ 245,188</u>	<u>\$ 292,345</u>

CITY OF NORCROSS, GEORGIA
TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 124,365	\$ 32,626
Due from other funds	0	56,144
Total assets	\$ 124,365	\$ 88,770
LIABILITIES		
Accounts Payable	\$ 4,348	\$ 3,413
FUND BALANCES		
Restricted for General Government	120,017	85,357
Total liabilities and fund balances	\$ 124,365	\$ 88,770

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 ended August 31, 2017
(with comparative actual amounts for the year ended August 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines and forfeitures	\$ 95,000	\$ 114,618	\$ 19,618	\$ 100,628
Interest				
	95,000	114,618	19,618	100,628
Total revenues				
EXPENDITURES				
Current				
General Government				
Contract services	47,500	39,255	8,245	0
Supplies and materials	47,500	40,703	6,797	79,813
Total expenditures	95,000	79,958	15,042	79,813
Excess (deficiency) of revenues over (under) expenditures	0	34,660	34,660	20,815
Fund balances, September 1	0	85,357	85,357	64,542
Fund balances, August 31	\$ 0	\$ 120,017	\$ 120,017	\$ 85,357

CITY OF NORCROSS, GEORGIA
RENTAL MOTOR VEHICLE EXCISE TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 283,230	\$ 172,331
Taxes receivable	9,745	9,865
Total assets	\$ 292,975	\$ 182,196
 LIABILITIES		
 FUND BALANCES		
Restricted for Housing and Development	\$ 292,975	\$ 182,196
Total liabilities and fund balances	\$ 292,975	\$ 182,196

CITY OF NORCROSS, GEORGIA
RENTAL MOTOR VEHICLE EXCISE TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2017
(with comparative actual amounts for the fiscal year ended August 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes	\$ 110,778	\$ 110,779	\$ 1	\$ 108,884
EXPENDITURES				
Current				
Housing and Development				
Contract services	110,778	0	110,778	0
Excess (deficiency) of revenues over (under) expenditures	0	110,779	110,779	108,884
Fund balances, September 1	0	182,196	182,196	73,312
Fund balances, August 31	\$ 0	\$ 292,975	\$ 292,975	\$ 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.

2017 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 2017 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
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 46,064	\$ 84,666
Due from other funds	0	1,178
Total assets	\$ 46,064	\$ 85,844
 LIABILITIES		
Accounts payable	\$ 35,542	\$ 0
 FUND BALANCES		
Restricted for capital outlay	10,522	85,844
Total liabilities and fund balances	\$ 46,064	\$ 85,844

CITY OF NORCROSS, GEORGIA
2009 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the fiscal years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Interest	\$ 32	\$ 42
EXPENDITURES		
Public Works		
Capital outlay	0	4,967
Culture and Recreation		
Capital outlay	<u>72,081</u>	<u>370,316</u>
Total expenditures	<u>72,081</u>	<u>375,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(72,049)</u>	<u>(375,241)</u>
Other financing sources (uses)		
Transfers in (out)		
General Fund	0	281,102
Grants Capital Projects Fund	0	1,179
Electric Fund	0	270,000
Solid Waste Fund	<u>(3,273)</u>	<u>0</u>
Total other financing sources (uses)	<u>(3,273)</u>	<u>552,281</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(75,322)	177,040
Fund balances, September 1	<u>85,844</u>	<u>(91,196)</u>
Fund balances, August 31	<u><u>\$ 10,522</u></u>	<u><u>\$ 85,844</u></u>

CITY OF NORCROSS, GEORGIA
2014 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,749,417	\$ 2,329,275
Intergovernmental receivable	1,074,936	816,715
Due from other funds	<u>0</u>	<u>3,535</u>
Total assets	<u>\$ 2,824,353</u>	<u>\$ 3,149,525</u>
LIABILITIES		
Accounts payable	\$ 262,942	\$ 674,658
Retainages payable	<u>52,084</u>	<u>9,089</u>
Total liabilities	315,026	683,747
FUND BALANCES		
Restricted for capital outlay	<u>2,509,327</u>	<u>2,465,778</u>
Total liabilities and fund balances	<u>\$ 2,824,353</u>	<u>\$ 3,149,525</u>

CITY OF NORCROSS, GEORGIA
2014 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the fiscal years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Intergovernmental	\$ 2,101,294	\$ 2,793,125
Interest	628	938
	<u>2,101,922</u>	<u>2,794,063</u>
Total revenues		
EXPENDITURES		
Recreation		
Capital outlay	109,361	1,461,308
Public Works		
Capital outlay	1,949,012	1,017,597
	<u>2,058,373</u>	<u>2,478,905</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	43,549	315,158
Other financing sources (uses)		
Transfers in (out)		
Grants Capital Projects Fund	0	3,535
	<u>43,549</u>	<u>318,693</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		
	43,549	318,693
Fund balances, September 1	<u>2,465,778</u>	<u>2,147,085</u>
Fund balances, August 31	<u><u>\$ 2,509,327</u></u>	<u><u>\$ 2,465,778</u></u>

CITY OF NORCROSS, GEORGIA
2017 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
BALANCE SHEET
August 31, 2017

ASSETS

Cash and cash equivalents	\$ 610,448
Intergovernmental receivable	<u>419,245</u>
Total assets	<u><u>\$ 1,029,693</u></u>

LIABILITIES

FUND BALANCES

Restricted for capital outlay	<u>\$ 1,029,693</u>
Total liabilities and fund balances	<u><u>\$ 1,029,693</u></u>

CITY OF NORCROSS, GEORGIA
2017 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the fiscal year ended August 31, 2017

REVENUES

Intergovernmental	\$ 1,029,653
Interest	<u>40</u>

Total revenues

1,029,693

EXPENDITURES

Fund balances, September 1	<u>0</u>
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Fund balances, August 31

\$ 1,029,693

CITY OF NORCROSS, GEORGIA
GRANTS CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 0	\$ 72,709
Intergovernmental receivable	0	3,535
Total assets	\$ 0	\$ 76,244
LIABILITIES		
Due to other funds	\$ 11,855	\$ 74,051
FUND BALANCES		
Restricted for Capital Outlay	0	2,193
Unassigned	(11,855)	0
Total fund balances	(11,855)	2,193
Total liabilities and fund balances	\$ 0	\$ 76,244

CITY OF NORCROSS, GEORGIA
GRANTS CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the fiscal years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Intergovernmental	\$ 1,874,241	\$ 27,843
Total revenues	<u>1,874,241</u>	<u>27,843</u>
EXPENDITURES		
Public Works		
Contract Services	0	2,828
Capital outlay	<u>1,888,289</u>	<u>49,896</u>
Total expenditures	<u>1,888,289</u>	<u>52,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,048)</u>	<u>(24,881)</u>
Other financing sources (uses)		
Transfers in (out)		
General Fund	0	19,156
2014 SPLOST Fund	<u>0</u>	<u>(4,714)</u>
Total other financing sources (uses)	<u>0</u>	<u>14,442</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(14,048)	(10,439)
Fund balances, September 1	<u>2,193</u>	<u>12,632</u>
Fund balances, August 31	<u><u>\$ (11,855)</u></u>	<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
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 74,000	\$ 0
Investments	6,925,015	5,307,945
Accounts receivable (net)	2,886,429	2,608,541
Prepaid items	61,788	49,212
Inventories	874,547	822,687
Total current assets	<u>10,821,779</u>	<u>8,788,385</u>
Restricted assets		
MEAG Generation Trust		
Investments	5,120,651	5,057,258
Customer Deposits		
Investments	414,245	467,755
Total restricted assets	<u>5,534,896</u>	<u>5,525,013</u>
Capital assets		
Land	1,000	1,000
Electric system	10,482,227	10,289,359
Vehicles and equipment	1,300,213	1,224,889
Construction in progress	1,050,288	1,229,783
Accumulated depreciation	(3,850,799)	(3,558,631)
Total capital assets (net of accumulated depreciation)	<u>8,982,929</u>	<u>9,186,400</u>
Total assets	<u>25,339,604</u>	<u>23,499,798</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	9,002	25,986
Pension experience differences	1,462	2,553
Pension investment return differences	19,190	33,500
Pension assumption differences	54	105
Total deferred outflows of resources	<u>29,708</u>	<u>62,144</u>
LIABILITIES		
Current liabilities		
Payables		
Accounts	125,084	88,812
Intergovernmental	849,613	937,745
Sales tax	85,818	94,301
Accrued salaries and payroll liabilities	14,308	8,448
Compensated absences	18,275	9,334
Unearned revenue	86,899	86,899
Due to other funds	1,527,984	1,038,443
Total current liabilities	<u>2,707,981</u>	<u>2,263,982</u>
Current liabilities payable from restricted assets		
Customer deposits	<u>414,245</u>	<u>467,755</u>

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2017 and 2016

	2017	2016
Noncurrent liabilities		
Net pension liability	\$ 93,556	\$ 193,122
Net OPEB obligation	689,133	669,734
Total noncurrent liabilities	782,689	862,856
Total liabilities	3,904,915	3,594,593
DEFERRED INFLOWS OF RESOURCES		
Pension investment return differences	41,608	6,683
Pension experience differences	25,852	10,544
Total deferred inflows of resources	67,460	17,227
NET POSITION		
Investment in capital assets	8,982,929	9,186,400
Restricted for MEAG generation projects	5,120,651	5,057,258
Unrestricted	7,293,357	5,706,464
Total net position	\$ 21,396,937	\$ 19,950,122

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the fiscal years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for sales and services		
Electric sales	\$ 13,684,836	\$ 12,119,185
Other	7,564	67,624
	<u>13,692,400</u>	<u>12,186,809</u>
Total operating revenues		
OPERATING EXPENSES		
Costs of sales and services	11,125,437	10,681,138
Personal services	1,202,380	859,432
Depreciation	292,169	286,571
	<u>12,619,986</u>	<u>11,827,141</u>
Total operating expenses		
Operating income (loss)	<u>1,072,414</u>	<u>359,668</u>
Non-operating revenues (expenses)		
Investment revenue	106,572	274,511
Intergovernmental	735,661	761,259
	<u>842,233</u>	<u>1,035,770</u>
Total non-operating revenues (expenses)		
Net income (loss) before transfers	<u>1,914,647</u>	<u>1,395,438</u>
Transfers in (out)		
General Fund	0	(228,451)
2009 SPLOST Fund	(467,832)	(270,000)
	<u>(467,832)</u>	<u>(498,451)</u>
Total transfers in (out)		
Change in net position	1,446,815	896,987
Net position, September 1	<u>19,950,122</u>	<u>19,053,135</u>
Net position, August 31	<u><u>\$ 21,396,937</u></u>	<u><u>\$ 19,950,122</u></u>

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from customers	\$ 13,344,955	\$ 12,366,820
Payments to suppliers	(11,241,733)	(10,692,799)
Payments to employees	(1,185,077)	(834,137)
Other receipts	7,564	67,624
Net cash provided (used) by operating activities	925,709	907,508
Cash flows from non-capital financing activities		
Receipts from other funds	21,709	152,428
Receipts from other governments	735,661	761,259
Net cash provided (used) by non-capital financing activities	757,370	913,687
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(88,698)	(443,285)
Cash flows from investing activities:		
Interest received	106,572	274,511
Purchase of investments	(1,626,953)	(1,652,421)
Net cash provided (used) by investing activities	(1,520,381)	(1,377,910)
Net increase (decrease) in cash and cash equivalents	74,000	0
Cash and cash equivalents, September 1	0	0
Cash and cash equivalents, August 31	\$ 74,000	\$ 0
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,072,414	\$ 359,668
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	292,169	286,571
(Increase) decrease in accounts receivable	(277,888)	228,896
(Increase) decrease in prepaid items	(12,576)	46,023
(Increase) decrease in inventories	(51,860)	57,496
(Increase) decrease in pension contributions subsequent to measurement date	16,984	(5,411)
(Increase) decrease in pension experience differences	1,091	(2,553)
(Increase) decrease in pension investment return differences	14,310	(33,500)
(Increase) decrease in pension assumption differences	51	30
Increase (decrease) in accounts payable	36,272	(165,912)
Increase (decrease) in intergovernmental payables	(88,132)	50,732
Increase (decrease) in unearned revenue	0	(5,306)
Increase (decrease) in deposits payable	(53,510)	21,566
Increase (decrease) in sales tax payable	(8,483)	2,479
Increase (decrease) in accrued payroll liabilities	14,801	(519)
Increase (decrease) in net OPEB obligation	19,399	30,628
Increase (decrease) in pension investment return differences	34,925	(1,909)
Increase (decrease) in pension experience differences	15,308	(3,013)
Increase (decrease) in net pension liability	(99,566)	41,542
Total adjustments	(146,705)	547,840
Net cash provided (used) by operating activities	\$ 925,709	\$ 907,508

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 421,758	\$ 0
Accounts receivable (net)	411,252	358,828
Due from other funds	380,584	1,107,624
Total current assets	1,213,594	1,466,452
Restricted assets		
Customer deposits		
Cash and cash equivalents	169,292	166,129
Capital assets		
Vehicles and equipment	110,834	0
Total assets	1,493,720	1,632,581
LIABILITIES		
Current liabilities		
Accounts payable	239,373	425,765
Unearned revenue	187,232	185,706
Total current liabilities	426,605	611,471
Current liabilities payable from restricted assets		
Customer deposits	169,292	166,129
Total liabilities	595,897	777,600
NET POSITION		
Investment in capital assets	110,834	0
Unrestricted	786,989	854,981
Total net position	\$ 897,823	\$ 854,981

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the fiscal years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	\$ 3,028,179	\$ 2,548,368
Other	291	0
	<u>3,028,470</u>	<u>2,548,368</u>
Total operating revenues		
OPERATING EXPENSES		
Costs of sales and services	2,738,697	2,703,327
Personal services	250,204	110,496
	<u>2,988,901</u>	<u>2,813,823</u>
Total operating expenses		
Operating income (loss)	39,569	(265,455)
Transfers in (out)		
2009 SPLOST Fund	3,273	0
	<u>42,842</u>	<u>(265,455)</u>
Change in net position		
Net position, September 1	854,981	1,120,436
	<u>854,981</u>	<u>1,120,436</u>
Net position, August 31	<u><u>\$ 897,823</u></u>	<u><u>\$ 854,981</u></u>

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,980,735	\$ 2,734,696
Payments to suppliers	(2,925,089)	(2,480,686)
Payments to employees	<u>(250,204)</u>	<u>(110,496)</u>
Net cash provided (used) by operating activities	<u>(194,558)</u>	<u>143,514</u>
Cash flows from non-capital financing activities		
Receipts from other funds	727,040	0
Payments to other funds	<u>0</u>	<u>(342,020)</u>
Net cash provided (used) by non-capital financing activities	<u>727,040</u>	<u>(342,020)</u>
Cash flows from capital and related financing activities:		
Receipts from other funds	3,273	0
Acquisition of capital assets	<u>(110,834)</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>(107,561)</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	424,921	(198,506)
Cash and cash equivalents, September 1	<u>166,129</u>	<u>364,635</u>
Cash and cash equivalents, August 31	<u><u>\$ 591,050</u></u>	<u><u>\$ 166,129</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 39,569</u>	<u>\$ (265,455)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(52,424)	21,747
Increase (decrease) in accounts payable	(186,392)	222,641
Increase (decrease) in unearned revenue	1,526	136,866
Increase (decrease) in deposits payable	<u>3,163</u>	<u>27,715</u>
Total adjustments	<u>(234,127)</u>	<u>408,969</u>
Net cash provided by operating activities	<u><u>\$ (194,558)</u></u>	<u><u>\$ 143,514</u></u>
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	\$ 421,758	\$ 0
Customer Deposits		
Cash and cash equivalents	<u>169,292</u>	<u>166,129</u>
Total cash and cash equivalents	<u><u>\$ 591,050</u></u>	<u><u>\$ 166,129</u></u>

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 799,663	\$ 145,435
Receivables		
Accounts (net)	724,860	642,846
Prepaid items	4,306	2,817
Due from other funds	11,855	614,499
Total current assets	1,540,684	1,405,597
Capital assets		
Storm water system	755,199	718,737
Vehicles and equipment	415,798	412,228
Accumulated depreciation	(379,505)	(351,041)
Total capital assets (net of accumulated depreciation)	791,492	779,924
Total assets	2,332,176	2,185,521
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	5,939	11,838
Pension experience differences	1,203	1,582
Pension investment return differences	15,788	20,757
Pension assumption differences	19	37
Total deferred outflows of resources	22,949	34,214
LIABILITIES		
Current liabilities		
Payables		
Accounts	12,927	107,200
Accrued salaries and payroll liabilities	3,861	1,939
Compensated absences	6,083	3,566
Total current liabilities	22,871	112,705
Noncurrent liabilities		
Net pension liability	53,676	88,253
Net OPEB obligation	363,422	356,368
Total noncurrent liabilities	417,098	444,621
Total liabilities	439,969	557,326
DEFERRED INFLOWS OF RESOURCES		
Pension investment return differences	14,488	2,360
Pension experience differences	9,040	3,724
Total deferred inflows of resources	23,528	6,084
NET POSITION		
Investment in capital assets	791,492	779,924
Unrestricted	1,100,136	876,401
Total net position	\$ 1,891,628	\$ 1,656,325

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the fiscal years ended August 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Charges for sales and services		
Storm water fees	\$ 936,549	\$ 849,425
OPERATING EXPENSES		
Costs of sales and services	166,822	204,307
Personal services	505,960	319,224
Depreciation	28,464	18,597
Total operating expenses	701,246	542,128
Operating income (loss)	235,303	307,297
Net position, September 1	1,656,325	1,349,028
Net position, August 31	\$ 1,891,628	\$ 1,656,325

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$ 854,535	\$ 811,308
Payments to suppliers	(156,179)	(209,537)
Payments to employees	(500,335)	(311,198)
Net cash provided (used) by operating activities	<u>198,021</u>	<u>290,573</u>
Cash flows from non-capital financing activities		
Payments to other funds	0	(148,895)
Payments from other funds	602,644	0
Net cash provided (used) by non-capital financing activities	<u>602,644</u>	<u>(148,895)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(40,032)	(98,666)
Payment of capital related accounts payable	(106,405)	0
Net cash provided (used) by capital and related financing activities	<u>(146,437)</u>	<u>(98,666)</u>
Net increase (decrease) in cash and cash equivalents	654,228	43,012
Cash and cash equivalents, September 1	145,435	102,423
Cash and cash equivalents, August 31	<u><u>\$ 799,663</u></u>	<u><u>\$ 145,435</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 235,303	\$ 307,297
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	28,464	18,597
(Increase) decrease in accounts receivable	(82,014)	(38,117)
(Increase) decrease in prepaid items	(1,489)	(317)
(Increase) decrease in pension contributions subsequent to measurement date	5,899	(3,353)
(Increase) decrease in pension experience differences	379	(1,582)
(Increase) decrease in pension investment return differences	4,969	(20,757)
(Increase) decrease in pension assumption differences	18	19
Increase (decrease) in accounts payable	12,132	(4,913)
Increase (decrease) in payroll liabilities	4,439	(478)
Increase (decrease) in net OPEB obligation	7,054	11,486
Increase (decrease) in pension investment return differences	12,128	(1,183)
Increase (decrease) in pension experience differences	5,316	(1,867)
Increase (decrease) in net pension liability	(34,577)	25,741
Total adjustments	<u>(37,282)</u>	<u>(16,724)</u>
Net cash provided by operating activities	<u><u>\$ 198,021</u></u>	<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
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 201,362	\$ 231,220
LIABILITIES		
Due to other agencies	\$ 201,362	\$ 231,220

CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended August 31, 2017

	<u>Balance September 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance August 31</u>
ASSETS				
Cash and cash equivalents	\$ 231,220	\$ 2,862,428	\$ (2,892,286)	\$ 201,362
LIABILITIES				
Due to others agencies	\$ 231,220	\$ 2,862,428	\$ (2,892,286)	\$ 201,362

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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)
COMPARATIVE BALANCE SHEETS
August 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 149,948	\$ 132,774
Intergovernmental receivable	144,458	0
Property held for resale	902,900	902,900
Notes receivable	0	168,081
Total assets	\$ 1,197,306	\$ 1,203,755
LIABILITIES		
Payables		
Accounts	\$ 497	\$ 2,557
Intergovernmental	7,906	7,906
Customer deposits	1,820	1,778
Notes	785,000	785,000
Total liabilities	795,223	797,241
FUND BALANCES		
Nonspendable:		
Property held for resale	902,900	902,900
Notes receivable	0	168,081
Unassigned	(500,817)	(664,467)
Total fund balances	402,083	406,514
Total liabilities and fund balances	\$ 1,197,306	\$ 1,203,755

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 ended August 31, 2017
(With comparative actual amounts for the fiscal year ended August 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Interest	\$ 7,170	\$ 2,624	\$ (4,546)	\$ 10,237
Rent	107,800	126,328	18,528	107,062
Other	5,000	1,000	(4,000)	9,065
Total revenues	<u>119,970</u>	<u>129,952</u>	<u>9,982</u>	<u>126,364</u>
EXPENDITURES				
Current				
Housing and Development				
Contract services	80,553	69,495	11,058	97,250
Supplies and materials	14,335	14,834	(499)	10,916
Capital outlay	20,918	22,793	(1,875)	0
Debt service	27,472	27,261	211	5,657
Total expenditures	<u>143,278</u>	<u>134,383</u>	<u>8,895</u>	<u>113,823</u>
Excess (deficiency) of revenues over (under) expenditures	(23,308)	(4,431)	18,877	12,541
Other financing sources (uses)				
Contingency	(1,128)	0	1,128	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(24,436)	(4,431)	20,005	12,541
Fund balances, September 1	<u>24,436</u>	<u>406,514</u>	<u>382,078</u>	<u>393,973</u>
Fund balances, August 31	<u><u>\$ 0</u></u>	<u><u>\$ 402,083</u></u>	<u><u>\$ 402,083</u></u>	<u><u>\$ 406,514</u></u>

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OTHER REPORTING SECTION

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SINGLE AUDIT SECTION

This section contains reports required by Uniform Guidance and grantor agencies.

**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, 2017, 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 28, 2018.

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, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Norcross, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as comment 2017-001 that we consider to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Norcross, Georgia's Responses to Findings

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

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 28, 2018

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Norcross, Georgia’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Norcross, Georgia’s major federal programs for the fiscal year ended August 31, 2017. The City of Norcross, Georgia’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Norcross, Georgia’s major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Norcross, Georgia’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Norcross, Georgia’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Norcross, Georgia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the period ended August 31, 2017.

Report on Internal Control over Compliance

Management of the City of Norcross, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Norcross, Georgia’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Norcross, Georgia's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
February 28, 2018

CITY OF NORCROSS, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended August 31, 2017

<u>Federal Grant/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
CDBG - Entitlement Grants Cluster:			
Passed through Gwinnett County, Georgia:			
Community Development Block			
Grant/Entitlement Grants			
	14.218	NORC-16-2230	\$ 89,351
		NORC-17-113778	<u>300,000</u>
Total U.S. Department of Housing and Urban Development			<u>389,351</u>
<u>U.S. Department of Justice</u>			
Equitable Sharing for State and Local			
Law Enforcement Agencies			
	16.922	N/A	<u>94,164</u>
<u>U.S. Department of Transportation</u>			
Highway Planning and Construction Cluster:			
Passed through the Georgia			
Department of Transportation:			
Highway Planning and Construction			
	20.205	STP-0010-00 (330)	1,874,241
		TEE-001000(629)	<u>149,849</u>
			2,024,090
Passed through the			
Atlanta Regional Commission:			
Highway Planning and Construction			
	20.205	1318	<u>4,162</u>
Total U.S. Department of Transportation			<u>2,028,252</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,511,767</u></u>

See accompanying notes to the schedule of expenditures of federal awards and the schedule of findings and questioned costs.

CITY OF NORCROSS, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended August 31, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Norcross, Georgia, under programs for the federal government for the fiscal year ended August 31, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The City of Norcross, Georgia has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

CITY OF NORCROSS, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended August 31, 2017

1. Summary of the Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered material weaknesses?	None reported
Noncompliance material to financial statements noted?	None reported

B. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiencies identified not considered material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	None reported
Identification of major programs:	
Highway Planning and Construction Cluster 20.205 Highway Planning and Construction	
Dollar threshold used to distinguish Between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

CITY OF NORCROSS, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended August 31, 2017

2. Financial Statement Findings

A. Current Year Audit Findings

Comment 2017-001

Condition: The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting.

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

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.

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.

B. Prior Year Audit Findings Follow-Ups

None reported

3. Federal Award Findings and Questioned Costs

The audit of our basic financial statements and schedule of expenditures of federal awards disclosed no audit findings or questioned costs which are required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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STATE REPORTING SECTION

CITY OF NORCROSS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended August 31, 2017

<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>
2009 SPLOST Referendum					
Roads Improvements	\$ 1,500,000	\$ 1,500,000	\$ 1,006,158	\$ 0	\$ 1,006,158
Recreational Facilities	3,568,281	3,568,281	2,963,280	75,354	3,038,634
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>\$ 7,568,680</u>	<u>\$ 75,354</u>	<u>\$ 7,644,034</u>
2014 SPLOST Referendum					
Transportation (roads, streets, bridges, drainage, sidewalks, and related facilities and equipment)	\$ 4,723,144	\$ 4,723,144	\$ 904,852	\$ 1,949,012	\$ 2,853,864
Recreational Facilities and Equipment	590,393	590,393	1,461,308	109,361	1,570,669
Administrative Facilities	1,377,583	1,377,583	0	0	0
Parking Facilities	1,180,786	1,180,786	1,212,745	0	1,212,745
Total	<u>\$ 7,871,906</u>	<u>\$ 7,871,906</u>	<u>\$ 3,578,905</u>	<u>\$ 2,058,373</u>	<u>\$ 5,637,278</u>
2017 SPLOST Referendum					
Transportation (roads, streets, bridges, and related facilities and equipment)	\$ 6,098,265	\$ 6,098,265	\$ 0	\$ 0	\$ 0
Recreational Facilities and Equipment	4,573,698	4,573,698	0	0	0
Parking Facilities	4,573,698	4,573,698	0	0	0
Total	<u>\$ 15,245,661</u>	<u>\$ 15,245,661</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>