

CITY OF NORCROSS, GEORGIA

Annual Financial Report

For the fiscal year ending August 31, 2018

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CITY OF NORCROSS, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended August 31, 2018

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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, 2018, 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, 2018, and the respective changes in the financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 3 through 21 and 82 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2019, 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, 2019



Karen A. Slaton-Dixon

Administrative Services Director

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Norcross, Georgia 30071

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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, 2018. The purpose of this narrative is to provide readers of these financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Norcross. This narrative overview of the City's financial activities should be read in conjunction with the information presented in the letter of transmittal found at the front of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Norcross exceeded its liabilities at the close of the year by \$85,918,594 (reported as "net position"). Of this amount \$7,022,523 is unrestricted, of which \$-3,474,581 is Governmental Activities and \$10,497,104 is Business-Type Activities. This unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,420,006.
- The City's governmental funds reported combined ending fund balances of \$18,705,559. Approximately 28 percent of this amount, \$5,170,064 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 \$25,381,967 at year end, an increase of \$1,122,902 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 22-23), 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 24), 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 89.

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 2017 Special Purpose Local Option Sales Tax (SPLOST) and 2017 Revenue Bond 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 25-29 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 30-34 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 35.

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 36-81 of this report.

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

This report includes two schedules on pages 26 and 28 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

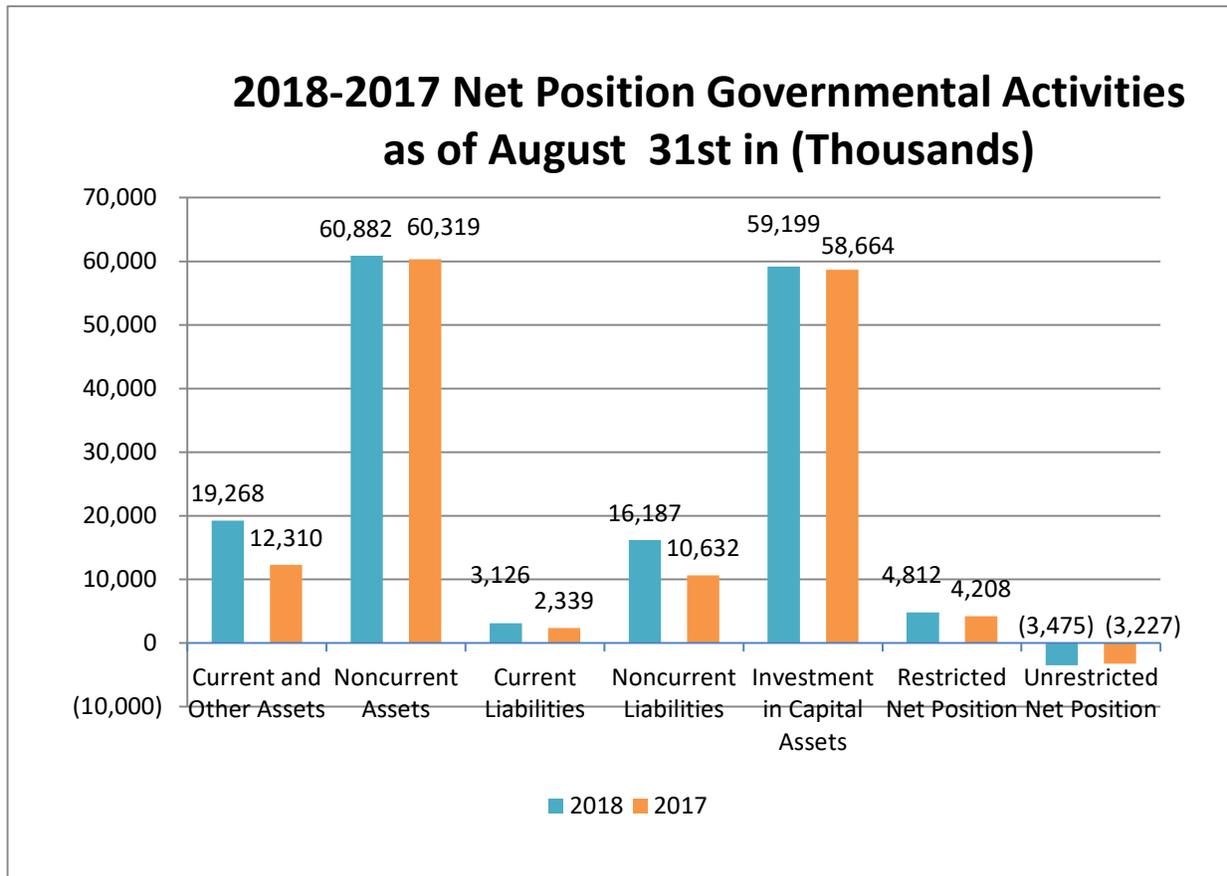
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Norcross, assets exceeded liabilities by \$85,918,594 as of August 31, 2018. The following table provides a summary of the City's governmental and business-type net position for the year ending August 31, 2018 and for the period ending August 31, 2017.

City of Norcross Net Position as of August 31, 2018 and 2017 (in Thousands)

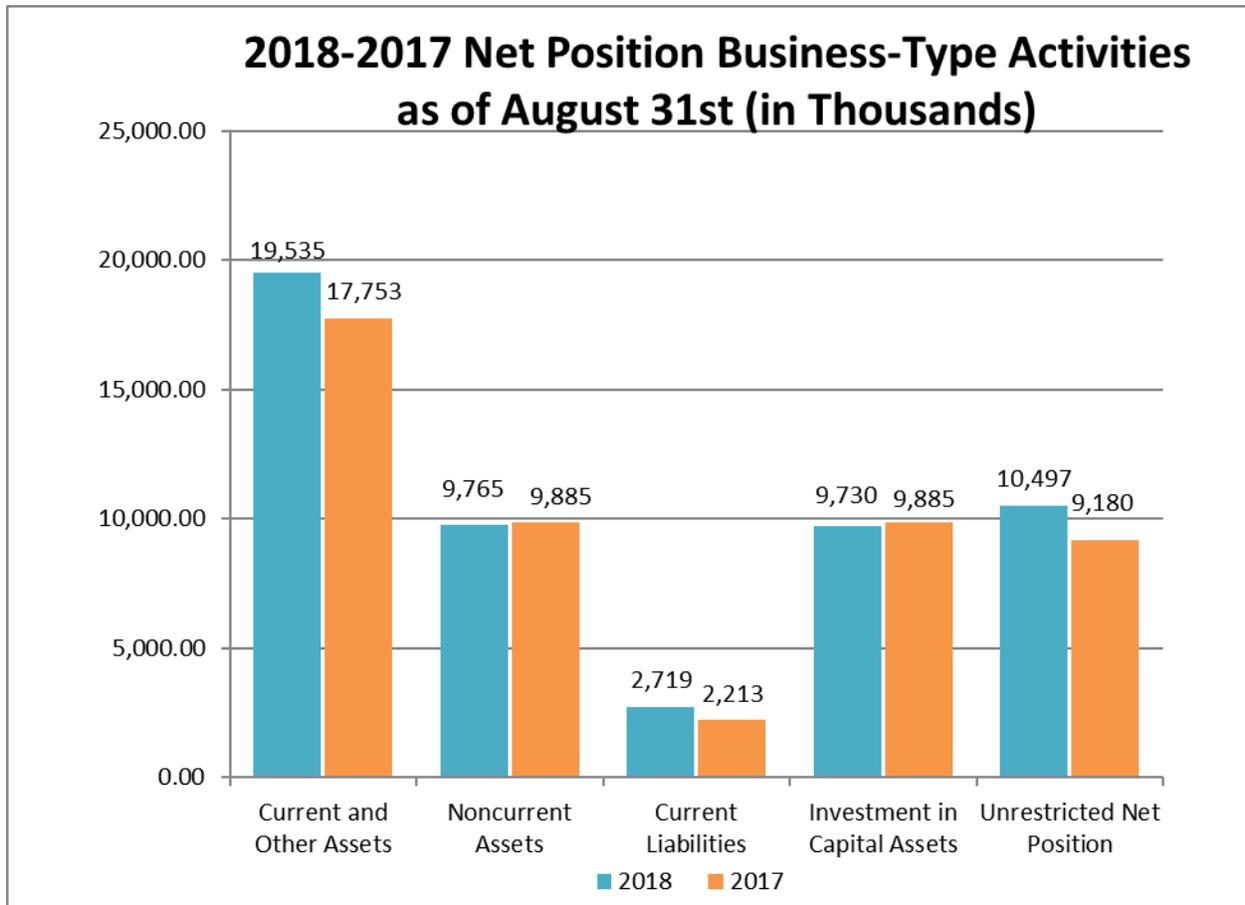
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$19,268	\$12,310	\$19,535	\$17,752	\$38,803	\$30,062
Capital Assets	60,097	59,341	9,765	9,885	69,862	69,226
Other Noncurrent Assets	785	978	0	0	785	978
Total Assets	80,150	72,629	29,300	27,637	109,450	100,266
Deferred Outflows of Resources	948	584	99	0	1,047	584
Current Liabilities	3,126	2,339	2,719	2,213	5,845	4,552
Noncurrent Liabilities	16,187	10,632	1,086	1,200	17,273	11,832
Total Liabilities	19,313	12,971	3,805	3,413	23,118	16,384
Deferred inflows of Resources	1,248	598	212	91	1,460	689
Net Investment in Capital Assets	59,199	58,664	9,730	9,885	68,929	68,549
Restricted Net Position	4,812	4,208	5,155	5,121	9,967	9,329
Unrestricted Net Position	(3,475)	(3,227)	10,497	9,180	7,022	5,953
Total Net Position	\$60,537	\$59,645	\$25,382	\$24,186	\$85,918	\$83,831

The largest portion of the City's net position as of August 31, 2018 (80%) 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 2017. Unrestricted net position increased in 2018 by 8%.



Business-Type: Current assets increased by 10%, capital assets decreased by 2%, and unrestricted net position increased by 14%.



Restricted net position of the primary government totaling \$9,967,315 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 \$7,022,523 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 \$10,497,104 at the end of the year.

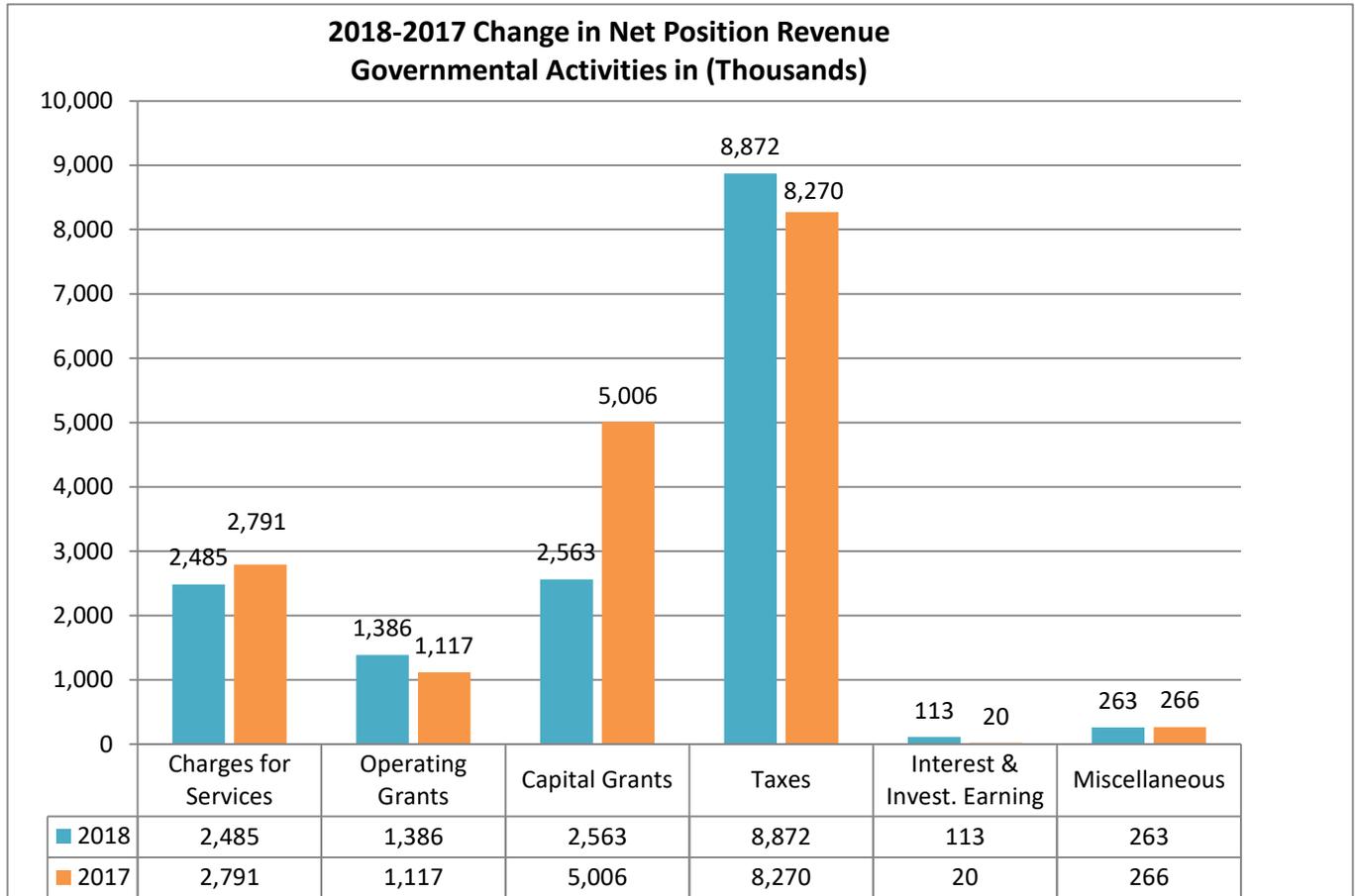
The City's net position increased by \$1,420,006 during the current year. Governmental activities resulted in an increase in net position of \$297,104 while business-type activities resulted in an increase of net position of \$1,122,902. The following table was derived from the government-wide Statement 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, 2018 and 2017
(in Thousands)

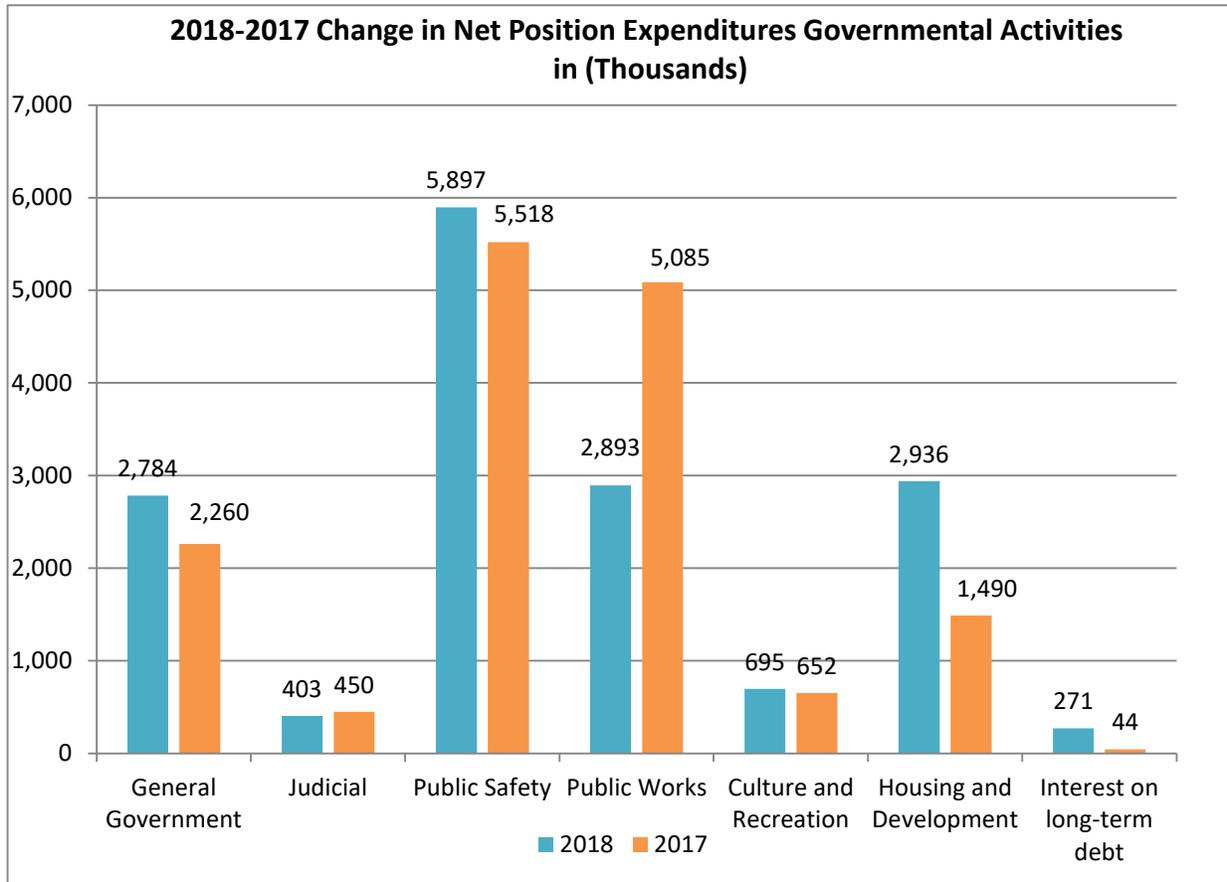
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$2,485	\$2,791	\$16,999	\$17,650	\$19,484	\$20,441
Operating Grants	1,386	1,117	470	736	1,856	1,853
Capital Grants	2,563	5,006	0	0	2,563	5,006
General Revenues:						
Taxes	8,872	8,270	0	0	8,872	8,270
Interest and Investment Earnings	113	20	139	107	252	127
Miscellaneous	263	266	36	8	299	274
Total Revenues	15,682	17,470	17,644	18,501	33,326	35,971
Expenses:						
General Government	2,784	2,260	0	0	2,784	2,260
Judicial	403	450	0	0	403	450
Public Safety	5,897	5,518	0	0	5,897	5,518
Public Works	2,893	5,085	0	0	2,893	5,085
Culture and Recreation	695	652	0	0	695	652
Housing and Development	2,936	1,490	0	0	2,936	1,490
Interest on long-term debt	271	44	0	0	271	44
Electric	0	0	12,434	12,620	12,434	12,620
Solid Waste	0	0	2,869	2,989	2,869	2,989
Storm Water	0	0	724	701	724	701
Total Expenses	15,879	15,499	16,027	16,310	31,906	31,809
Increase in net position before special items and transfers	297	1,971	1,123	2,190	1,420	4,161
Transfers	494	465	(494)	(465)	0	0
Change in Net Position	297	2,435	1,123	1,725	1,420	4,160
Net Position- Sept. 1	59,645	57,210	24,186	22,461	83,831	79,671
Prior period adjustments	595	(0)	73	0	668	(0)
Aug. 31 Net Position	\$60,537	\$59,645	\$25,382	\$24,186	\$85,919	\$83,831

Governmental Activities. Governmental Activities increased the City's net position by \$297,104. Revenues for the City's governmental activities decreased by 8% (\$1,788,000) over 2017. This increase in revenue was the result of an increase in property tax and insurance premium tax. Expenses are up by 3% over 2017 (\$378,503). This increase in expenses was the result of an increase in the Housing and Development, Public Safety and General Government functions.

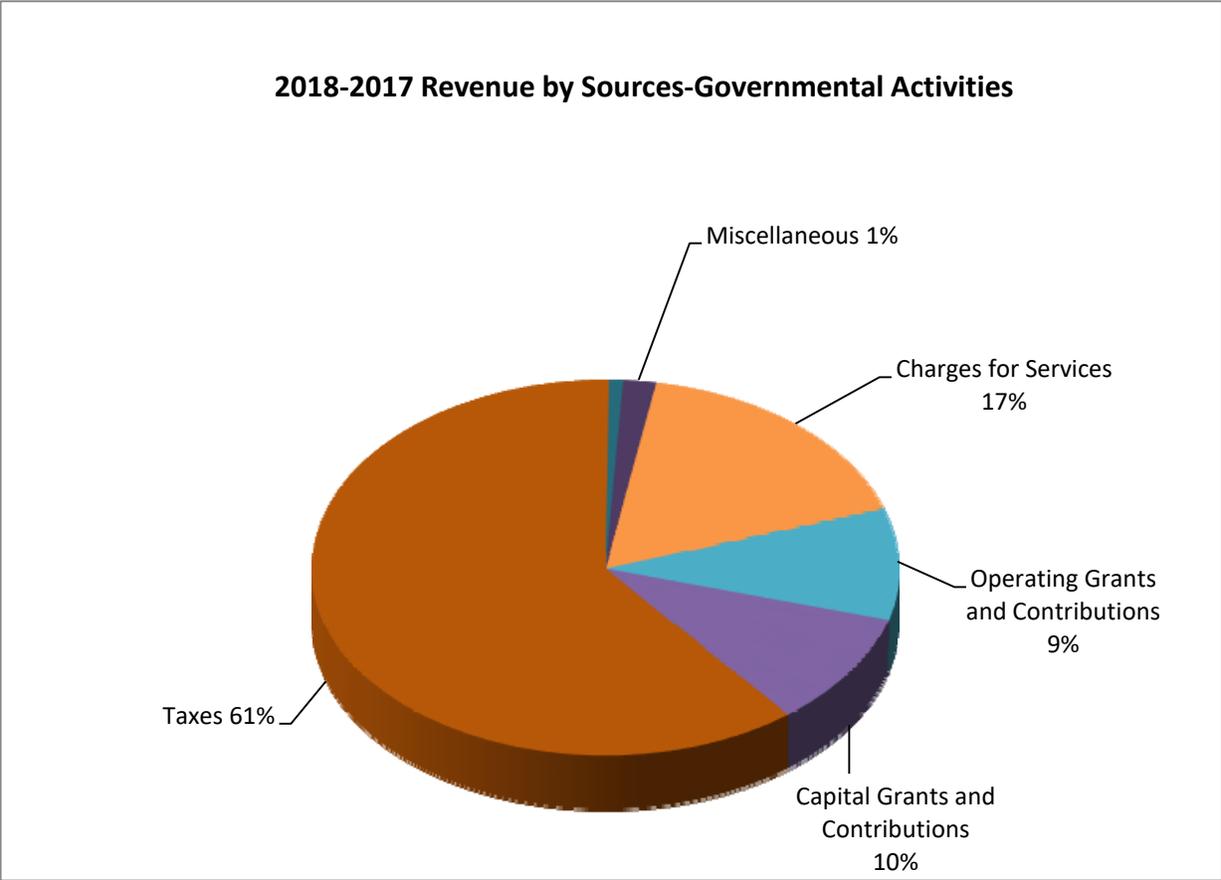
Operating Grants and Contributions increased 24%, Capital Grants and Contributions decreased 49%, Taxes increased 7%, Interest and Investment Earnings increased 475%.



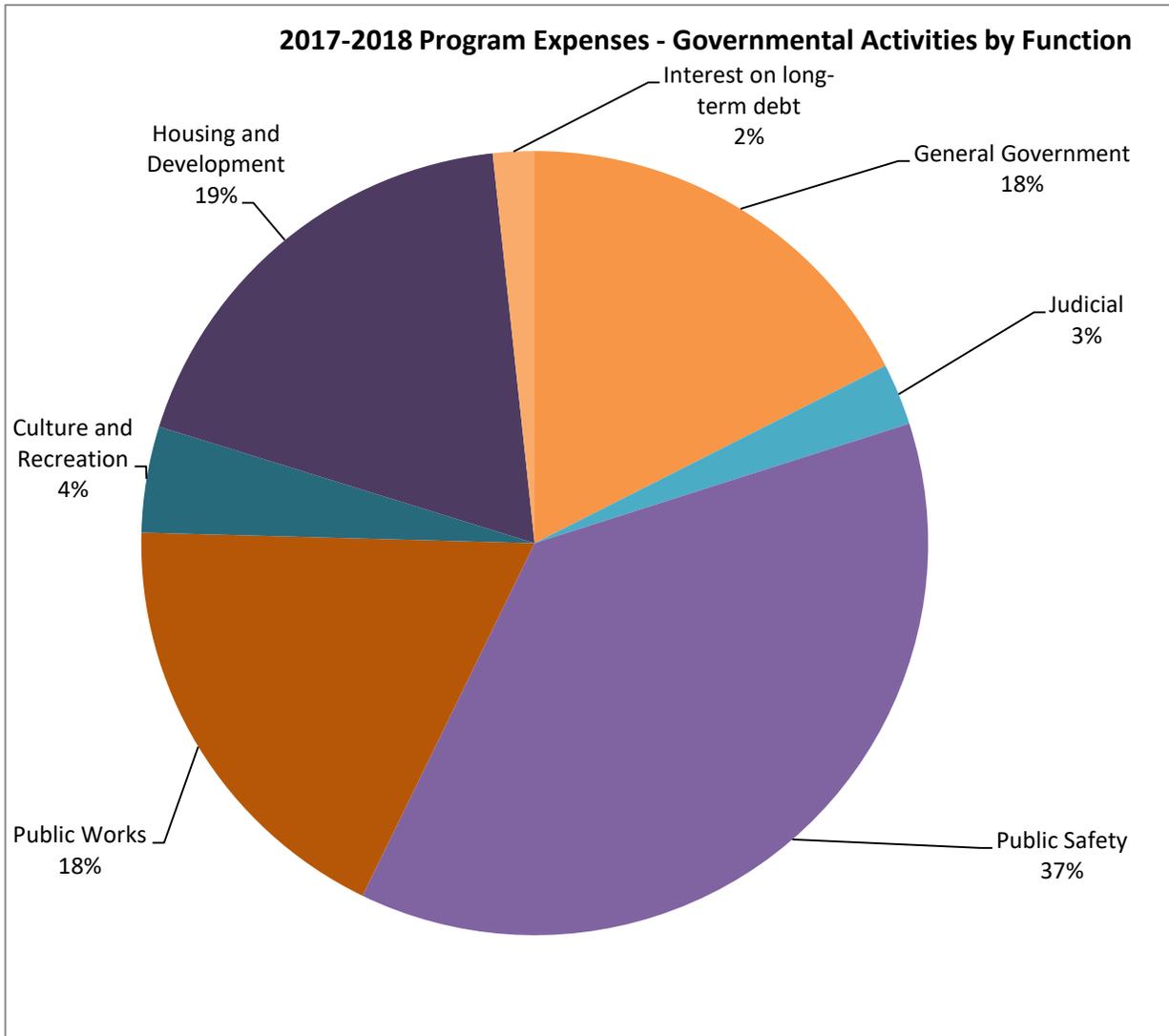
Governmental Activities: General Government expenses increased by 23%, Public Safety increased 7%, Judicial decreased 11%, Culture and Recreation increased 7%, Public Works decreased 43%, Housing and Development increased 97% and Interest on long term debt increased 518%.



Revenue for governmental activities was \$15.7 million. The major revenue sources were taxes (61%), capital grants and contributions (10%), charges for services (17%), operating grants and contributions (9%) and miscellaneous (1%).

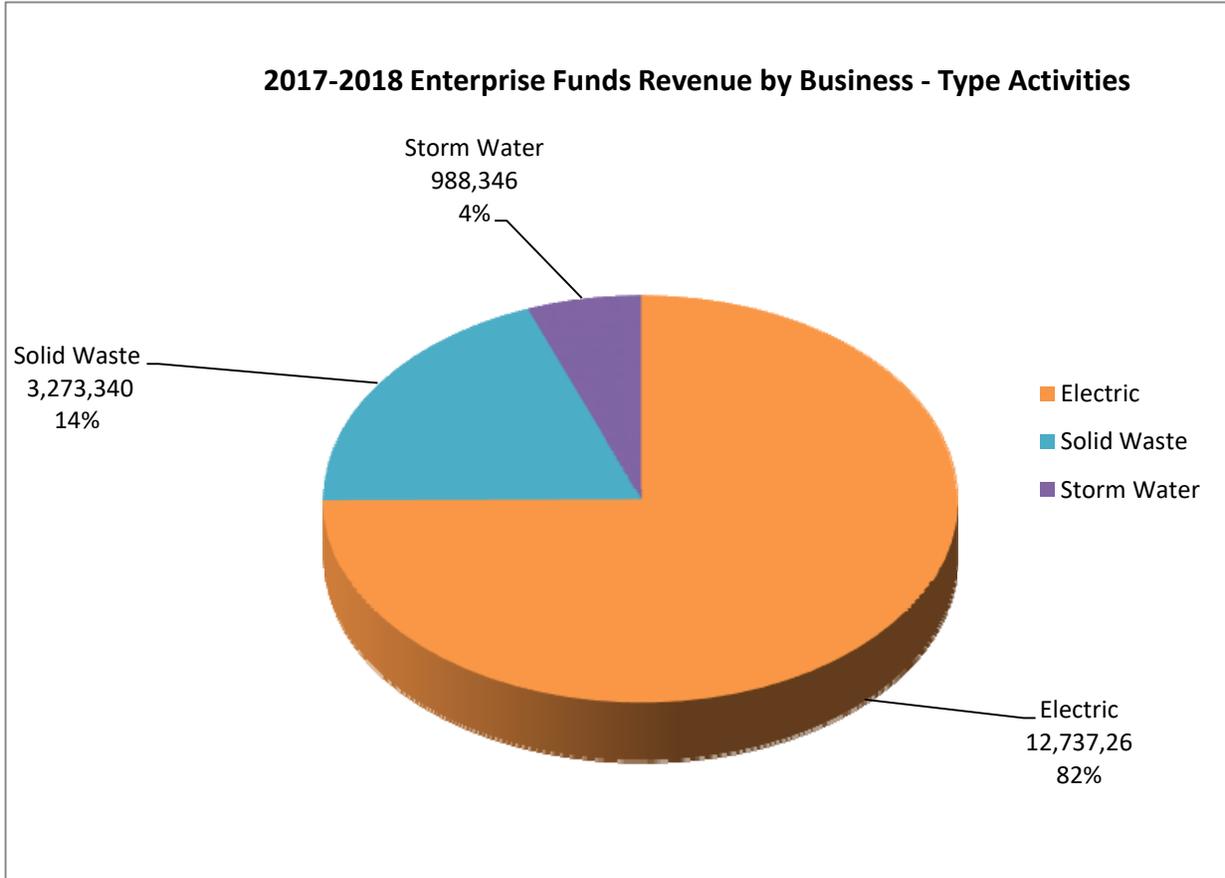


Expenses for the Governmental Activities were \$15.8 million, of which Public Safety accounted for 37%, Public Works 18%, General Government 18%, Housing and Development 19%, Judicial 3%, and Culture and Recreation 4%, interest on long-term debt 2%.

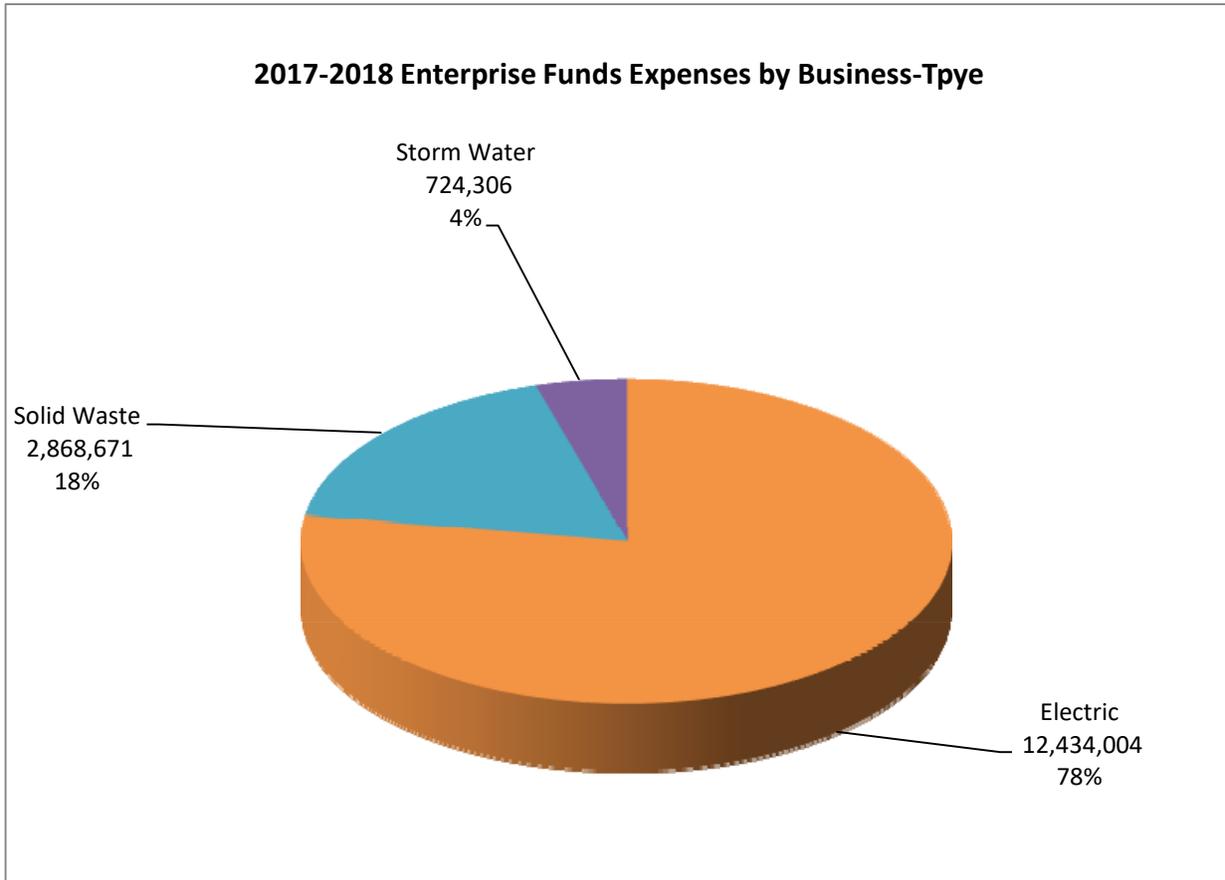


Business-Type Activities. Operations of business-type activities increased the City's net position by \$1,122,902. Key elements of this increase were as follows:

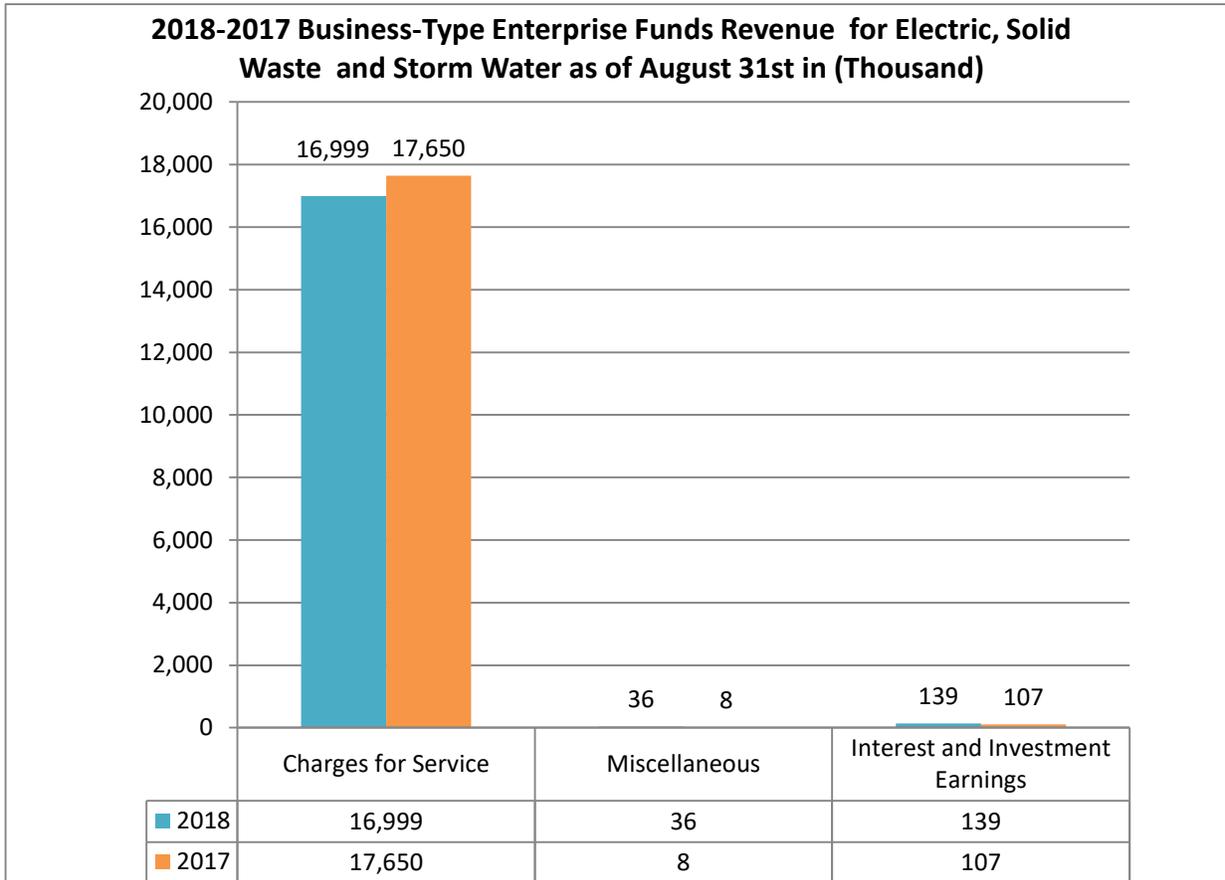
Sales for Business-Type activities were \$16,998,946 a decrease of 4% over the prior year sales of \$17,649,564.



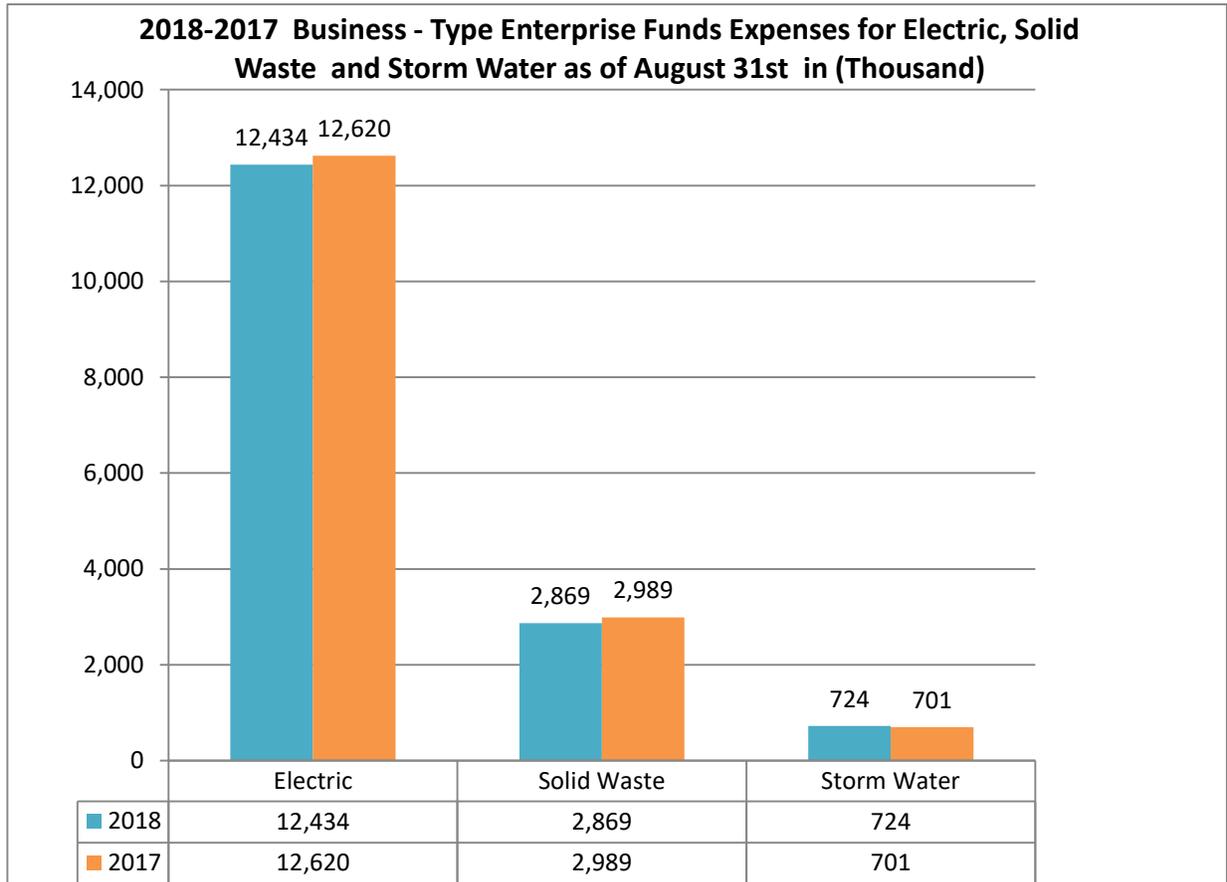
Expenses for the Business-type Activities were \$16.0 million, of which Electric accounted for 78%, Solid Waste 18% and Storm Water 4%.



Business-Type; Electric, Storm Water, and Solid Waste charges for services decreased 4%, Miscellaneous increased 360% and Interest on Investment Earning increased by 30%



Business-Type: Electric decreased 2%, Solid Waste decreased 4% and Storm Water increased 3%.



The Electric Utility Enterprise Fund net position increased by \$465,994. This was an decrease from 2017 of \$1,446,815 due to the decrease in charges for sales and services.

The Solid Waste Utility Enterprise Fund net position increased by \$404,723. This is an increase from 2017 of \$42,842 due to the increase in charges for sales and services.

The Storm Water Utility Fund net position increased by \$252,185. This is a increase from 2017 of \$235,303 due to an increase in cost of services.

Review pages 119-128 (Exhibits G-1 thru G-9) 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 \$6,071,956 a decrease of \$636,451 or (10%) in comparison with the prior year. Approximately 85.2% of this amount (\$5,170,064) 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 33% of total general fund expenditures for the current year.

Key factors in the increase of the General Fund's fund balance of \$297,104 during the current year are:

- This increase is due to the increase in property taxes and insurance premium tax.
- For 2018, there was an increase in the funds transferred in over 2017.

Below is a breakdown of 2018-2017 Revenues and Expenses comparison:

- 2018-2017 Revenues comparison: Revenues for 2018 are \$11,887,472 and 2017 revenues were \$11,499,519. Revenues increased by \$387,953 which is an increase of 3% over 2017.
- 2018-2017 Expenditures comparison: Expenditures for 2018 are \$13,890,129 and 2017 expenditures were \$10,855,878. Expenditures increased by \$3,034,251, a 28% increase over 2017.

Below are several revenue line items that have an increase (decrease) in revenue over 2017

- Tax revenue increased by \$370,013 (5%).
- Investment earnings increased by \$23,978 (475%).
- Licenses and permits increased by \$23,195 (5%).
- Fine, fees and forfeitures increased by \$296,531 (15%) over 2017.
- Charges for services increased by \$1,042 (1%).
- Other decreased by \$43,535 (17%).

Review pages 93-98 (Exhibits D-1 thru D-4) for additional information on the General Fund.

SPECIAL REVENUE FUNDS

- Confiscated Assets Fund: The fund balance for 2017 was \$507 and for 2018 is \$507. There was no change over 2017.
- Hotel/Motel Tax Fund: The fund balance for 2017 was \$552,454 and for 2018 is \$396,649. This is a decrease of \$155,805, which is a 28% decrease over 2017.
- Federal Seized Drug Fund: The fund balance for 2017 was \$245,188 and for 2018 is \$117,799. This is a decrease of \$127,389, which is a 52% decrease over 2017.
- Technology Surcharges Fund: The fund balance for 2017 was \$120,017 and for 2018 is \$190,208. This is an increase of \$70,191 which is a 59% increase over 2017.
- Rental Motor Vehicle Fund: The fund balance for 2017 was \$292,975 and for 2018 is \$398,051. This is an increase of \$105,076 which is a 36% increase over 2017.

Review pages 99-108 (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 2017 is \$10,522 and for 2018 is \$10,527. This is an increase of \$5.
- 2014 Special Purpose Local Option Sales Tax Fund: The fund balance for 2017 was \$2,319,080 and for 2018 is \$1,802,105. This is a decrease of \$516,975.
- 2017 Special Purpose Local Option Sales Tax Fund: The fund balance for 2017 was \$1,029,693, and for 2018 is \$1,831,386. This is an increase of \$801,693.
- Grants: The fund balance for 2017 was \$0 and for 2018 is \$0. There is no change.
- 2017 Revenue Bond: The fund balance for 2017 was \$0 and for 2018 is \$7,886,371. This was a newly created fund for 2018.

Review pages 109-118 (Exhibits F-1 thru F-10) for additional information on the Capital Projects Funds.

PRIOPRIETARY FUNDS

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

2018 Net position of the City's four proprietary funds are as follows:

Electric Utility	21,916,522
Solid Waste Utility	1,302,546
Storm Water Utility	2,162,899

The increase in net position for the funds was \$1,195,579, which is a 5% increase over 2017. 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 119-121 (Exhibits G-1 thru G-9) for additional information on the Enterprise Funds.

COMPONENT UNIT

The Component Unit 2017 Balance Sheet shows fund balance of \$402,083 and 2018 Balance Sheet shows fund balance of \$1,322,614. This is an increase of \$920,531 which is an increase of 229% over 2017.

Review pages 131-132 (Exhibits I-1 thru I-2) for additional information on the Downtown Development Component Unit.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund 2017-2018 adopted budget was \$11,739,828. Final year end budget total was \$11,921,115.

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, 2018, amounted to \$69,861,677 (net of accumulated depreciation), which is a 1% increase from 2017. 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, 2018, the City invested \$3,091,767 in new capital assets. Investment for business-type activities totaled \$207,547, while \$2,884,220 was for governmental activities. Major capital asset events during the current year included the following:

Governmental Activities : \$2,884,220

- \$ 0 Purchase of Land
- \$ 547,017 Construction in Progress
- \$ 0 Buildings
- \$1,312,019 Infrastructure
- \$ 206,502 Vehicles and equipment
- \$ 818,682 Furniture and Fixtures

Business-type Activities : \$207,547

- \$ 42,957 Construction in Progress
- \$ 164,590 Investment in the electrical, and storm water distribution systems
- \$ 0 Vehicles and equipment

More information on capital assets may be found in the Note 9 to the Financial Statements, Exhibit A-12, on pages 57-58 of this report.

Debt Administration

Primary Government:

At the end of August 31, 2018 the City had a capital lease agreement with Dell with a balance of \$417,132; Revenue Bond with a balance of \$7,425,000; Contracts Payable with a balance of \$385,025.

Component Unit:

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, 2018 the balance was \$0. The remaining balance was forgiven.

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, 2018, the balance was \$0.

More information on long-term debt may be found in the Note 13 to the Financial Statements, Exhibit A-12, on pages 61-64 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, 2019. Budget calculations were based on, but not limited to, the following factors:

- The Storm Water department has been operating for eight 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 a challenge due to the increase in the operation costs.
- The biggest challenge for 2019 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	\$ 9,122,130	\$ 878,389	\$ 10,000,519	\$ 142,323
Certificates of deposit	1,037,177	0	1,037,177	0
Investments	0	8,029,256	8,029,256	0
Restricted assets				
Cash and cash equivalents	7,949,663	187,893	8,137,556	0
Investments	0	5,579,576	5,579,576	0
Receivables (net)				
Accounts	4,080	3,941,129	3,945,209	0
Taxes	416,733	0	416,733	0
Intergovernmental	510,126	0	510,126	0
Interest	1,539	0	1,539	0
Internal balances	109,803	(109,803)	0	0
Prepaid items	116,892	51,007	167,899	0
Property held for resale	0	0	0	1,988,665
Inventories	0	977,513	977,513	0
Total current assets	<u>19,268,143</u>	<u>19,534,960</u>	<u>38,803,103</u>	<u>2,130,988</u>
Noncurrent assets				
Notes receivable	785,000	0	785,000	0
Capital assets				
Non-depreciable	22,777,581	1,094,245	23,871,826	4,000
Depreciable (net)	<u>37,319,325</u>	<u>8,670,526</u>	<u>45,989,851</u>	<u>127,618</u>
Total noncurrent assets	<u>60,881,906</u>	<u>9,764,771</u>	<u>70,646,677</u>	<u>131,618</u>
Total assets	<u>80,150,049</u>	<u>29,299,731</u>	<u>109,449,780</u>	<u>2,262,606</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	743,487	98,339	841,826	0
Deferred outflows related to OPEB	<u>204,368</u>	<u>845</u>	<u>205,213</u>	<u>0</u>
Total deferred outflows	<u>947,855</u>	<u>99,184</u>	<u>1,047,039</u>	<u>0</u>
LIABILITIES				
Current liabilities				
Payables				
Accounts	457,978	842,605	1,300,583	20,054
Retainages	42,075	0	42,075	0
Intergovernmental	0	855,519	855,519	0
Sales tax	0	88,639	88,639	0
Customer deposits	0	0	0	3,320
Interest	31,928	0	31,928	0
Accrued salaries and payroll liabilities	150,333	20,402	170,735	0
Compensated absences	285,953	25,742	311,695	0
Unearned revenue	12,069	274,131	286,200	0
Other liabilities	485,657	0	485,657	0
Bonds payable	1,435,000	0	1,435,000	0
Contracts payable	91,620	0	91,620	0
Capital lease payable	133,330	0	133,330	0
Liabilities payable from restricted assets				
Customer deposits payable	<u>0</u>	<u>612,108</u>	<u>612,108</u>	<u>0</u>
Total current liabilities	<u>3,125,943</u>	<u>2,719,146</u>	<u>5,845,089</u>	<u>23,374</u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
August 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Net pension liability	\$ 1,837,295	\$ 169,855	\$ 2,007,150	\$ 0
Notes payable	0	0	0	785,000
Bonds payable	5,990,000	0	5,990,000	0
Contracts payable	293,405	0	293,405	0
Capital lease payable	283,802	0	283,802	0
Net OPEB liability	7,782,880	916,379	8,699,259	0
Total noncurrent liabilities	16,187,382	1,086,234	17,273,616	785,000
Total liabilities	19,313,325	3,805,380	23,118,705	808,374
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	486,945	94,490	581,435	0
Deferred inflows related to OPEB	761,007	117,078	878,085	0
Total deferred inflows of resources	1,247,952	211,568	1,459,520	0
NET POSITION				
Net investment in capital assets	59,199,254	9,729,502	68,928,756	131,618
Restricted for:				
General Government	190,208	0	190,208	0
Public Safety	118,306	0	118,306	0
Housing and Development	398,051	0	398,051	0
MEAG generation projects	0	5,155,361	5,155,361	0
Capital projects	4,105,389	0	4,105,389	0
Unrestricted	(3,474,581)	10,497,104	7,022,523	1,322,614
Total net position	\$ 60,536,627	\$ 25,381,967	\$ 85,918,594	\$ 1,454,232

CITY OF NORCROSS, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended August 31, 2018

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	\$ 2,783,707	\$ 141,242	\$ 0	\$ 0	\$ (2,642,465)
Judicial	402,562	0	0	0	(402,562)
Public Safety	5,896,903	1,908,286	1,385,668	0	(2,602,949)
Public Works	2,893,192	0	0	2,562,957	(330,235)
Culture and Recreation	694,579	90,828	0	0	(603,751)
Housing and Development	2,936,283	344,929	0	0	(2,591,354)
Interest on long-term debt	271,291	0	0	0	(271,291)
Total governmental activities	15,878,517	2,485,285	1,385,668	2,562,957	(9,444,607)
Business-type activities					
Electric Utility	12,434,004	12,737,260	470,435	0	773,691
Solid Waste	2,868,671	3,273,340	0	0	404,669
Storm Water Utility	724,306	988,346	0	0	264,040
Total business-type activities	16,026,981	16,998,946	470,435	0	1,442,400
Total primary government	31,905,498	19,484,231	1,856,103	2,562,957	(8,002,207)
Component Unit					
Downtown Development Authority					
Housing and Development	150,200	0	0	0	(150,200)
Primary Government					
	Governmental Activities	Business-Type Activities	Total	Component Unit	
Change in net assets					
Net (expense) revenue	\$ (9,444,607)	\$ 1,442,400	\$ (8,002,207)	\$ (150,200)	
General revenues					
Taxes					
Property	5,221,964	0	5,221,964	0	
Franchise	1,033,868	0	1,033,868	0	
Intangibles	88,373	0	88,373	0	
Occupational	353,909	0	353,909	0	
Insurance premium	1,008,479	0	1,008,479	0	
Alcoholic beverage	331,879	0	331,879	0	
Hotel/Motel	728,636	0	728,636	0	
Other	105,076	0	105,076	0	
Interest and investment earnings	112,492	138,399	250,891	52	
Miscellaneous	263,027	36,111	299,138	117,035	
Contribution of property from					
City of Norcross	0	0	0	1,143,214	
Transfers	494,008	(494,008)	0	0	
Total general revenues and transfers	9,741,711	(319,498)	9,422,213	1,260,301	
Change in net position	297,104	1,122,902	1,420,006	1,110,101	
Net position - beginning (original)	59,645,177	24,186,388	83,831,565	344,131	
Prior period adjustments	594,346	72,677	667,023	0	
Net position - beginning (restated)	60,239,523	24,259,065	84,498,588	344,131	
Net position - ending	\$ 60,536,627	\$ 25,381,967	\$ 85,918,594	\$ 1,454,232	

CITY OF NORCROSS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2018

	General	2017 SPLOST	2017 Revenue Bond	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 4,734,957	\$ 1,421,189	\$ 7,949,663	\$ 2,965,984	\$ 17,071,793
Certificates of deposit	1,037,177	0	0	0	1,037,177
Receivables (net)					
Accounts	4,080	0	0	0	4,080
Taxes	279,122	0	0	137,611	416,733
Intergovernmental	44,347	437,379	0	28,400	510,126
Notes	785,000	0	0	0	785,000
Interest	1,539	0	0	0	1,539
Prepaid items	116,892	0	0	0	116,892
Due from other funds	1,530,640	0	0	0	1,530,640
Total assets	\$ 8,533,754	\$ 1,858,568	\$ 7,949,663	\$ 3,131,995	\$ 21,473,980
LIABILITIES					
Accounts payable	\$ 296,992	\$ 27,182	\$ 21,217	\$ 112,587	\$ 457,978
Retainages payable	0	0	42,075	0	42,075
Accrued salaries and payroll liabilities	150,333	0	0	0	150,333
Unearned revenue	12,069	0	0	0	12,069
Due to other funds	1,418,181	0	0	2,656	1,420,837
Other liabilities	384,751	0	0	100,906	485,657
Total liabilities	2,262,326	27,182	63,292	216,149	2,568,949
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue- property taxes	199,472	0	0	0	199,472
FUND BALANCES					
Nonspendable:					
Prepaid items	116,892	0	0	0	116,892
Notes receivable	785,000	0	0	0	785,000
Restricted for:					
General Government	0	0	0	190,208	190,208
Public Safety	0	0	0	118,306	118,306
Housing and Development	0	0	0	398,051	398,051
Capital outlay	0	1,831,386	7,886,371	1,812,632	11,530,389
Assigned for:					
Housing and Development	0	0	0	396,649	396,649
Unassigned	5,170,064	0	0	0	5,170,064
Total fund balances	6,071,956	1,831,386	7,886,371	2,915,846	18,705,559
Total liabilities, deferred inflows, and fund balances	\$ 8,533,754	\$ 1,858,568	\$ 7,949,663	\$ 3,131,995	\$ 21,473,980

CITY OF NORCROSS, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
August 31, 2018

Total fund balance - total governmental funds \$ 18,705,559

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 60,096,906

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

These are:

Property taxes 199,472

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

These are:

Capital leases	\$ (417,132)	
Interest payable	(31,928)	
Bonds	(7,425,000)	
Contracts	(385,025)	
Compensated absences	(285,953)	
Net pension liability	(1,837,295)	
Net OPEB obligations	<u>(7,782,880)</u>	(18,165,213)

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:

Deferred outflows related to pensions	\$ 743,487	
Deferred outflows related to OPEB	204,368	

Deferred inflows of resources:

Deferred inflows related to pensions	(486,945)	
Deferred inflows related to OPEB	<u>(761,007)</u>	<u>(300,097)</u>

Net position of governmental activities \$ 60,536,627

CITY OF NORCROSS, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended August 31, 2018

	General	2017 SPLOST	2017 Revenue Bond	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 7,883,658	\$ 0	\$ 0	\$ 833,712	\$ 8,717,370
Licenses and permits	499,293	0	0	0	499,293
Fines, fees and forfeitures	1,673,562	0	0	173,589	1,847,151
Charges for services	138,842	0	0	0	138,842
Intergovernmental	1,385,668	2,561,998	0	0	3,947,666
Interest	43,422	666	69,027	336	113,451
Other	263,027	0	0	0	263,027
Total revenues	11,887,472	2,562,664	69,027	1,007,637	15,526,800
EXPENDITURES					
Current					
General Government	2,778,895	0	0	35,963	2,814,858
Judicial	387,156	0	0	0	387,156
Public Safety	5,778,514	0	0	194,867	5,973,381
Public Works	2,000,553	0	0	0	2,000,553
Culture and Recreation	615,541	0	0	0	615,541
Housing and Development	2,041,584	0	0	884,441	2,926,025
Capital outlay	0	698,602	440,586	517,263	1,656,451
Debt service	287,886	1,062,369	157,070	0	1,507,325
Total expenditures	13,890,129	1,760,971	597,656	1,632,534	17,881,290
Excess (deficiency) of revenues over (under) expenditures	(2,002,657)	801,693	(528,629)	(624,897)	(2,354,490)
Other financing sources (uses)					
Transfers in	482,153	0	0	11,855	494,008
Issuance of long-term debt	818,682	0	8,415,000	0	9,233,682
Sale of capital assets	65,371	0	0	0	65,371
Total other financing sources (uses)	1,366,206	0	8,415,000	11,855	9,793,061
Net change in fund balance	(636,451)	801,693	7,886,371	(613,042)	7,438,571
Fund balances, September 1 (restated)	6,708,407	1,029,693	0	3,528,888	11,266,988
Fund balances, August 31	\$ 6,071,956	\$ 1,831,386	\$ 7,886,371	\$ 2,915,846	\$ 18,705,559

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, 2018

Net change in fund balances - total governmental funds \$ 7,438,571

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	\$ 2,884,220	
Depreciation	<u>(1,936,196)</u>	948,024

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

Cost of assets disposed	\$ (643,370)	
Related accumulated depreciation	<u>451,418</u>	(191,952)

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. 154,814

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	\$ 497,740	
Cost of benefits earned net of employee contributions	<u>(372,664)</u>	125,076

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

OPEB contributions	\$ 209,992	
Cost of benefits earned net of employee contributions	<u>(353,884)</u>	(143,892)

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	\$ 241,313	
Capital lease proceeds	(397,009)	
Contract payments	36,648	
Contract proceeds	(421,673)	
Bond payments	990,000	
Bond proceeds	(8,415,000)	
Net change in interest payable	<u>(31,928)</u>	(7,997,649)

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		<u>(35,888)</u>
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Change in net position of governmental activities		<u><u>\$ 297,104</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,496,296	\$ 7,496,296	\$ 7,883,658	\$ 387,362
Licenses and permits	539,500	539,500	499,293	(40,207)
Fines, fees and forfeitures	2,150,000	2,150,000	1,673,562	(476,438)
Charges for services	119,650	133,586	138,842	5,256
Intergovernmental	1,220,804	1,367,531	1,385,668	18,137
Interest	3,600	3,600	43,422	39,822
Other	209,978	230,602	263,027	32,425
Total revenues	11,739,828	11,921,115	11,887,472	(33,643)
EXPENDITURES				
Current				
General Government				
Governing Body	494,537	788,652	788,650	2
Administration	504,577	484,896	456,330	28,566
City Clerk	128,349	135,484	123,472	12,012
Chief Executive	102,431	102,431	97,093	5,338
Information Technology	1,046,056	899,956	1,172,070	(272,114)
Human Resources	133,540	142,058	141,280	778
Judicial				
Municipal Court	424,758	424,758	387,156	37,602
Public Safety				
Police	4,868,834	4,922,573	4,729,777	192,796
E911 Communications	952,557	828,651	1,048,737	(220,086)
Public Works				
Public Works Administration	1,807,853	2,119,076	2,000,553	118,523
Culture and Recreation				
Parks and Recreation	646,584	667,088	615,541	51,547
Housing and Development				
Community Development	596,074	646,074	615,475	30,599
Economic Development	289,091	289,091	282,895	6,196
DDA	0	0	1,143,214	(1,143,214)
Debt Service				
General Government	0	146,100	146,511	(411)
Public Safety	0	104,727	141,375	(36,648)
Total expenditures	11,995,241	12,701,615	13,890,129	(1,188,514)
Excess (deficiency) of revenues over (under) expenditures	(255,413)	(780,500)	(2,002,657)	(1,222,157)
Other financing sources (uses)				
Transfers in	482,153	482,153	482,153	0
Issuance of long-term debt	0	0	818,682	818,682
Sale of capital asses	0	0	65,371	65,371
Contingency	(226,740)	(153,843)	0	153,843
Total other financing sources (uses)	255,413	328,310	1,366,206	1,037,896
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(452,190)	(636,451)	(184,261)
Fund balances, September 1	0	452,190	6,708,407	6,256,217
Fund balances, August 31	\$ 0	\$ 0	\$ 6,071,956	\$ 6,071,956

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2018

	Business Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 0	\$ 3,662	\$ 874,727	\$ 878,389
Investments	8,029,256	0	0	8,029,256
Restricted assets				
Cash and cash equivalents	0	187,893	0	187,893
Investments	5,579,576	0	0	5,579,576
Accounts receivable (net)	2,576,241	620,242	744,646	3,941,129
Prepaid items	48,201	0	2,806	51,007
Due from other funds	0	1,471,689	100,000	1,571,689
Inventories	977,513	0	0	977,513
Total current assets	17,210,787	2,283,486	1,722,179	21,216,452
Noncurrent assets				
Capital assets				
Non-depreciable	1,094,245	0	0	1,094,245
Depreciable (net)	7,635,959	108,617	925,950	8,670,526
Total noncurrent assets	8,730,204	108,617	925,950	9,764,771
Total assets	25,940,991	2,392,103	2,648,129	30,981,223
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	71,748	0	26,591	98,339
Deferred outflows of resources related to OPEB	845	0	0	845
Total deferred outflows of resources	72,593	0	26,591	99,184
LIABILITIES				
Current liabilities				
Payables				
Accounts	57,429	714,432	70,744	842,605
Intergovernmental	855,519	0	0	855,519
Sales tax	88,639	0	0	88,639
Accrued salaries and payroll liabilities	16,940	0	3,462	20,402
Compensated absences	20,078	0	5,664	25,742
Unearned revenue	86,899	187,232	0	274,131
Due to other funds	1,681,492	0	0	1,681,492
Liabilities payable from restricted assets				
Customer deposits payable	424,215	187,893	0	612,108
Total current liabilities	3,231,211	1,089,557	79,870	4,400,638
Noncurrent liabilities				
Net pension liability	110,730	0	59,125	169,855
Net OPEB liability	585,650	0	330,729	916,379
Total noncurrent liabilities	696,380	0	389,854	1,086,234
Total liabilities	3,927,591	1,089,557	469,724	5,486,872

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2018

	<u>Business-Type</u>			<u>Totals</u>
	<u>Electric Utility</u>	<u>Solid Waste</u>	<u>Storm Water Utility</u>	
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	\$ 77,481	\$ 0	\$ 17,009	\$ 94,490
Deferred inflows of resources related to OPEB	91,990	0	25,088	117,078
Total deferred inflows of resources	<u>169,471</u>	<u>0</u>	<u>42,097</u>	<u>211,568</u>
NET POSITON				
Net investment in capital assets	8,730,204	108,617	890,681	9,729,502
Restricted for:				
MEAG generation projects	5,155,361	0	0	5,155,361
Unrestricted	<u>8,030,957</u>	<u>1,193,929</u>	<u>1,272,218</u>	<u>10,497,104</u>
Total net position	<u>\$ 21,916,522</u>	<u>\$ 1,302,546</u>	<u>\$ 2,162,899</u>	<u>\$ 25,381,967</u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2018

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
OPERATING REVENUES				
Charges for sales and services	\$ 12,737,260	\$ 3,273,340	\$ 988,346	\$ 16,998,946
Other	36,057	54	0	36,111
Total operating revenues	12,773,317	3,273,394	988,346	17,035,057
OPERATING EXPENSES				
Costs of sales and services	10,984,545	2,761,992	270,123	14,016,660
Personal services	1,153,777	104,462	424,051	1,682,290
Depreciation	295,682	2,217	30,132	328,031
Total operating expenses	12,434,004	2,868,671	724,306	16,026,981
Operating income (loss)	339,313	404,723	264,040	1,008,076
Non-operating revenues (expenses)				
Investment revenue	138,399	0	0	138,399
Intergovernmental	470,435	0	0	470,435
Total non-operating revenues (expenses)	608,834	0	0	608,834
Net income (loss) before transfers	948,147	404,723	264,040	1,616,910
Transfers in (out)				
Transfers out	(482,153)	0	(11,855)	(494,008)
Change in net position	465,994	404,723	252,185	1,122,902
Net position, September 1 (original)	21,396,937	897,823	1,891,628	24,186,388
Prior period adjustments	53,591	0	19,086	72,677
Net position, September 1 (restated)	21,450,528	897,823	1,910,714	24,259,065
Net position, August 31	\$ 21,916,522	\$ 1,302,546	\$ 2,162,899	\$ 25,381,967

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2018

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
Cash flows from operating activities:				
Receipts from customers	\$ 13,060,239	\$ 3,083,005	\$ 968,560	\$ 17,111,804
Payments to suppliers	(11,135,673)	(2,286,933)	(246,075)	(13,668,681)
Payments to employees	(1,122,934)	(104,462)	(418,100)	(1,645,496)
Other receipts	36,057	0	0	36,057
Net cash provided (used) by operating activities	<u>837,689</u>	<u>691,610</u>	<u>304,385</u>	<u>1,833,684</u>
Cash flows from non-capital financing activities:				
Receipts from other governments	470,435	0	0	470,435
Payments to other Funds	(328,645)	(1,091,105)	(100,000)	(1,519,750)
Net cash provided (used) by non-capital financing activities	<u>141,790</u>	<u>(1,091,105)</u>	<u>(100,000)</u>	<u>(1,049,315)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(42,957)	0	(129,321)	(172,278)
Cash flows from investing activities:				
Interest received	138,399	0	0	138,399
Purchase of investments	(1,148,921)	0	0	(1,148,921)
Net cash provided (used) by investing activities	<u>(1,010,522)</u>	<u>0</u>	<u>0</u>	<u>(1,010,522)</u>
Net increase (decrease) in cash and cash equivalents	(74,000)	(399,495)	75,064	(398,431)
Cash and cash equivalents, September 1	<u>74,000</u>	<u>591,050</u>	<u>799,663</u>	<u>1,464,713</u>
Cash and cash equivalents, August 31	<u>\$ 0</u>	<u>\$ 191,555</u>	<u>\$ 874,727</u>	<u>\$ 1,066,282</u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2018

	<u>Business-Type</u>			<u>Totals</u>
	<u>Electric Utility</u>	<u>Solid Waste</u>	<u>Storm Water Utility</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 339,313	\$ 404,723	\$ 264,040	\$ 1,008,076
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	295,682	2,217	30,132	328,031
(Increase) decrease in accounts receivable	310,188	(208,990)	(19,786)	81,412
(Increase) decrease in prepaid items	13,587	0	1,500	15,087
(Increase) decrease in inventories	(102,966)	0	0	(102,966)
(Increase) decrease in deferred outflows related to OPEB	205	0	0	205
(Increase) decrease in deferred outflows related to pension	(47,827)	0	(15,177)	(63,004)
Increase (decrease) in accounts payable	(67,655)	475,059	22,548	429,952
Increase (decrease) in intergovernmental payables	5,906	0	0	5,906
Increase (decrease) in deposits payable	9,970	18,601	0	28,571
Increase (decrease) in sales tax payable	2,821	0	0	2,821
Increase (decrease) in accrued payroll liabilities	4,435	0	(818)	3,617
Increase (decrease) in net OPEB liability	(50,942)	0	(13,607)	(64,549)
Increase (decrease) in deferred inflows related to pension	15,808	0	5,016	20,824
Increase (decrease) in deferred inflows related to OPEB	91,990	0	25,088	117,078
Increase (decrease) in net pension liability	17,174	0	5,449	22,623
Total adjustments	498,376	286,887	40,345	825,608
Net cash provided (used) by operating activities	\$ 837,689	\$ 691,610	\$ 304,385	\$ 1,833,684
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 0	\$ 3,662	\$ 874,727	\$ 878,389
Restricted assets				
Cash and cash equivalents	0	187,893	0	187,893
Total cash and cash equivalents	\$ 0	\$ 191,555	\$ 874,727	\$ 1,066,282

Noncash capital and related financing activities:

Acquisition of storm water utility capital assets through accounts payable totaled \$35,269.

CITY OF NORCROSS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
August 31, 2018

	<u>Municipal Court Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 197,031
LIABILITIES	
Due to other agencies	\$ 197,031

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CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018

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, 2018.

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, 2018

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.

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 a special purpose local option sales tax.

2017 Revenue Bond Capital Projects Fund - This fund is used to account for issued 2017 Revenue Bonds used to finance major capital projects.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018

2. Summary of Significant Accounting Policies (continued)

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal year 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, 2018

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, 2018

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 plan and OPEB plan.

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 and OPEB plan.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018

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, 2018

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, 2018, 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, 2018

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, 2018, 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, 2018

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, 2018, the average weighted maturity of the Intermediate, Intermediate Extended, and Short-term Portfolios were 6.2, 59.7, and 3.5 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, 2018, the City's balances in the Voluntary Flexible Operating Accounts were \$8,720,771, and in the Generation Trust Accounts were \$4,888,061.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018 consist of the following:

Investment Type	Fair Value
Municipal Competitive Trust	
Short-term Portfolio	\$ 4,020,996
Intermediate Portfolio	4,698,322
Intermediate Extended Portfolio	4,889,514
Total Investments	\$ 13,608,832

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

Georgia Fund 1 is rated AAf by Standard & Poor's. The weighted average maturity at August 31, 2018 was 22 days. At August 31, 2018, the City's balance in Georgia Fund 1 was \$48,318.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

4. Accounts Receivable

Net accounts receivable at August 31, 2018 consist of the following:

Primary Government		
Major Funds		
General Fund	\$	4,080
Enterprise Funds		
Electric Utility	\$	2,589,187
Less: Allowances for Uncollectibles		(12,946)
Solid Waste		622,418
Less: Allowances for Uncollectibles		(2,176)
Storm Water Utility		899,102
Less: Allowances for Uncollectibles		(154,456)
		<u>3,941,129</u>
Total Primary Government	\$	<u>3,945,209</u>

5. Intergovernmental Receivables

Intergovernmental receivables at August 31, 2018 consist of the following:

Primary Government		
Major Funds		
General Fund	\$	44,347
Capital Projects Funds		
2017 SPLOST		437,379
Nonmajor Funds		
Capital Projects Funds		
2014 SPLOST		<u>28,400</u>
Total Primary Government	\$	<u>510,126</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

6. Taxes Receivable

Property Taxes

Property taxes receivable as of August 31, 2018 consist of the following:

Year of Levy	Amount
2017	\$ 194,467
2016	31,839
2015	16,945
2014	73,690
2013	29,119
2012	22,112
2011	26,810
	394,982
Less allowance for uncollectible	(192,804)
Total	\$ 202,178

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 2018, based upon the assessments of January 1, 2017, were billed on September 15, 2017, and due on November 15, 2017. Tax liens are issued 90 days after the due date. The tax rate of 5.749 mills for 2017 was levied on August 7, 2017.

Other Taxes

\$45,423 of franchise taxes, \$128,021 of hotel/motel taxes, \$31,520 of alcohol excise taxes and \$9,591 in rental motor vehicle excise taxes are also included in taxes receivable.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

7. Interfund Receivables and Payables

A summary of interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	<u>Amount</u>
General	Electric Utility	\$ 1,527,984
Storm Water	Electric Utility	100,000
Solid Waste	General	1,418,181
Solid Waste	Electric Utility	53,508
General	Nonmajor Governmental	<u>2,656</u>
Subtotal		<u><u>\$ 3,102,329</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, Storm Water, Electric Utility, 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	<u>Amount</u>
Electric	General	\$ 482,153
Storm Water	Nonmajor Governmental	<u>11,855</u>
Subtotal		<u><u>\$ 494,008</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, 2018

9. Capital Assets

Capital asset activity for the primary government for the year ended August 31, 2018 was as follows:

	Balance 9/1/2017	Increases	Decreases	Balance 8/31/2018
Governmental activities				
Non-depreciable assets				
Land	\$ 20,255,576	\$ 0	\$ 0	\$ 20,255,576
Construction in progress	1,974,988	547,017	0	2,522,005
Total nondepreciable assets	<u>22,230,564</u>	<u>547,017</u>	<u>0</u>	<u>22,777,581</u>
Depreciable assets				
Buildings	12,934,898	0	0	12,934,898
Infrastructure	55,341,946	1,312,019	0	56,653,965
Vehicles and equipment	5,165,805	206,502	(253,770)	5,118,537
Furniture and fixtures	2,704,305	818,682	(389,600)	3,133,387
Intangible assets	227,406	0	0	227,406
Total depreciable assets	<u>76,374,360</u>	<u>2,337,203</u>	<u>(643,370)</u>	<u>78,068,193</u>
Accumulated depreciation				
Buildings	(3,645,456)	(271,071)	0	(3,916,527)
Infrastructure	(29,959,743)	(1,073,052)	0	(31,032,795)
Vehicles and equipment	(3,442,995)	(461,165)	247,342	(3,656,818)
Furniture and fixtures	(2,143,380)	(122,621)	204,076	(2,061,925)
Intangible assets	(72,516)	(8,287)	0	(80,803)
Total accumulated depreciation	<u>(39,264,090)</u>	<u>(1,936,196)</u>	<u>451,418</u>	<u>(40,748,868)</u>
Total depreciable assets, net	<u>37,110,270</u>	<u>401,007</u>	<u>(191,952)</u>	<u>37,319,325</u>
Governmental activities capital assets, net	<u>\$ 59,340,834</u>	<u>\$ 948,024</u>	<u>\$ (191,952)</u>	<u>\$ 60,096,906</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Construction in progress	1,050,288	42,957	0	1,093,245
Total non-depreciable assets	<u>1,051,288</u>	<u>42,957</u>	<u>0</u>	<u>1,094,245</u>
Depreciable assets				
Distribution system	11,237,428	164,590	0	11,402,018
Vehicles and equipment	1,826,843	0	(48,331)	1,778,512
Total depreciable assets	<u>13,064,271</u>	<u>164,590</u>	<u>(48,331)</u>	<u>13,180,530</u>
Accumulated depreciation				
Distribution system	(2,992,461)	(222,347)	0	(3,214,808)
Vehicles and equipment	(1,237,843)	(105,684)	48,331	(1,295,196)
Total accumulated depreciation	<u>(4,230,304)</u>	<u>(328,031)</u>	<u>48,331</u>	<u>(4,510,004)</u>
Total depreciable assets, net	<u>8,833,967</u>	<u>(163,441)</u>	<u>0</u>	<u>8,670,526</u>
Business-type activities capital assets, net	<u>\$ 9,885,255</u>	<u>\$ (120,484)</u>	<u>\$ 0</u>	<u>\$ 9,764,771</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

9. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for fiscal year ending August 31, 2018 was as follows:

	<u>Balance 9/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 8/31/2018</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	2,375	0	0	2,375
Infrastructure	30,264	0	0	30,264
Total depreciable assets	<u>136,694</u>	<u>0</u>	<u>0</u>	<u>136,694</u>
Accumulated depreciation				
Buildings	(1,458)	(605)	0	(2,063)
Equipment	0	(244)	0	(244)
Infrastructure	(4,688)	(2,081)	0	(6,769)
Total accumulated depreciation	<u>(6,146)</u>	<u>(2,930)</u>	<u>0</u>	<u>(9,076)</u>
Total depreciable assets, net	<u>130,548</u>	<u>(2,930)</u>	<u>0</u>	<u>127,618</u>
Downtown Development Authority capital assets, net	<u>\$ 134,548</u>	<u>\$ (2,930)</u>	<u>\$ 0</u>	<u>\$ 131,618</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 229,087
Judicial	363
Public Safety	461,393
Public Works	1,064,928
Culture and Recreation	79,255
Housing and Development	101,170
	<u>101,170</u>
Total depreciation expense for governmental activities	<u>\$ 1,936,196</u>

Business-type activities

Electric Utility	\$ 295,682
Solid Waste Utility	2,217
Storm Water Utility	30,132
	<u>30,132</u>
Total depreciation expense for business-type activities	<u>\$ 328,031</u>

DDA Component Unit

\$ 2,930

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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. In 2018, the City transferred the purchased property to the Downtown Development Authority. The total investment in property held for resale is \$1,988,665 for the DDA.

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 and the remaining property held by the Authority was sold to a local business. Payment of principal is due on September 1, 2017; interest at 0.00%. During 2018, the City forgave the remaining balance of the note. At August 31, 2018, the balance of this note is \$0. See Note 13 for the 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. 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%. During 2018, the City forgave the unpaid balance of the note. At August 31, 2018, the balance of this note is \$0.

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, 2018, 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, 2018

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, 2018 total \$417,132 for governmental activities.

Total assets leased under capital leases are \$866,845 for governmental activities, consisting of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Furniture and fixtures	\$ 568,785	\$ 74,418
Vehicles and equipment	298,060	85,160
Totals	<u>\$ 866,845</u>	<u>\$ 159,578</u>

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

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of August 31, 2018:

<u>Year Ending August 31,</u>	<u>Governmental activities</u>
2019	\$ 150,605
2020	106,971
2021	105,529
2022	<u>94,103</u>
Total minimum lease payments	457,208
Less amounts representing interest	<u>(40,076)</u>
Present value of minimum lease payments	<u>\$ 417,132</u>

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

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

13. Long-Term Debt

Bonds Payable

Governmental Activities

On October 27, 2017, the City issued \$8,415,000 City of Norcross, Georgia Revenue Bond, Series 2017. The 2017 Bond was issued for the purpose of providing funds to finance the costs of SPLOST 2017 recreation and parking projects. It bears an interest rate of 1.72% with yearly payments due on June 1. The 2017 bond matures on June 1, 2023. This bond is secured by sales tax proceeds.

The City's debt service requirement to maturity on the Series 2017 bond is as follows:

Year Ending August 31,	Principal	Interest	Total
2019	\$ 1,435,000	\$ 127,710	\$ 1,562,710
2020	1,460,000	103,028	1,563,028
2021	1,485,000	77,916	1,562,916
2022	1,510,000	52,374	1,562,374
2023	1,535,000	26,402	1,561,402
Totals	<u>\$ 7,425,000</u>	<u>\$ 387,430</u>	<u>\$ 7,812,430</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

13. Long-Term Debt (continued)

Contracts Payable

Governmental Activities

On December 4, 2017, the City of Norcross, Georgia Police Department entered into a contract agreement with a technology company for the purchase of professional services and 3rd party licensing products in the amount of \$421,673. The contract is payable in quarterly payments of \$18,324, at 0% interest through 2020. Beginning January 1, 2021, payments of \$100,892 are due annually until maturity on January 1, 2022. At August 31, 2018, the balance of this contract is \$385,025.

Year Ending August 31,	Principal	Interest	Total
2019	\$ 91,620	\$ 0	\$ 91,620
2020	73,296	0	73,296
2021	119,215	0	119,215
2022	100,894	0	100,894
Totals	\$ 385,025	\$ 0	\$ 385,025

Notes Payable

Downtown Development Authority Component Unit

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 and the remaining property held by the Authority was sold to a local business. Payment of principal is due on September 1, 2017; interest at 0.00%. During 2018, the City forgave the remaining balance of the note. At August 31, 2018, the balance of this note is \$0. See Note 11 for the note receivable on the sale of the property.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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. 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%. During 2018, the City forgave the unpaid balance of the note. At August 31, 2018, the balance of this note is \$0. See Note 11 for note receivable on the loan.

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, 2018, 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, 2018

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, 2018:

	<u>Balance 9/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 8/31/2018</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable	\$ 0	\$ 8,415,000	\$ (990,000)	\$ 7,425,000	\$ 1,435,000
Contracts payable	0	421,673	(36,648)	385,025	91,620
Capital leases payable	261,436	397,009	(241,313)	417,132	133,330
Compensated absences	250,066	285,953	(250,066)	285,953	285,953
Total Governmental Activities	<u>\$ 511,502</u>	<u>\$ 9,519,635</u>	<u>\$ (1,518,027)</u>	<u>\$ 8,513,110</u>	<u>\$ 1,945,903</u>
Business-type activities					
Compensated absences	\$ 24,358	\$ 25,742	\$ (24,358)	\$ 25,742	\$ 25,742
Downtown Development Authority					
Component Unit					
Notes payable	\$ 977,500	\$ 0	\$ (192,500)	\$ 785,000	\$ 0

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, 2018 was \$271,291 for governmental activities.

A prior period adjustment was made in the governmental activities to correct the beginning balance of capital leases payable in the amount of \$117,094. See Note 24 for changes in beginning balances.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018:

	<u>2017 SPLOST</u>	<u>2017 Revenue Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
General Government				
Technology equipment	\$ 0	\$ 0	\$ 190,208	\$ 190,208
Public Safety				
Police department vehicles and equipment	0	0	118,306	118,306
Housing and Development				
Trade and tourism	0	0	398,051	398,051
Capital projects	1,831,386	7,886,371	1,812,632	11,530,389
	<u>\$ 1,831,386</u>	<u>\$ 7,886,371</u>	<u>\$ 2,519,197</u>	<u>\$ 12,236,954</u>
Assigned for:				
Housing and Development				
Trade and tourism	\$ 0	\$ 0	\$ 396,649	\$ 396,649

15. Intradepartmental Billings

Total operating revenues and total operating expenses in the Electric Utility and Solid Waste Enterprise Funds include \$228,196 and \$348,608, 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, 2018

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, 2018, the date of the most recent actuarial valuation, there were 190 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	33
Terminated vested participants entitled to but not yet receiving benefits	47
Active participants	110
Total number of participants	190

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 1.55% - 2.00% with a five year vesting schedule.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018 was \$534,188, or 9.18% of covered payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the City reported a net pension liability of \$2,007,150. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. For the fiscal year ended August 31, 2018, the City recognized pension expense of \$287,398. In prior years, net pension liabilities have been liquidated in the General Fund, Electric Utility Enterprise Fund, and the Storm Water Utility Enterprise Fund.

At August 31, 2018, 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	\$ 680,433	\$ (171,400)
Changes of assumptions	12,583	0
Difference between projected and actual earnings on pension plan investments	0	(410,035)
City contributions subsequent to the measurement date	148,810	0
Totals	<u>\$ 841,826</u>	<u>\$ (581,435)</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

16. Pension Plan (continued)

The \$148,810 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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending August 31	
2019	\$ (11,933)
2020	64,338
2021	(13,970)
2022	73,146
Totals	<u>\$ 111,581</u>

Actuarial Assumptions. The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	2.75% plus service based merit increases
Cost of living adjustments	2.75%
Net investment rate of return	7.50%

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, 2018 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, 2018

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, 2018 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%	6.17%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Cash	0%	
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.50 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, 2018

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 3/31/2017	\$ 12,008,705	\$ 10,168,858	\$ 1,839,847
Changes for the year:			
Service cost	326,020	0	326,020
Interest	910,650	0	910,650
Differences between expected and actual experience	825,660	0	825,660
Contributions—employer	0	497,740	(497,740)
Contributions—employee	0	81,838	(81,838)
Net investment income	0	1,264,471	(1,264,471)
Benefit payments, including refunds of employee contributions	(516,757)	(516,757)	0
Administrative expense	0	(29,513)	29,513
Other	(80,491)	0	(80,491)
Net changes	<u>1,465,082</u>	<u>1,297,779</u>	<u>167,303</u>
Balances at 3/31/2018	<u>\$ 13,473,787</u>	<u>\$ 11,466,637</u>	<u>\$ 2,007,150</u>

Plan's fiduciary net position as a percentage of the total pension liability	85.10%
Covered payroll	\$ 5,836,525
Net pension liability as a percentage of covered payroll	34.39%

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 (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate:

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.50%	\$ 3,827,662
Current discount rate	7.50%	2,007,150
1% increase	8.50%	503,725

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, 2018

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, 2018, the City contributed \$89,383 to the plans based on covered salaries of \$3,878,428. Plan members made voluntary contributions of \$235,404 to the plans. Total payroll was \$5,810,641.

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, 2018

18. Post-Employment Benefits Other Than Pensions

Plan Description. The City of Norcross Other Postemployment Benefits Plan (the “OPEB Plan”) is a defined benefit postretirement health care, prescription drug, and life insurance plan. The OPEB plan is administered through the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer OPEB Plan administered by the Georgia Municipal Association (GMA). The City has established provisions, which assign the authority to the City council members to establish and amend the benefit provisions of the plan.

At July 1, 2017, the date of the most recent actuarial valuation, there were 135 participants consisting of the following:

Current retirees, beneficiaries, and dependents	31
Current active participants	104
Terminated participants entitled but not yet eligible	0
Total number of participants	135

Benefits Provided. The City has the authority to establish and amend the OPEB Plan. The City provides medical, prescription drug and dental benefits to retirees. Retirees’ spouses are eligible for the same benefits as the retiree. General employees hired prior to 1999 become eligible for those benefits if they retire on or after the age of 62 with 10 completed years of service or after the age of 65 with 5 completed years of service. Public Safety employees hired prior to 1999 become eligible for those benefits if they retire with the same criteria described previously or at age 55 with 20 completed years of service. Employees hired after 1998 who are permanent full-time career employees, and who have been employed a minimum of 20 full-time continuous years with the City and have attained their 62nd birthday (55th birthday for Public Safety) while employed full time by the City, become eligible to purchase single coverage medical insurance under the then current City medical insurance plan.

Contributions. The City has not elected to advance fund the OPEB Plan, but rather maintains the OPEB Plan on a “pay-as-you-go” basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The City’s contribution for the fiscal year ended August 31, 2018 was \$209,992, or 5.05% of covered employee payroll. The GMA issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

18. Post-Employment Benefits Other Than Pensions (continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. At August 31, 2018, the City reported a net OPEB liability of \$8,699,259. The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. For the fiscal year ended August 31, 2018, the City recognized OPEB expense of \$401,840. For the Governmental Activities, the net OPEB Liability is liquidated by the General Fund.

The components of the net OPEB liability are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 8/31/2016	\$ 9,385,496	\$0	\$ 9,385,496
Changes for the year:			
Service cost	305,217	0	305,217
Interest	272,234	0	272,234
Differences between expected and actual experience	(31,671)	0	(31,671)
Contributions-employer	0	209,992	(209,992)
Changes in assumptions	(1,022,025)	0	(1,022,025)
Benefit payments, including refunds of member contributions	(209,992)	(209,992)	0
Net changes	<u>(686,237)</u>	<u>0</u>	<u>(686,237)</u>
Balances at 8/31/2017	<u>\$ 8,699,259</u>	<u>\$0</u>	<u>\$ 8,699,259</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered employee payroll	\$ 5,052,184
Plan net OPEB liability as a percentage of covered employee payroll	172.19%

At the end of the current fiscal year, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 0	\$ 851,690
Difference between expected and actual experience in the total OPEB liability	0	26,395
Contributions subsequent to the measurement date	<u>205,213</u>	<u>0</u>
Totals	<u>\$ 205,213</u>	<u>\$ 878,085</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

18. Post-Employment Benefits Other Than Pensions (continued)

The \$205,213 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 OPEB liability in the fiscal year ending August 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending August 31	
2019	\$ (175,617)
2020	(175,617)
2021	(175,617)
2022	(175,617)
2023	<u>(175,617)</u>
Totals	<u>\$ (878,085)</u>

Actuarial Assumptions. The total OPEB liability was measured as of August 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25%
Projected salary increases	3.75% to 8.75%, including inflation
Discount rate	3.51%
Actuarial cost method	Entry age
Healthcare cost trend rates	Medical: 7.00% trended down to 4.5% by 2022 Prescription Drug: 7.00% trended down to 4.5% by 2022
Healthy mortality rates	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.
Amortization method	Open 30 years, level percent of payroll
Remaining amortization period	30 years
Asset valuation method	Market value

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

18. Post-Employment Benefits Other Than Pensions (continued)

Development of Long-Term Rate. Since the City funds this Plan on a pay-as-you-go basis, GASB requires the discount rate be based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). To comply with this requirement, the discount rate is based on an index of 20-year, tax-exempt general obligation bonds. Specifically, the chosen rate is 3.51%, the Bond Buyer 20-Bond GO Index rate published closest to, but not later than, the measurement date of August 31, 2017.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the NOL of the City as well as what the City's NOL would be if it were calculated using a discount rate that is one percentage point lower (2.51%) or one percentage point higher (4.51%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were one percentage point lower or one percentage point higher than the current healthcare trend rates.

<u>Discount Rate</u>		<u>Net OPEB Liability</u>
1% decrease	2.51%	\$ 10,287,932
Current discount rate	3.51%	8,699,259
1% increase	4.51%	7,439,973
		Net OPEB Liability
<u>Healthcare Cost Trend Rates</u>		<u>Net OPEB Liability</u>
1% decrease		\$ 7,358,465
Current discount rate		8,699,259
1% increase		10,409,478

OPEB 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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018, follows:

Lodging Tax Receipts	\$ 728,636
Disbursements to promote trade and tourism	\$ 884,441 121% 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, 2018, the City of Norcross contributed the use of one police officer to the DEA for undercover work; the City paid \$54,509 in personnel costs for the officer.

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, 2018, 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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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, 2018. 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.

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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

22. Risk Management (continued)

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, 2018, 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 \$10,000,090 from MEAG during the fiscal year ended August 31, 2018. 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.

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, 2018 was \$4,888,061. 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, 2018 was \$4,288,295. Both of these accounts are included in investments in the Electric Utility Fund.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

23. Commitments and Contingencies (continued)

Commitments, continued

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, 2018, were \$0 and \$164,210 respectively. Due to the restricted nature of these funds, neither is reported in the Electric Utility Fund.

At the end of the current fiscal year, the City has outstanding agreements with contractors for the future work on existing construction projects in the approximate amount of \$1,861,534.

Contingencies

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

24. Changes in Beginning Balances

Governmental Activities

A restatement of beginning balances has been made to adjust the OPEB liability for implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This restatement increased beginning net position in the governmental activities by \$667,498.

A prior period adjustment has been made to correct lease payable at August 31, 2017. This adjustment increased beginning net position by \$117,094.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

24. Changes in Beginning Balances (continued)

2014 SPLOST

A prior period adjustment has been made to eliminate the recording of accounts payable at August 31, 2017. This adjustment increased beginning fund balance by \$59,674.

A prior period adjustment has been made to eliminate the recording of intergovernmental receivable at August 31, 2017. This adjustment decreased beginning fund balance by \$249,920.

The net effect of these adjustments was to increase beginning net position in the Governmental Activities by \$594,346.

Business-Type Activities

A restatement of beginning balances has been made to adjust the OPEB liability for implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This restatement increased beginning net position in the Storm Water Fund and Electric Utility Fund by \$19,086 and \$53,591, respectively.

25. 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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

25. Tax Abatements (continued)

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	50%	\$ 19,517

26. New Accounting Standards

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the City's current fiscal year.

The City early implemented GASB Statement No. 89, *Accounting for Interest Cost incurred before the End of a Construction Period*, effective for the City's current fiscal year.

27. Excess of Expenditures over Appropriations in Individual Governmental Funds for which Budgets are Adopted

During the year the City incurred expenditures in the following funds, which were in excess of the amounts appropriated:

<u>General Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
Department			
Information Technology	\$ 1,172,070	\$ 899,956	\$ (272,114)
E911 Communications	1,048,737	828,651	(220,086)
Downtown Development Authority	1,143,214	0	(1,143,214)
Public Safety	141,375	104,727	(36,648)

Management concurs with this finding. The City Manager will review the comparative financial statements on a periodic basis and recommend any necessary budget amendments to the City Council. This action was taken immediately upon receipt of the comment from our auditors.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORCROSS, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
August 31, 2018
(Unaudited)

	Fiscal Year End	Fiscal Year End	Fiscal Year End	Fiscal Year End
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 326,020	\$ 303,187	\$ 261,349	\$ 311,706
Interest	910,650	876,775	825,040	793,291
Differences between expected and actual experience	825,660	(248,867)	49,762	(234,843)
Changes of assumptions	15,146	0	0	0
Changes of benefits terms	(95,637)	0	0	0
Benefit payments, including refunds of employee contributions	(516,757)	(471,229)	(465,976)	(459,675)
Other changes	0	0	0	2,333
Net change in total pension liability	1,465,082	459,866	670,175	412,812
Total pension liability - beginning	12,008,705	11,548,839	10,878,664	10,465,852
Total pension liability - ending (a)	\$ 13,473,787	\$ 12,008,705	\$ 11,548,839	\$ 10,878,664
Plan fiduciary net position				
Contributions - employer	\$ 497,740	\$ 675,679	\$ 426,124	\$ 563,073
Contributions - employee	81,838	66,757	52,468	45,321
Net investment income	1,264,471	1,126,953	27,244	764,683
Benefit payments, including refunds of employee contributions	(516,757)	(471,229)	(465,976)	(459,675)
Administrative expense	(29,513)	(29,780)	(17,370)	(14,733)
Net change in total pension liability	1,297,779	1,368,380	22,490	898,669
Plan fiduciary net position - beginning	10,168,858	8,800,478	8,777,988	7,879,319
Plan fiduciary net position - ending (b)	\$ 11,466,637	\$ 10,168,858	\$ 8,800,478	\$ 8,777,988
Net pension liability (asset) - ending : (a) - (b)	\$ 2,007,150	\$ 1,839,847	\$ 2,748,361	\$ 2,100,676
Plan's fiduciary net position as a percentage of the total pension liability	85.10%	84.68%	76.20%	80.69%
Covered payroll	\$ 5,836,525	\$ 5,024,965	\$ 4,694,327	\$ 4,403,174
Net pension liability as a percentage of covered payroll	34.39%	36.61%	58.55%	47.71%

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

CITY OF NORCROSS, GEORGIA
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS
August 31, 2018
(Unaudited)

	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 534,188	\$ 514,845	\$ 484,598	\$ 557,197
Contributions in relation to the actuarially determined contribution	<u>(534,188)</u>	<u>(514,845)</u>	<u>(532,037)</u>	<u>(667,308)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (47,439)</u>	<u>\$ (110,111)</u>
Covered payroll	\$ 5,817,853	\$ 5,561,334	\$ 5,028,974	\$ 4,836,831
Contributions as a percentage of covered payroll	9.18%	9.26%	10.58%	13.80%

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

CITY OF NORCROSS, GEORGIA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
August 31, 2018
(Unaudited)

	Fiscal Year End
	2018
Total OPEB liability	
Service cost	\$ 305,217
Interest	272,234
Differences between expected and actual experience	(31,671)
Changes in assumptions	(1,022,025)
Benefit payments, including refunds of member contributions	(209,992)
Net change in total OPEB liability	(686,237)
Total OPEB liability - beginning	9,385,496
Total OPEB liability - ending (a)	\$ 8,699,259
 Plan fiduciary net position	
Contributions - employer	\$ 209,992
Benefit payments, including refunds of member contributions	(209,992)
Net change in plan fiduciary net position	0
Plan fiduciary net position - beginning	0
Plan fiduciary net position - ending (b)	\$ 0
 Net OPEB liability (asset) - ending : (a) - (b)	\$ 8,699,259
Plan's fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered employee payroll	\$ 5,052,184
Plan net OPEB liability as a percentage of covered employee payroll	172.19%

Note: Fiscal year 2018 was the first year of implementation. Therefore, years prior are not reported.

CITY OF NORCROSS, GEORGIA
SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS
August 31, 2018
(Unaudited)

	Fiscal Year End
	2018
Actuarially determined contribution	\$ 683,141
Contributions in relation to the actuarially determined contribution	(209,992)
Contribution deficiency (excess)	\$ 473,149
Covered employee payroll	\$ 4,158,369
Contributions as a percentage of covered employee payroll	5.05%

Note: Fiscal year 2018 was the first year of implementation. Therefore, years prior are not reported.

CITY OF NORCROSS, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2018

Pension Plan

1. Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2018, 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, 2019.

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 11 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 = 7.50%

Projected salary increases = 2.75% plus service based merit increases

Cost of living adjustments = 2.75%

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.

CITY OF NORCROSS, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2018

Pension Plan, continued

3. Changes in Benefits

Effective October 1, 2017, the disability minimum benefit has been eliminated. In addition, participants are required to be in active service at the time of satisfying Alternative Normal retirement eligibility.

4. Changes of Assumptions

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on an actuarial study conducted in September 2017:

- The investment return assumption was decreased from 7.75% to 7.50%.
- The inflation assumption was decreased from 3.25% to 2.75%.
- The cost-of-living assumption was decreased from 3.25% to 2.75%.

OPEB Plan

1. Valuation Date

The actuarially determined contribution rates are determined as of July 1, 2017, based on the most recent valuation date, two years prior to the end of the fiscal year in which contributions are reported.

CITY OF NORCROSS, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2018

OPEB Plan, continued

2. Methods and Assumptions Used to Determine Contribution Rates

Discount Rate = 3.51%

Actuarial cost method = Entry age

Amortization method = Open 30 years, level percent of payroll

Remaining amortization period = 30 years

Asset valuation method = Market value

3. Changes in Benefits

There have been no benefit changes since GASB 75 implementation.

4. Changes of Assumptions

The discount rate effective for August 31, 2016 was 2.84%, and effective for August 31, 2017 was 3.51%

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF NORCROSS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2018

	<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	\$ 101,413	\$ 372,890	\$ 120,455	\$ 193,513
Receivables				
Taxes	0	128,021	0	0
Intergovernmental	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	\$ 101,413	\$ 500,911	\$ 120,455	\$ 193,513
	<u><u>101,413</u></u>	<u><u>500,911</u></u>	<u><u>120,455</u></u>	<u><u>193,513</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 0	\$ 104,262	\$ 0	\$ 3,305
Other liabilities	100,906	0	0	0
Due to other funds	0	0	2,656	0
	<u>0</u>	<u>0</u>	<u>2,656</u>	<u>0</u>
Total liabilities	100,906	104,262	2,656	3,305
	<u>100,906</u>	<u>104,262</u>	<u>2,656</u>	<u>3,305</u>
Fund balances				
Restricted for:				
General Government	0	0	0	190,208
Public Safety	507	0	117,799	0
Housing and Development	0	0	0	0
Capital Outlay	0	0	0	0
Assigned for:				
Housing and Development	0	396,649	0	0
	<u>0</u>	<u>396,649</u>	<u>0</u>	<u>0</u>
Total fund balances	507	396,649	117,799	190,208
	<u>507</u>	<u>396,649</u>	<u>117,799</u>	<u>190,208</u>
Total liabilities and fund balances	\$ 101,413	\$ 500,911	\$ 120,455	\$ 193,513
	<u><u>101,413</u></u>	<u><u>500,911</u></u>	<u><u>120,455</u></u>	<u><u>193,513</u></u>

<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>2014 SPLOST</u>	<u>Grants</u>	
\$ 388,461	\$ 10,527	\$ 1,778,725	\$ 0	\$ 2,965,984
9,590	0	0	0	137,611
0	0	28,400	0	28,400
<u>\$ 398,051</u>	<u>\$ 10,527</u>	<u>\$ 1,807,125</u>	<u>\$ 0</u>	<u>\$ 3,131,995</u>
\$ 0	\$ 0	\$ 5,020	\$ 0	\$ 112,587
0	0	0	0	100,906
0	0	0	0	2,656
<u>0</u>	<u>0</u>	<u>5,020</u>	<u>0</u>	<u>216,149</u>
0	0	0	0	190,208
0	0	0	0	118,306
398,051	0	0	0	398,051
0	10,527	1,802,105	0	1,812,632
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>396,649</u>
<u>398,051</u>	<u>10,527</u>	<u>1,802,105</u>	<u>0</u>	<u>2,915,846</u>
<u>\$ 398,051</u>	<u>\$ 10,527</u>	<u>\$ 1,807,125</u>	<u>\$ 0</u>	<u>\$ 3,131,995</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, 2018

	Special Revenue			
	Confiscated Assets	Hotel/Motel Tax	Federal Seized Drug	Technology Surcharges
REVENUES				
Taxes	\$ 0	\$ 728,636	\$ 0	\$ 0
Fees, fines, and forfeitures	0	0	67,435	106,154
Interest	0	0	43	0
Total revenues	0	728,636	67,478	106,154
EXPENDITURES				
Current				
General Government	0	0	0	35,963
Public Safety	0	0	194,867	0
Housing and Development	0	884,441	0	0
Capital outlay	0	0	0	0
Total expenditures	0	884,441	194,867	35,963
Excess (deficiency) of revenues over (under) expenditures	0	(155,805)	(127,389)	70,191
Other financing sources (uses)				
Transfers in	0	0	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(155,805)	(127,389)	70,191
Fund balances, September 1	507	552,454	245,188	120,017
Fund balances, August 31	\$ 507	\$ 396,649	\$ 117,799	\$ 190,208

<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>2014 SPLOST</u>	<u>Grants</u>	
\$ 105,076	\$ 0	\$ 0	\$ 0	\$ 833,712
0	0	0	0	173,589
0	5	288	0	336
<u>105,076</u>	<u>5</u>	<u>288</u>	<u>0</u>	<u>1,007,637</u>
0	0	0	0	35,963
0	0	0	0	194,867
0	0	0	0	884,441
0	0	517,263	0	517,263
<u>0</u>	<u>0</u>	<u>517,263</u>	<u>0</u>	<u>1,632,534</u>
105,076	5	(516,975)	0	(624,897)
<u>0</u>	<u>0</u>	<u>0</u>	<u>11,855</u>	<u>11,855</u>
105,076	5	(516,975)	11,855	(613,042)
<u>292,975</u>	<u>10,522</u>	<u>2,319,080</u>	<u>(11,855)</u>	<u>3,528,888</u>
<u>\$ 398,051</u>	<u>\$ 10,527</u>	<u>\$ 1,802,105</u>	<u>\$ 0</u>	<u>\$ 2,915,846</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, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 4,734,957	\$ 2,420,955
Certificates of deposit	1,037,177	2,058,300
Receivables (net)		
Accounts	4,080	0
Taxes	279,122	151,941
Intergovernmental	44,347	36,583
Notes	785,000	977,500
Interest	1,539	3,140
Prepaid items	116,892	173,555
Due from other funds	1,530,640	1,527,984
Property held for resale	0	1,085,766
Total assets	\$ 8,533,754	\$ 8,435,724
 LIABILITIES		
Payables		
Accounts	\$ 296,992	\$ 256,195
Intergovernmental	0	144,458
Accrued salaries and payroll liabilities	150,333	125,508
Unearned revenue	12,069	29,037
Other liabilities	384,751	658,225
Due to other funds	1,418,181	469,236
Total liabilities	2,262,326	1,682,659
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	199,472	44,658
 FUND BALANCES		
Nonspendable:		
Prepaid items	116,892	173,555
Notes receivable	785,000	977,500
Property held for resale	0	1,085,766
Unassigned	5,170,064	4,471,586
Total fund balances	6,071,956	6,708,407
Total liabilities, deferred inflows, and fund balances	\$ 8,533,754	\$ 8,435,724

CITY OF NORCROSS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Taxes	\$ 7,883,658	\$ 7,513,645
Licenses and permits	499,293	522,488
Fines, fees and forfeitures	1,673,562	1,970,093
Charges for services	138,842	137,800
Intergovernmental	1,385,668	1,116,557
Interest	43,422	19,444
Other	263,027	219,492
Total revenues	<u>11,887,472</u>	<u>11,499,519</u>
EXPENDITURES		
Current		
General Government	2,778,895	1,909,038
Judicial	387,156	376,297
Public Safety	5,778,514	5,316,972
Public Works	2,000,553	1,776,170
Culture and Recreation	615,541	589,166
Housing and Development	2,041,584	637,988
Total Current	<u>13,602,243</u>	<u>10,605,631</u>
Debt Service		
General Government	146,511	145,520
Public Safety	141,375	104,727
Total Debt Service	<u>287,886</u>	<u>250,247</u>
Total expenditures	<u>13,890,129</u>	<u>10,855,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,002,657)</u>	<u>643,641</u>
Other financing sources (uses)		
Transfers in (out)		
Electric Fund	482,153	467,832
Issuance of long-term debt	818,682	0
Sales of capital assets	65,371	48,051
Total other financing sources (uses)	<u>1,366,206</u>	<u>515,883</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(636,451)	1,159,524
Fund balances, September 1	<u>6,708,407</u>	<u>5,548,883</u>
Fund balances, August 31	<u><u>\$ 6,071,956</u></u>	<u><u>\$ 6,708,407</u></u>

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2018
(with comparative actual amounts for the year ended August 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 4,300,000	\$ 4,634,016	\$ 334,016	\$ 4,404,071
Motor vehicle tax	382,296	422,600	40,304	339,431
Cost, penalties, and interest	20,000	10,534	(9,466)	19,564
Total general property taxes	4,702,296	5,067,150	364,854	4,763,066
Intangible tax	45,000	58,699	13,699	41,806
Real estate transfer tax	25,000	29,674	4,674	27,579
Franchise tax	1,200,000	1,033,868	(166,132)	1,079,777
Insurance premium tax	947,000	1,008,479	61,479	947,072
Occupational tax	347,000	353,909	6,909	362,743
Alcoholic beverage excise tax	230,000	331,879	101,879	291,602
Total taxes	7,496,296	7,883,658	387,362	7,513,645
Licenses and Permits				
Alcohol licenses	125,000	133,200	8,200	133,850
Building permits	400,000	344,929	(55,071)	372,769
Other permits	14,500	21,164	6,664	15,869
Total licenses and permits	539,500	499,293	(40,207)	522,488
Fines, fees and forfeitures	2,150,000	1,673,562	(476,438)	1,970,093
Charges for Services	133,586	138,842	5,256	137,800
Intergovernmental	1,367,531	1,385,668	18,137	1,116,557
Interest	3,600	43,422	39,822	19,444
Other	230,602	263,027	32,425	219,492
Total revenues	<u>\$ 11,921,115</u>	<u>\$ 11,887,472</u>	<u>\$ (33,643)</u>	<u>\$ 11,499,519</u>

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2018
(with comparative actual amounts for the year ended August 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	\$ 104,391	\$ 104,390	\$ 1	\$ 115,885
Contract services	681,070	681,070	0	487,629
Supplies and materials	3,191	3,190	1	1,865
Total Governing Body	788,652	788,650	2	605,379
Administration				
Personal services	361,763	343,621	18,142	34,819
Contract services	109,187	108,320	867	100,619
Supplies and materials	13,946	4,389	9,557	10,666
Total Administration	484,896	456,330	28,566	146,104
City Clerk				
Personal services	98,461	98,460	1	74,523
Contract services	20,794	13,154	7,640	16,145
Supplies and materials	16,229	11,858	4,371	1,370
Total City Clerk	135,484	123,472	12,012	92,038
Chief Executive				
Personal services	79,999	79,999	0	503
Contract services	20,432	16,619	3,813	62,850
Supplies and materials	2,000	475	1,525	100
Total Chief Executive	102,431	97,093	5,338	63,453
Information Technology				
Personal services	124,188	105,769	18,419	142,403
Contract services	729,048	624,372	104,676	702,065
Supplies and materials	46,720	44,920	1,800	34,773
Capital outlay	0	397,009	(397,009)	0
Total Information Technology	899,956	1,172,070	(272,114)	879,241
Human Resources				
Personal services	2,294	2,293	1	0
Contract services	138,264	138,264	0	122,323
Supplies and materials	1,500	723	777	500
Total Human Resources	142,058	141,280	778	122,823
Total General Government	2,553,477	2,778,895	(225,418)	1,909,038

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2018
(with comparative actual amounts for the year ended August 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
Judicial				
Municipal Court				
Personal services	\$ 259,493	\$ 255,974	\$ 3,519	\$ 369,452
Contract services	160,065	128,576	31,489	4,783
Supplies and materials	5,200	2,606	2,594	2,062
Total Judicial	<u>424,758</u>	<u>387,156</u>	<u>37,602</u>	<u>376,297</u>
Public Safety				
Police				
Personal services	4,191,004	4,087,144	103,860	3,922,656
Contract services	315,479	315,479	0	270,693
Supplies and materials	249,530	195,382	54,148	264,693
Capital outlay	166,560	131,772	34,788	300,115
Total Police	<u>4,922,573</u>	<u>4,729,777</u>	<u>192,796</u>	<u>4,758,157</u>
E-911 Communications				
Personal services	642,330	586,183	56,147	532,799
Contract services	69,821	38,088	31,733	25,102
Supplies and materials	4,500	2,793	1,707	914
Capital outlay	112,000	421,673	(309,673)	0
Total E-911 Communications	<u>828,651</u>	<u>1,048,737</u>	<u>(220,086)</u>	<u>558,815</u>
Total Public Safety	<u>5,751,224</u>	<u>5,778,514</u>	<u>(27,290)</u>	<u>5,316,972</u>
Public Works				
Public Works Administration				
Personal services	495,996	495,995	1	514,773
Contract services	1,273,200	1,223,150	50,050	1,070,709
Supplies and materials	189,632	145,552	44,080	179,147
Capital outlay	160,248	135,856	24,392	11,541
Total Public Works Administration	<u>2,119,076</u>	<u>2,000,553</u>	<u>118,523</u>	<u>1,776,170</u>
Culture and Recreation				
Parks and Recreation				
Personal services	306,995	290,115	16,880	322,994
Contract services	301,768	269,914	31,854	216,902
Supplies and materials	41,394	40,758	636	40,580
Capital outlay	16,931	14,754	2,177	8,690
Total Culture and Recreation	<u>667,088</u>	<u>615,541</u>	<u>51,547</u>	<u>589,166</u>

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2018
(with comparative actual amounts for the year ended August 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
Housing and Development				
Community Development				
Personal services	\$ 362,467	\$ 356,048	\$ 6,419	\$ 342,004
Contract services	276,857	253,942	22,915	121,532
Supplies and materials	6,750	5,485	1,265	4,493
Total Community Development	646,074	615,475	30,599	468,029
Economic Development				
Personal services	109,251	106,267	2,984	101,146
Contract services	179,090	176,140	2,950	67,491
Supplies and materials	750	488	262	1,322
Total Economic Development	289,091	282,895	6,196	169,959
DDA				
Payments to others	0	1,143,214	(1,143,214)	0
Total Housing and Development	935,165	2,041,584	(1,106,419)	637,988
Total Current	12,450,788	13,602,243	(1,151,455)	10,605,631
Debt Service				
General Government				
Information Technology	146,100	146,511	(411)	145,520
Public Safety				
E-911 Communications	104,727	141,375	(36,648)	104,727
Total Debt Service	250,827	287,886	(37,059)	250,247
Total expenditures	<u>\$ 12,701,615</u>	<u>\$ 13,890,129</u>	<u>\$ (1,188,514)</u>	<u>\$ 10,855,878</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, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 101,413	\$ 75,067
LIABILITIES		
Other liabilities	\$ 100,906	\$ 74,560
FUND BALANCES		
Restricted for Public Safety	507	507
Total liabilities and fund balances	\$ 101,413	\$ 75,067

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, 2018
(with comparative actual amounts for the year ended August 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
REVENUES				
Other	\$ 0	\$ 0	\$ 0	\$ 201
Total revenues	0	0	0	201
EXPENDITURES				
Excess (deficiency) of revenues over (under) expenditures	0	0	0	201
Fund balances, September 1	0	507	507	306
Fund balances, August 31	\$ 0	\$ 507	\$ 507	\$ 507

CITY OF NORCROSS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 372,890	\$ 594,322
Taxes receivable	128,021	101,264
Total assets	\$ 500,911	\$ 695,586
 LIABILITIES		
Accounts Payable	\$ 104,262	\$ 143,132
 FUND BALANCES		
Assigned for Housing and Development	396,649	552,454
Total liabilities and fund balances	\$ 500,911	\$ 695,586

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, 2018
(with comparative actual amounts for the year ended August 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	\$ 849,799	\$ 728,636	\$ (121,163)	\$ 755,714
Interest	200	0	(200)	0
Total revenues	849,999	728,636	(121,363)	755,714
EXPENDITURES				
Current				
Housing and Development				
Personal services	153,909	147,135	6,774	136,692
Contract services	696,090	670,578	25,512	637,645
Capital outlay	66,729	66,728	1	27,588
Total expenditures	916,728	884,441	32,287	801,925
Excess (deficiency) of revenues over (under) expenditures	(66,729)	(155,805)	(89,076)	(46,211)
Fund balances, September 1	66,729	552,454	485,725	598,665
Fund balances, August 31	\$ 0	\$ 396,649	\$ 396,649	\$ 552,454

CITY OF NORCROSS, GEORGIA
FEDERAL SEIZED DRUG SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 120,455	\$ 156,536
Due from other funds	0	88,652
Total Assets	\$ 120,455	\$ 245,188
LIABILITIES		
Due to other funds	\$ 2,656	\$ 0
FUND BALANCES		
Restricted for Public Safety	117,799	245,188
Total liabilities and fund balances	\$ 120,455	\$ 245,188

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, 2018
(with comparative actual amounts for the year ended August 31, 2017)

	<u>2018</u>			<u>2017</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Fees, fines and forfeitures	\$ 0	\$ 67,435	\$ 67,435	\$ 46,092
Interest	0	43	43	115
Total revenues	<u>0</u>	<u>67,478</u>	<u>67,478</u>	<u>46,207</u>
EXPENDITURES				
Current				
Public Safety				
Personal services	0	88,652	(88,652)	0
Supplies and materials	140,022	46,239	93,783	61,052
Capital outlay	59,978	59,976	2	32,312
Total expenditures	<u>200,000</u>	<u>194,867</u>	<u>5,133</u>	<u>93,364</u>
Excess (deficiency) of revenues over (under) expenditures	(200,000)	(127,389)	72,611	(47,157)
Fund balances, September 1	<u>200,000</u>	<u>245,188</u>	<u>45,188</u>	<u>292,345</u>
Fund balances, August 31	<u><u>\$ 0</u></u>	<u><u>\$ 117,799</u></u>	<u><u>\$ 117,799</u></u>	<u><u>\$ 245,188</u></u>

CITY OF NORCROSS, GEORGIA
TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 193,513	\$ 124,365
LIABILITIES		
Accounts Payable	\$ 3,305	\$ 4,348
FUND BALANCES		
Restricted for General Government	190,208	120,017
Total liabilities and fund balances	\$ 193,513	\$ 124,365

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, 2018
(with comparative actual amounts for the year ended August 31, 2017)

	<u>2018</u>			<u>2017</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Fees, fines and forfeitures	\$ 110,000	\$ 106,154	\$ (3,846)	\$ 114,618
Interest				
	<u>110,000</u>	<u>106,154</u>	<u>(3,846)</u>	<u>114,618</u>
Total revenues				
EXPENDITURES				
Current				
General Government				
Contract services	55,000	4,080	50,920	39,255
Supplies and materials	<u>55,000</u>	<u>31,883</u>	<u>23,117</u>	<u>40,703</u>
Total expenditures	<u>110,000</u>	<u>35,963</u>	<u>74,037</u>	<u>79,958</u>
Excess (deficiency) of revenues over (under) expenditures	0	70,191	70,191	34,660
Fund balances, September 1	<u>0</u>	<u>120,017</u>	<u>120,017</u>	<u>85,357</u>
Fund balances, August 31	<u>\$ 0</u>	<u>\$ 190,208</u>	<u>\$ 190,208</u>	<u>\$ 120,017</u>

CITY OF NORCROSS, GEORGIA
RENTAL MOTOR VEHICLE EXCISE TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 388,461	\$ 283,230
Taxes receivable	9,590	9,745
Total assets	\$ 398,051	\$ 292,975
LIABILITIES		
FUND BALANCES		
Restricted for Housing and Development	\$ 398,051	\$ 292,975
Total liabilities and fund balances	\$ 398,051	\$ 292,975

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, 2018
(with comparative actual amounts for the fiscal year ended August 31, 2017)

	<u>2018</u>			<u>2017</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Taxes	\$ 70,000	\$ 105,076	\$ 35,076	\$ 110,779
EXPENDITURES				
Current				
Housing and Development				
Contract services	70,000	0	70,000	0
Excess (deficiency) of revenues over (under) expenditures	0	105,076	105,076	110,779
Fund balances, September 1	0	292,975	292,975	182,196
Fund balances, August 31	<u>\$ 0</u>	<u>\$ 398,051</u>	<u>\$ 398,051</u>	<u>\$ 292,975</u>

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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.

2017 Revenue Bond Capital Projects Fund – This fund is used to account for issued 2017 Revenue Bonds 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, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 10,527	\$ 46,064
 LIABILITIES		
Accounts payable	\$ 0	\$ 35,542
 FUND BALANCES		
Restricted for capital outlay	10,527	10,522
Total liabilities and fund balances	\$ 10,527	\$ 46,064

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, 2018 and 2017

	2018	2017
REVENUES		
Interest	\$ 5	\$ 32
EXPENDITURES		
Culture and Recreation		
Capital outlay	0	72,081
Excess (deficiency) of revenues over (under) expenditures	5	(72,049)
Other financing sources (uses)		
Transfers in (out)		
Solid Waste Fund	0	(3,273)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	5	(75,322)
Fund balances, September 1	10,522	85,844
Fund balances, August 31	\$ 10,527	\$ 10,522

CITY OF NORCROSS, GEORGIA
2014 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,778,725	\$ 1,749,417
Intergovernmental receivable	28,400	825,016
Total assets	\$ 1,807,125	\$ 2,574,433
LIABILITIES		
Accounts payable	\$ 5,020	\$ 203,269
Retainages payable	0	52,084
Total liabilities	5,020	255,353
FUND BALANCES		
Restricted for capital outlay	1,802,105	2,319,080
Total liabilities and fund balances	\$ 1,807,125	\$ 2,574,433

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Intergovernmental	\$ 0	\$ 1,851,374
Interest	288	628
	<u>288</u>	<u>1,852,002</u>
Total revenues		
EXPENDITURES		
Public Works		
Capital outlay	517,263	1,889,339
Recreation		
Capital outlay	<u>0</u>	<u>109,361</u>
Total expenditures	<u>517,263</u>	<u>1,998,700</u>
Excess (deficiency) of revenues over (under) expenditures	(516,975)	(146,698)
Fund balances, September 1 (restated)	<u>2,319,080</u>	<u>2,465,778</u>
Fund balances, August 31	<u><u>\$ 1,802,105</u></u>	<u><u>\$ 2,319,080</u></u>

CITY OF NORCROSS, GEORGIA
2017 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,421,189	\$ 610,448
Intergovernmental receivable	437,379	419,245
Total assets	\$ 1,858,568	\$ 1,029,693
LIABILITIES		
Accounts payable	\$ 27,182	\$ 0
FUND BALANCES		
Restricted for capital outlay	1,831,386	1,029,693
Total liabilities and fund balances	\$ 1,858,568	\$ 1,029,693

CITY OF NORCROSS, GEORGIA
2017 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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Intergovernmental	\$ 2,561,998	\$ 1,029,653
Interest	666	40
	<u>2,562,664</u>	<u>1,029,693</u>
Total revenues		
EXPENDITURES		
Public Works		
Capital outlay	626,694	0
Recreation		
Capital outlay	71,908	0
Debt Service	1,062,369	0
	<u>1,760,971</u>	<u>0</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	801,693	1,029,693
Fund balances, September 1	<u>1,029,693</u>	<u>0</u>
Fund balances, August 31	<u><u>\$ 1,831,386</u></u>	<u><u>\$ 1,029,693</u></u>

**CITY OF NORCROSS, GEORGIA
GRANTS CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2018 and 2017**

	2018	2017
ASSETS		
LIABILITIES		
Due to other funds	\$ 0	\$ 11,855
FUND BALANCES		
Unassigned	0	(11,855)
Total liabilities and fund balances	\$ 0	\$ 0

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Intergovernmental	\$ 0	\$ 1,874,241
EXPENDITURES		
Public Works		
Capital outlay	<u>0</u>	<u>1,888,289</u>
Excess (deficiency) of revenues over (under) expenditures	0	(14,048)
Other financing sources (uses)		
Transfers in (out)		
Solid Waste Fund	<u>11,855</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	11,855	(14,048)
Fund balances, September 1	<u>(11,855)</u>	<u>2,193</u>
Fund balances, August 31	<u><u>\$ 0</u></u>	<u><u>\$ (11,855)</u></u>

CITY OF NORCROSS, GEORGIA
2017 REVENUE BOND
CAPITAL PROJECTS FUND
BALANCE SHEET
August 31, 2018

ASSETS

Cash and cash equivalents \$ 7,949,663

LIABILITIES

Accounts payable \$ 21,217

Retainages payable 42,075

Total liabilities 63,292

FUND BALANCES

Restricted for capital outlay 7,886,371

Total liabilities and fund balances \$ 7,949,663

CITY OF NORCROSS, GEORGIA
2017 REVENUE BOND
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the fiscal year ended August 31, 2018

REVENUES	
Interest	<u>\$ 69,027</u>
EXPENDITURES	
Public Works	
Capital outlay	440,586
Debt Service	<u>157,070</u>
Total expenditures	<u>597,656</u>
Excess (deficiency) of revenues over (under) expenditures	(528,629)
Other financing sources (uses)	
Proceeds from bond issuance	<u>8,415,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,886,371
Fund balances, September 1	<u>0</u>
Fund balances, August 31	<u><u>\$ 7,886,371</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 0	\$ 74,000
Investments	8,029,256	6,925,015
Accounts receivable (net)	2,576,241	2,886,429
Prepaid items	48,201	61,788
Inventories	977,513	874,547
Total current assets	<u>11,631,211</u>	<u>10,821,779</u>
Restricted assets		
MEAG Generation Trust		
Investments	5,155,361	5,120,651
Customer Deposits		
Investments	424,215	414,245
Total restricted assets	<u>5,579,576</u>	<u>5,534,896</u>
Capital assets		
Land	1,000	1,000
Electric system	10,482,227	10,482,227
Vehicles and equipment	1,274,108	1,300,213
Construction in progress	1,093,245	1,050,288
Accumulated depreciation	(4,120,376)	(3,850,799)
Total capital assets (net of accumulated depreciation)	<u>8,730,204</u>	<u>8,982,929</u>
Total assets	<u>25,940,991</u>	<u>25,339,604</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	71,748	29,708
Deferred outflows of resources related to OPEB	845	0
Total deferred outflows of resources	<u>72,593</u>	<u>29,708</u>
LIABILITIES		
Current liabilities		
Payables		
Accounts	57,429	125,084
Intergovernmental	855,519	849,613
Sales tax	88,639	85,818
Accrued salaries and payroll liabilities	16,940	14,308
Compensated absences	20,078	18,275
Unearned revenue	86,899	86,899
Due to other funds	1,681,492	1,527,984
Total current liabilities	<u>2,806,996</u>	<u>2,707,981</u>
Current liabilities payable from restricted assets		
Customer deposits	<u>424,215</u>	<u>414,245</u>

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Noncurrent liabilities		
Net pension liability	\$ 110,730	\$ 93,556
Net OPEB liability	585,650	689,133
	<u>696,380</u>	<u>782,689</u>
Total liabilities	<u>3,927,591</u>	<u>3,904,915</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	77,481	67,460
Deferred inflows of resources related to OPEB	91,990	0
	<u>169,471</u>	<u>67,460</u>
NET POSITION		
Investment in capital assets	8,730,204	8,982,929
Restricted for MEAG generation projects	5,155,361	5,120,651
Unrestricted	8,030,957	7,293,357
	<u>8,916,522</u>	<u>21,396,937</u>
Total net position	<u>\$ 21,916,522</u>	<u>\$ 21,396,937</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for sales and services		
Electric sales	\$ 12,737,260	\$ 13,684,836
Other	36,057	7,564
	<u>12,773,317</u>	<u>13,692,400</u>
Total operating revenues		
OPERATING EXPENSES		
Costs of sales and services	10,984,545	11,125,437
Personal services	1,153,777	1,202,380
Depreciation	295,682	292,169
	<u>12,434,004</u>	<u>12,619,986</u>
Total operating expenses		
Operating income (loss)	<u>339,313</u>	<u>1,072,414</u>
Non-operating revenues (expenses)		
Investment revenue	138,399	106,572
Intergovernmental	470,435	735,661
	<u>608,834</u>	<u>842,233</u>
Total non-operating revenues (expenses)		
Net income (loss) before transfers	948,147	1,914,647
Transfers in (out)		
General Fund	<u>(482,153)</u>	<u>(467,832)</u>
Change in net position	<u>465,994</u>	<u>1,446,815</u>
Net position, September 1 (original)	21,396,937	19,950,122
Prior period adjustments	53,591	0
Net position, September 1 (restated)	<u>21,450,528</u>	<u>19,950,122</u>
Net position, August 31	<u><u>\$ 21,916,522</u></u>	<u><u>\$ 21,396,937</u></u>

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 13,060,239	\$ 13,344,955
Payments to suppliers	(11,135,673)	(11,241,733)
Payments to employees	(1,122,934)	(1,185,077)
Other receipts	36,057	7,564
Net cash provided (used) by operating activities	<u>837,689</u>	<u>925,709</u>
Cash flows from non-capital financing activities		
Receipts from other funds	0	21,709
Payments to other funds	(328,645)	0
Receipts from other governments	470,435	735,661
Net cash provided (used) by non-capital financing activities	<u>141,790</u>	<u>757,370</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(42,957)</u>	<u>(88,698)</u>
Cash flows from investing activities:		
Interest received	138,399	106,572
Purchase of investments	<u>(1,148,921)</u>	<u>(1,626,953)</u>
Net cash provided (used) by investing activities	<u>(1,010,522)</u>	<u>(1,520,381)</u>
Net increase (decrease) in cash and cash equivalents	(74,000)	74,000
Cash and cash equivalents, September 1	74,000	0
Cash and cash equivalents, August 31	<u>\$ 0</u>	<u>\$ 74,000</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 339,313</u>	<u>\$ 1,072,414</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	295,682	292,169
(Increase) decrease in accounts receivable	310,188	(277,888)
(Increase) decrease in prepaid items	13,587	(12,576)
(Increase) decrease in inventories	(102,966)	(51,860)
(Increase) decrease in deferred outflows related to OPEB	205	0
(Increase) decrease in deferred outflows related to pension	(47,827)	32,436
Increase (decrease) in accounts payable	(67,655)	36,272
Increase (decrease) in intergovernmental payables	5,906	(88,132)
Increase (decrease) in deposits payable	9,970	(53,510)
Increase (decrease) in sales tax payable	2,821	(8,483)
Increase (decrease) in accrued payroll liabilities	4,435	14,801
Increase (decrease) in net OPEB liability	(50,942)	19,399
Increase (decrease) in deferred inflows related to pension	15,808	50,233
Increase (decrease) in deferred inflows related to OPEB	91,990	0
Increase (decrease) in net pension liability	17,174	(99,566)
Total adjustments	<u>498,376</u>	<u>(146,705)</u>
Net cash provided (used) by operating activities	<u>\$ 837,689</u>	<u>\$ 925,709</u>

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,662	\$ 421,758
Accounts receivable (net)	620,242	411,252
Due from other funds	<u>1,471,689</u>	<u>380,584</u>
Total current assets	2,095,593	1,213,594
Restricted assets		
Customer deposits		
Cash and cash equivalents	187,893	169,292
Capital assets		
Vehicles and equipment	<u>108,617</u>	<u>110,834</u>
Total assets	<u>2,392,103</u>	<u>1,493,720</u>
LIABILITIES		
Current liabilities		
Accounts payable	714,432	239,373
Unearned revenue	<u>187,232</u>	<u>187,232</u>
Total current liabilities	901,664	426,605
Current liabilities payable from restricted assets		
Customer deposits	<u>187,893</u>	<u>169,292</u>
Total liabilities	<u>1,089,557</u>	<u>595,897</u>
NET POSITION		
Investment in capital assets	108,617	110,834
Unrestricted	<u>1,193,929</u>	<u>786,989</u>
Total net position	<u>\$ 1,302,546</u>	<u>\$ 897,823</u>

**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, 2018 and 2017**

	2018	2017
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	\$ 3,273,340	\$ 3,028,179
Other	54	291
	3,273,394	3,028,470
OPERATING EXPENSES		
Costs of sales and services	2,761,992	2,738,697
Personal services	104,462	250,204
Depreciation	2,217	0
	2,868,671	2,988,901
Operating income (loss)	404,723	39,569
Transfers in (out)		
2009 SPLOST Fund	0	3,273
	404,723	42,842
Change in net position	404,723	42,842
Net position, September 1	897,823	854,981
Net position, August 31	\$ 1,302,546	\$ 897,823

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 3,083,005	\$ 2,980,735
Payments to suppliers	(2,286,933)	(2,925,089)
Payments to employees	<u>(104,462)</u>	<u>(250,204)</u>
Net cash provided (used) by operating activities	<u>691,610</u>	<u>(194,558)</u>
Cash flows from non-capital financing activities		
Receipts from other funds	0	727,040
Payments to other funds	<u>(1,091,105)</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities	<u>(1,091,105)</u>	<u>727,040</u>
Cash flows from capital and related financing activities:		
Receipts from other funds	0	3,273
Acquisition of capital assets	<u>0</u>	<u>(110,834)</u>
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>(107,561)</u>
Net increase (decrease) in cash and cash equivalents	(399,495)	424,921
Cash and cash equivalents, September 1	<u>591,050</u>	<u>166,129</u>
Cash and cash equivalents, August 31	<u><u>\$ 191,555</u></u>	<u><u>\$ 591,050</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 404,723</u>	<u>\$ 39,569</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,217	0
(Increase) decrease in accounts receivable	(208,990)	(52,424)
Increase (decrease) in accounts payable	475,059	(186,392)
Increase (decrease) in unearned revenue	0	1,526
Increase (decrease) in deposits payable	<u>18,601</u>	<u>3,163</u>
Total adjustments	<u>286,887</u>	<u>(234,127)</u>
Net cash provided by operating activities	<u><u>\$ 691,610</u></u>	<u><u>\$ (194,558)</u></u>
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	\$ 3,662	\$ 421,758
Customer Deposits		
Cash and cash equivalents	<u>187,893</u>	<u>169,292</u>
Total cash and cash equivalents	<u><u>\$ 191,555</u></u>	<u><u>\$ 591,050</u></u>

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 874,727	\$ 799,663
Receivables		
Accounts (net)	744,646	724,860
Prepaid items	2,806	4,306
Due from other funds	100,000	11,855
Total current assets	<u>1,722,179</u>	<u>1,540,684</u>
Capital assets		
Storm water system	919,788	755,199
Vehicles and equipment	393,572	415,798
Accumulated depreciation	<u>(387,410)</u>	<u>(379,505)</u>
Total capital assets (net of accumulated depreciation)	<u>925,950</u>	<u>791,492</u>
Total assets	<u>2,648,129</u>	<u>2,332,176</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	<u>26,591</u>	<u>22,949</u>
LIABILITIES		
Current liabilities		
Accounts payable	70,744	12,927
Accrued salaries and payroll liabilities	3,462	3,861
Compensated absences	5,664	6,083
Total current liabilities	<u>79,870</u>	<u>22,871</u>
Noncurrent liabilities		
Net pension liability	59,125	53,676
Net OPEB liability	330,729	363,422
Total noncurrent liabilities	<u>389,854</u>	<u>417,098</u>
Total liabilities	<u>469,724</u>	<u>439,969</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	17,009	23,528
Deferred inflows of resources related to OPEB	25,088	0
Total deferred inflows of resources	<u>42,097</u>	<u>23,528</u>
NET POSITION		
Investment in capital assets	890,681	791,492
Unrestricted	1,272,218	1,100,136
Total net position	<u>\$ 2,162,899</u>	<u>\$ 1,891,628</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for sales and services		
Storm water fees	\$ 988,346	\$ 936,549
OPERATING EXPENSES		
Costs of sales and services	270,123	166,822
Personal services	424,051	505,960
Depreciation	30,132	28,464
Total operating expenses	<u>724,306</u>	<u>701,246</u>
Operating income (loss)	264,040	235,303
Transfers in (out)		
Grants Fund	<u>(11,855)</u>	<u>0</u>
Change in net position	<u>252,185</u>	<u>235,303</u>
Net position, September 1 (original)	1,891,628	1,656,325
Prior period adjustments	<u>19,086</u>	<u>0</u>
Net position, September 1 (restated)	<u>1,910,714</u>	<u>1,656,325</u>
Net position, August 31	<u><u>\$ 2,162,899</u></u>	<u><u>\$ 1,891,628</u></u>

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 968,560	\$ 854,535
Payments to suppliers	(246,075)	(156,179)
Payments to employees	(418,100)	(500,335)
Net cash provided (used) by operating activities	<u>304,385</u>	<u>198,021</u>
Cash flows from non-capital financing activities		
Receipts from other funds	0	602,644
Payments to other funds	(100,000)	0
Net cash provided (used) by non-capital financing activities	<u>(100,000)</u>	<u>602,644</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(129,321)	(40,032)
Payment of capital related accounts payable	0	(106,405)
Net cash provided (used) by capital and related financing activities	<u>(129,321)</u>	<u>(146,437)</u>
Net increase (decrease) in cash and cash equivalents	75,064	654,228
Cash and cash equivalents, September 1	799,663	145,435
Cash and cash equivalents, August 31	<u>\$ 874,727</u>	<u>\$ 799,663</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 264,040	\$ 235,303
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	30,132	28,464
(Increase) decrease in accounts receivable	(19,786)	(82,014)
(Increase) decrease in prepaid items	1,500	(1,489)
(Increase) decrease in deferred outflows related to pension	(15,177)	11,265
Increase (decrease) in accounts payable	22,548	12,132
Increase (decrease) in payroll liabilities	(818)	4,439
Increase (decrease) in net OPEB liability	(13,607)	7,054
Increase (decrease) in deferred inflows related to pension	5,016	17,444
Increase (decrease) in deferred inflows related to OPEB	25,088	0
Increase (decrease) in net pension liability	5,449	(34,577)
Total adjustments	<u>40,345</u>	<u>(37,282)</u>
Net cash provided by operating activities	<u>\$ 304,385</u>	<u>\$ 198,021</u>

Noncash capital and related financing activities:

Acquisition of capital assets through accounts payable totaled \$35,269 for the fiscal year ended August 31, 2018.

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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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	<u>\$ 197,031</u>	<u>\$ 211,704</u>
LIABILITIES		
Due to other agencies	<u>\$ 197,031</u>	<u>\$ 211,704</u>

**CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended August 31, 2018**

	<u>Balance September 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance August 31</u>
ASSETS				
Cash and cash equivalents	\$ 211,704	\$ 2,631,850	\$ (2,646,523)	\$ 197,031
LIABILITIES				
Due to others agencies	\$ 211,704	\$ 2,631,850	\$ (2,646,523)	\$ 197,031

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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, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 142,323	\$ 149,948
Intergovernmental receivable	0	144,458
Property held for resale	1,988,665	902,900
Total assets	\$ 2,130,988	\$ 1,197,306
LIABILITIES		
Payables		
Accounts	\$ 20,054	\$ 497
Intergovernmental	0	7,906
Customer deposits	3,320	1,820
Notes	785,000	785,000
Total liabilities	808,374	795,223
FUND BALANCES		
Nonspendable:		
Property held for resale	1,988,665	902,900
Unassigned	(666,051)	(500,817)
Total fund balances	1,322,614	402,083
Total liabilities and fund balances	\$ 2,130,988	\$ 1,197,306

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, 2018
(With comparative actual amounts for the fiscal year ended August 31, 2017)

	<u>2018</u>			<u>2017</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Intergovernmental	\$ 65,797	\$ 1,143,214	\$ 1,077,417	\$ 0
Interest	50	52	2	2,624
Rent	145,516	117,035	(28,481)	126,328
Other	0	0	0	1,000
Total revenues	<u>211,363</u>	<u>1,260,301</u>	<u>1,048,938</u>	<u>129,952</u>
EXPENDITURES				
Current				
Housing and Development				
Contract services	160,736	128,485	32,251	69,495
Supplies and materials	17,287	17,285	2	14,834
Capital outlay	20,000	0	20,000	22,793
Debt service	194,000	194,000	0	27,261
Total expenditures	<u>392,023</u>	<u>339,770</u>	<u>52,253</u>	<u>134,383</u>
Excess (deficiency) of revenues over (under) expenditures	(180,660)	920,531	1,101,191	(4,431)
Other financing sources (uses)				
Contingency	(31,952)	0	31,952	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(212,612)	920,531	1,133,143	(4,431)
Fund balances, September 1	<u>212,612</u>	<u>402,083</u>	<u>189,471</u>	<u>406,514</u>
Fund balances, August 31	<u><u>\$ 0</u></u>	<u><u>\$ 1,322,614</u></u>	<u><u>\$ 1,322,614</u></u>	<u><u>\$ 402,083</u></u>

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OTHER REPORTING SECTION

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, 2018, 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, 2019.

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.

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

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

2018-001

Condition: The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting. This included material adjustments during the audit process.

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.

2018-001, continued

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

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

2018-002

Condition: The 2017 financial statements were restated for errors and incorrectly reported amounts. The beginning balances were materially restated.

Criteria: Financial reporting should be in accordance with generally accepted accounting principles and report accurately the financial statements of the City.

Effect: A lack of procedures for proper financial reporting can lead to financial statements that are materially misstated.

Recommendation: Management should review their procedures for recording assets and liabilities and strengthen internal controls over reporting to provide for accurate financial reporting.

Management Response: Management concurs with this finding. City staff will review all year-end balances to ensure they are properly calculated and recorded. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

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

2018-003

Condition: The General Fund incurred material expenditures over the approved budget.

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

Effect: Failure to maintain expenditures within the balanced budget for the General Fund will place the City in violation of state law.

Recommendation: The City should adopt a plan to more closely monitor budgets.

Management Response: Management concurs with this finding. The City Manager will review the comparative financial statements on a periodic basis and recommend any necessary budget amendments to the City Council. This action was taken immediately upon receipt of the comment from our auditors.

City of Norcross, Georgia's Responses to Findings

The City of Norcross, Georgia's responses to the findings identified in our audit are described above. The City'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, 2019

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CITY OF NORCROSS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended August 31, 2018

<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	3,038,634	0	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>\$ 7,644,034</u>	<u>\$ 0</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	\$ 2,310,323	\$ 517,263	\$ 2,827,586
Recreational Facilities and Equipment	590,393	590,393	1,570,669	0	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>\$ 5,093,737</u>	<u>\$ 517,263</u>	<u>\$ 5,611,000</u>
2017 SPLOST Referendum					
Transportation (roads, streets, bridges, and related facilities and equipment)	\$ 6,098,265	\$ 6,098,265	\$ 0	\$ 626,694	\$ 626,694
Recreational Facilities and Equipment	4,573,698	4,573,698	0	603,092	603,092
Parking Facilities	4,573,698	4,573,698	0	531,185	531,185
Total	<u>\$ 15,245,661</u>	<u>\$ 15,245,661</u>	<u>\$ 0</u>	<u>\$ 1,760,971</u>	<u>\$ 1,760,971</u>

Note: The 2014 SPLOST Prior Years number was reduced \$543,541 to restate for grant revenue in fiscal year 2017 that should have reduced total project expenditures.