

CITY OF NORCROSS, GEORGIA

Annual Financial Report

For the fiscal year ended August 31, 2019

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CITY OF NORCROSS, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended August 31, 2019

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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, 2019, 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, 2019, and the respective changes in the financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund and Hotel/Motel Tax 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 84 through 90 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 Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, 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
January 15, 2020



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, 2019. 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 \$91,160,822 (reported as "net position"). Of this amount \$8,824,207 is unrestricted, of which \$-2,071,690 is Governmental Activities and \$10,895,897 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 \$5,418,274
- The City's governmental funds reported combined ending fund balances of \$17,989,053. Approximately 38 percent of this amount, \$6,915,696 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 \$27,191,792 at year end, an increase of \$1,997,057 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 91.

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 Hotel/Motel Tax, 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. Budgetary comparison statements have been provided for the General Fund and Hotel/Motel Tax 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 31-35 of this report. The City of Norcross uses enterprise funds to account for its water and sewer, electric, storm water, and solid waste functions. The Water and Sewer Utility, Electric Utility, Storm Water Utility and Solid Waste Enterprise Funds are considered major funds.

Fiduciary funds

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

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

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

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-83 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

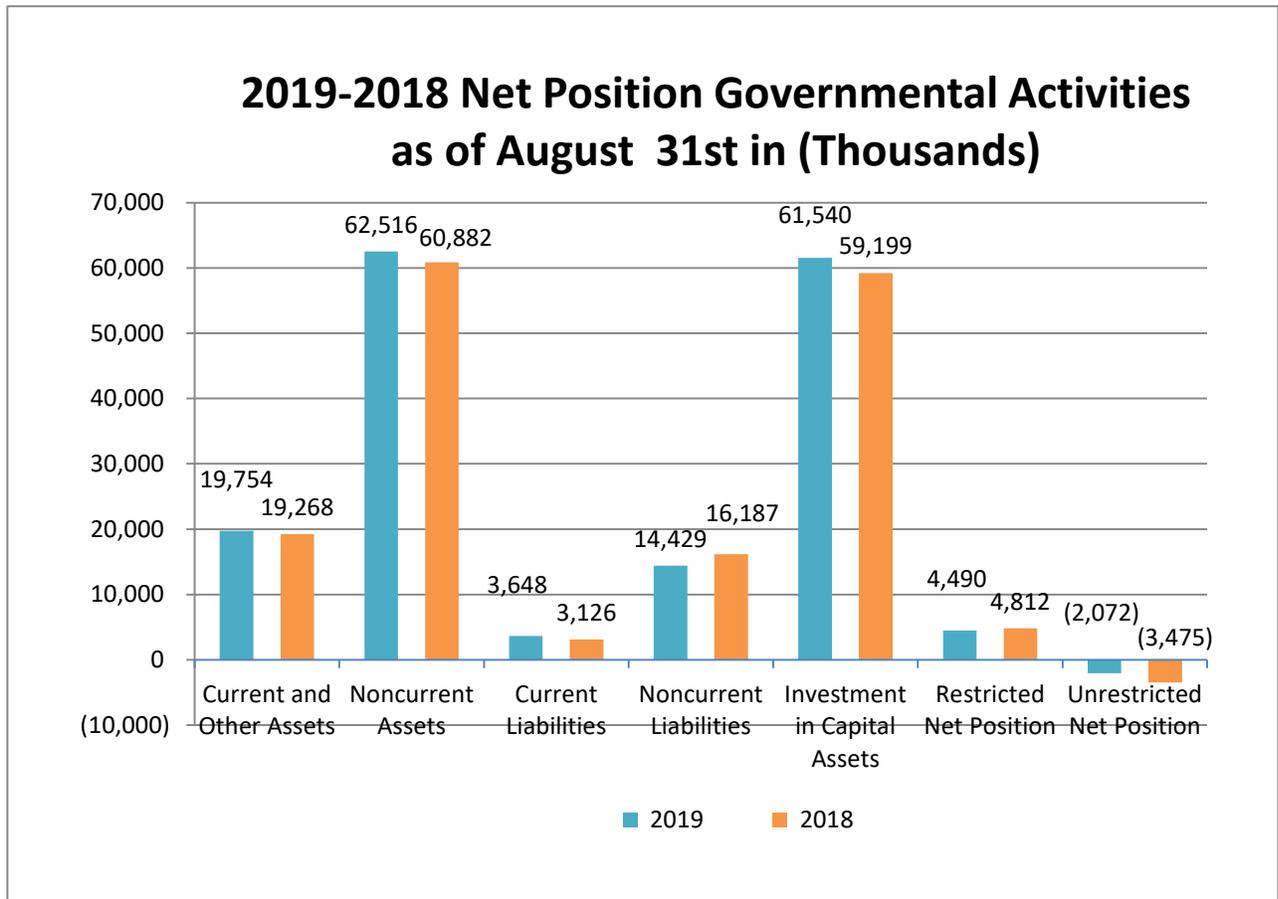
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Norcross, assets exceeded liabilities by \$91,149,636 as of August 31, 2019. The following table provides a summary of the City's governmental and business-type net position for the year ending August 31, 2019 and for the period ending August 31, 2018.

City of Norcross Net Position as of August 31, 2019 and 2018 (in Thousands)

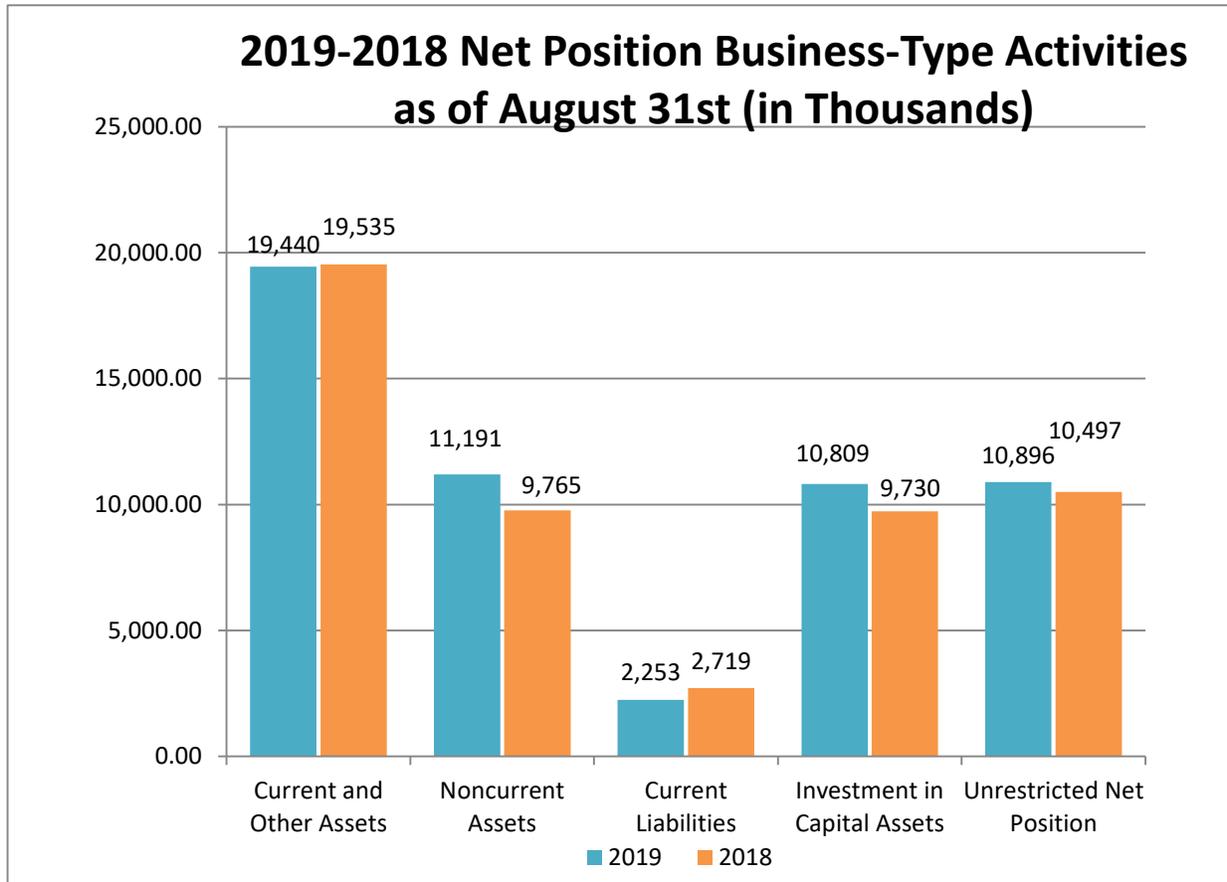
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current Assets	\$19,754	\$19,268	\$19,440	\$19,348	\$39,194	\$38,616
Capital Assets	62,516	60,097	10,809	9,765	73,325	69,862
Other Noncurrent Assets	0	785	382	0	382	785
Total Assets	82,270	80,150	30,631	29,113	112,901	109,263
Deferred Outflows of Resources	1,453	948	172	99	1,625	1,047
Current Liabilities	3,648	3,126	2,253	2,719	5,901	5,845
Noncurrent Liabilities	14,429	16,186	1,082	1,086	15,511	17,273
Total Liabilities	18,077	19,313	3,335	3,805	21,412	23,118
Deferred inflows of Resources	1,688	1,248	275	212	1,963	1,460
Net Investment in Capital Assets	61,540	59,199	10,809	9,730	72,349	68,929
Restricted Net Position	4,490	4,812	5,487	5,155	9,977	9,967
Unrestricted Net Position	(2,072)	(3,475)	10,896	10,310	8,824	6,836
Total Net Position	\$63,958	\$60,537	\$27,192	\$25,195	\$91,150	\$85,732

The largest portion of the City's net position as of August 31, 2019 (79%) 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 4% over 2018. Unrestricted net position decreased in 2019 by 40%.



Business-Type: Current assets decreased by 1%, capital assets increased by 11%, and unrestricted net position increased by 4%.



Restricted net position of the primary government totaling \$9,976,394 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 \$8,824,208 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 \$10,895,897 at the end of the year.

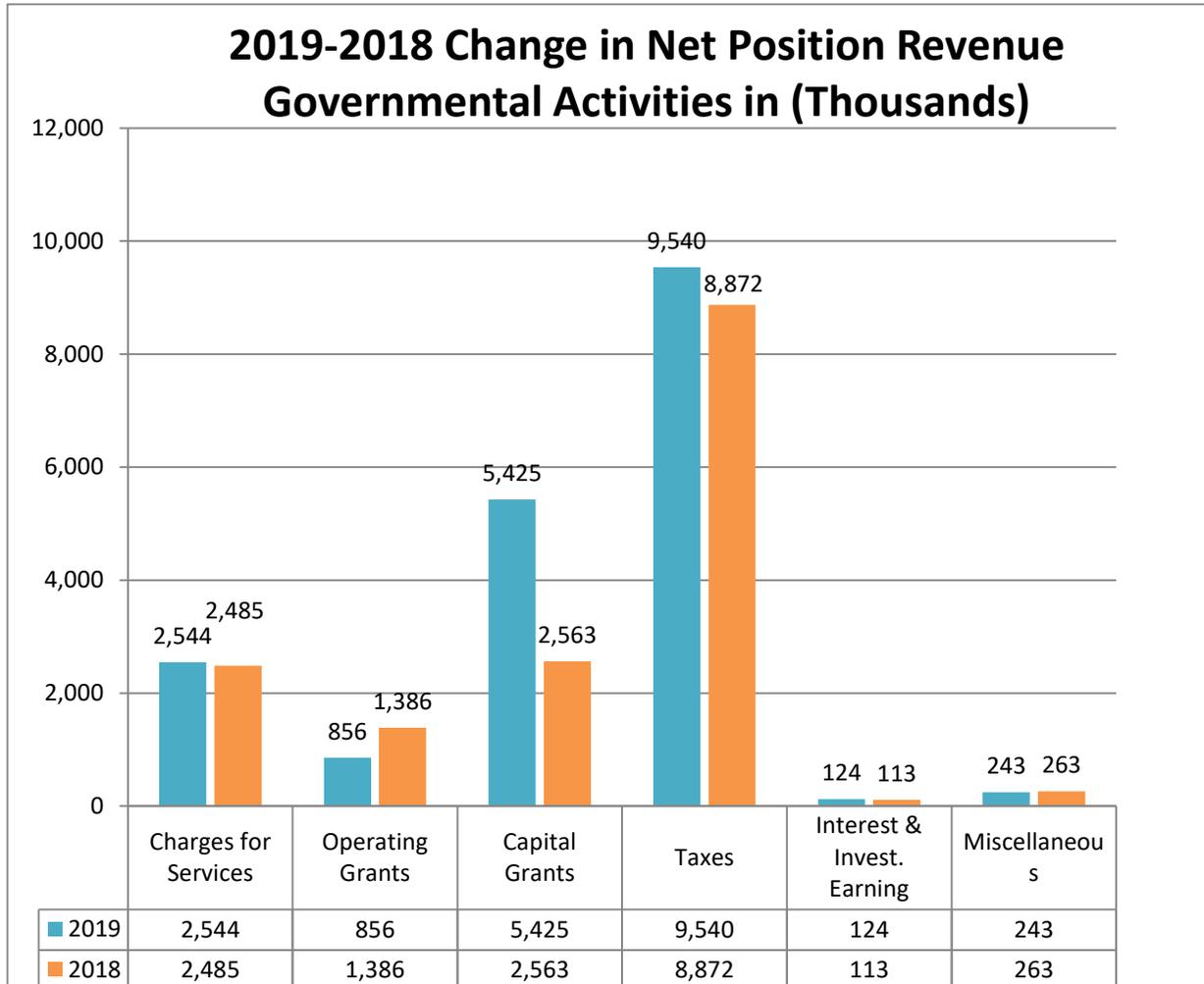
The City's net position increased by \$5,418,274 during the current year. Governmental activities resulted in an increase in net position of \$3,421,217 while business-type activities resulted in an increase of net position of \$1,997,057. The following table was derived from the government-wide Statement 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, 2019 and 2018
(in Thousands)

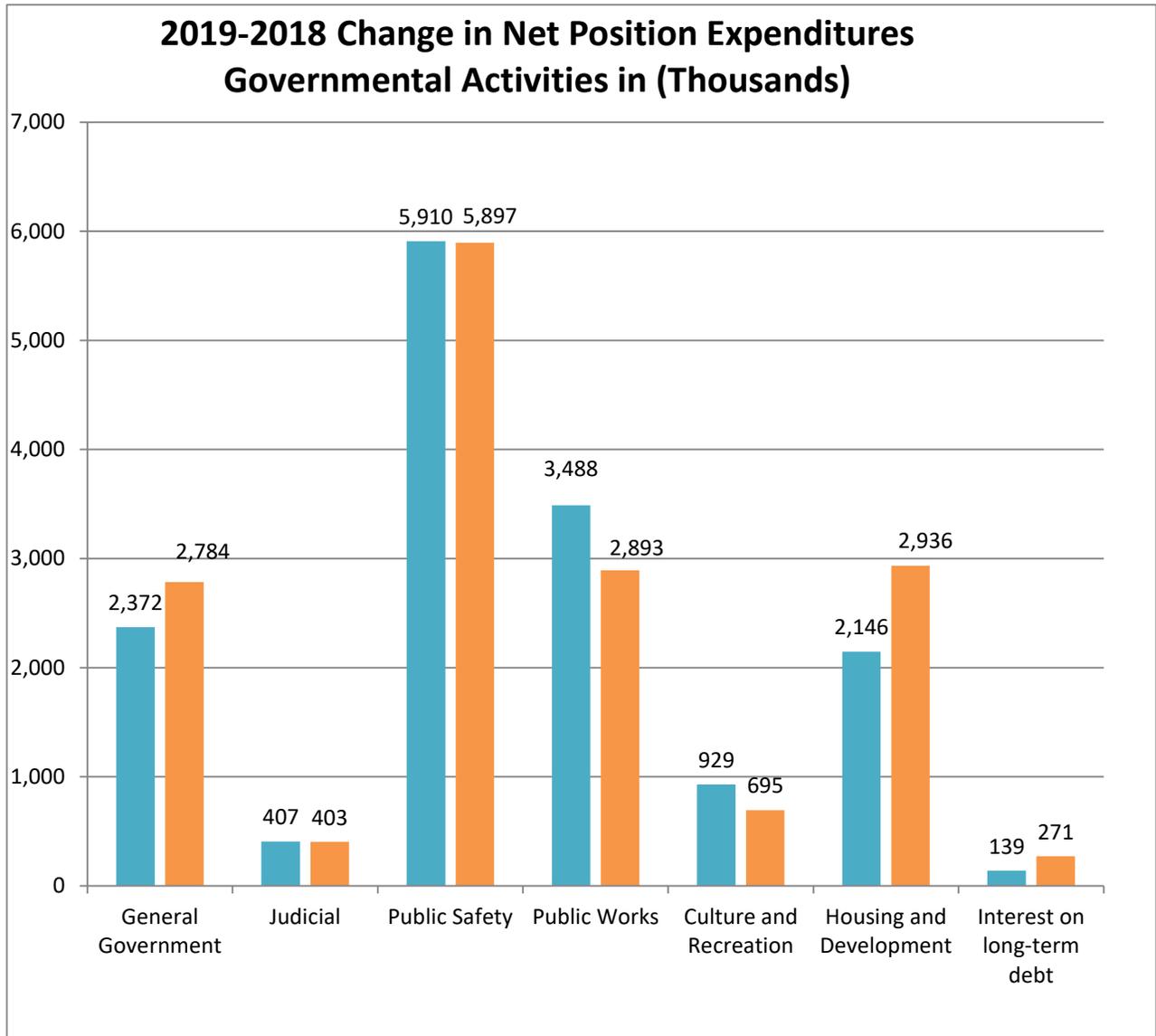
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$2,544	\$2,485	\$18,275	\$16,812	\$20,819	\$19,297
Operating Grants	855	1,386	165	470	1,020	1,856
Capital Grants	5,425	2,563	0	0	5,425	2,563
General Revenues:						
Taxes	9,540	8,872	0	0	9,540	8,872
Interest and Investment Earnings	123	113	555	139	678	252
Miscellaneous	243	263	62	36	305	299
Total Revenues	18,730	15,682	19,057	17,457	37,787	33,139
Expenses:						
General Government	2,372	2,784	0	0	2,372	2,784
Judicial	407	403	0	0	407	403
Public Safety	5,911	5,897	0	0	5,911	5,897
Public Works	3,488	2,893	0	0	3,488	2,893
Culture and Recreation	929	695	0	0	929	695
Housing and Development	2,146	2,936	0	0	2,146	2,936
Interest on long-term debt	139	271	0	0	139	271
Electric	0	0	12,972	12,434	12,972	12,434
Solid Waste	0	0	3,195	2,869	3,195	2,869
Storm Water	0	0	810	724	810	724
Total Expenses	15,392	15,879	16,977	16,027	32,369	31,906
Increase in net position before special items and transfers	3,338	(197)	2,080	1,430	5,418	1,233
Transfers	83	494	(83)	(494)	0	0
Change in Net Position	3,421	297	1,997	936	5,418	1,233
Net Position- Sept. 1	60,537	59,645	25,195	24,186	85,732	83,831
Prior period adjustments	0	595	0	73	0	668
Aug. 31 Net Position	\$63,958	\$60,537	\$27,192	\$25,195	\$91,150	\$85,732

Governmental Activities. Governmental Activities increased the City's net position by \$3,421,217. Revenues for the City's governmental activities decreased by 19% (\$3,049,093) over 2018. This increase in revenue was the result of an increase in property tax and insurance premium tax. Expenses are down by 3% over 2018 (\$486,782). This decrease in expenses was the result of an decrease in the Housing and Development, Interest on long-term debt and General Government functions.

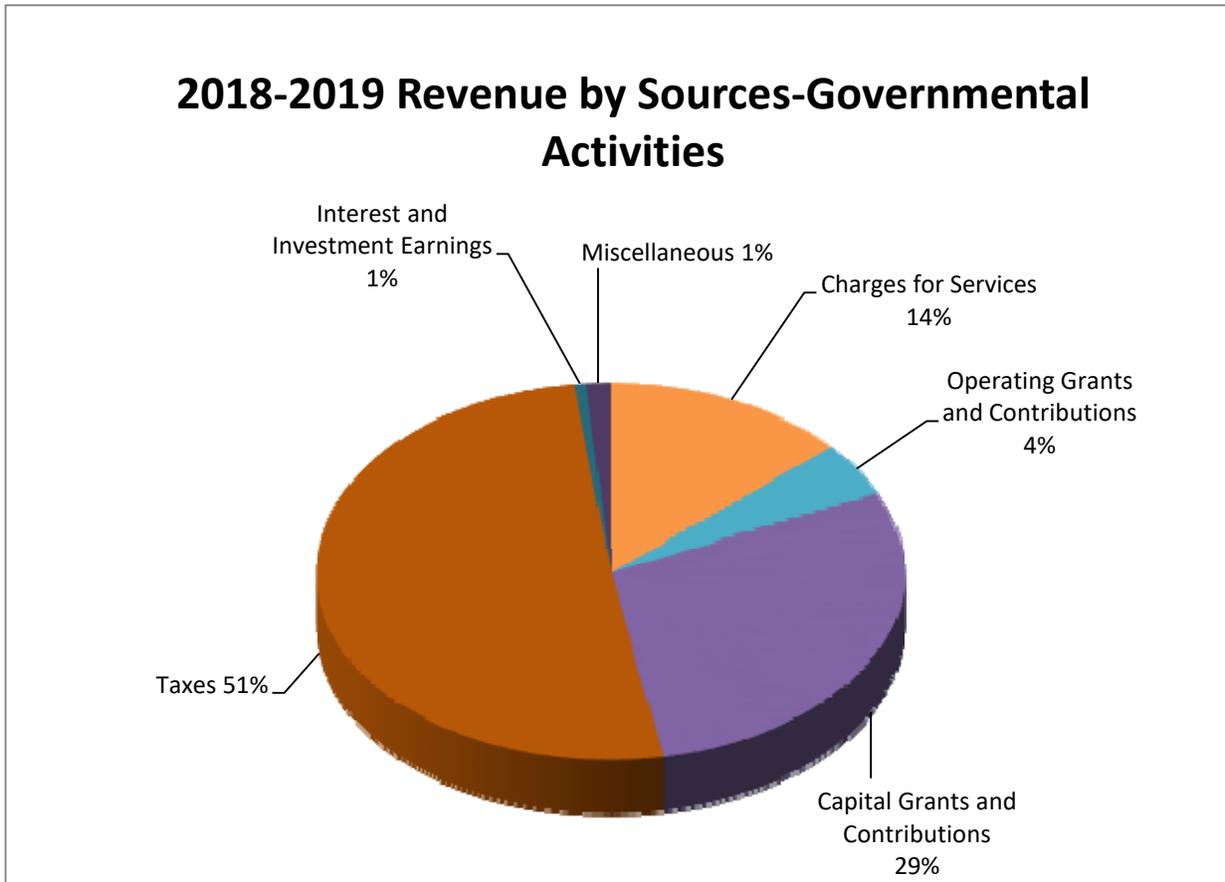
Operating Grants and Contributions decreased 38%, Capital Grants and Contributions increased 112%, Taxes increased 8%, Interest and Investment Earnings increased 10%.



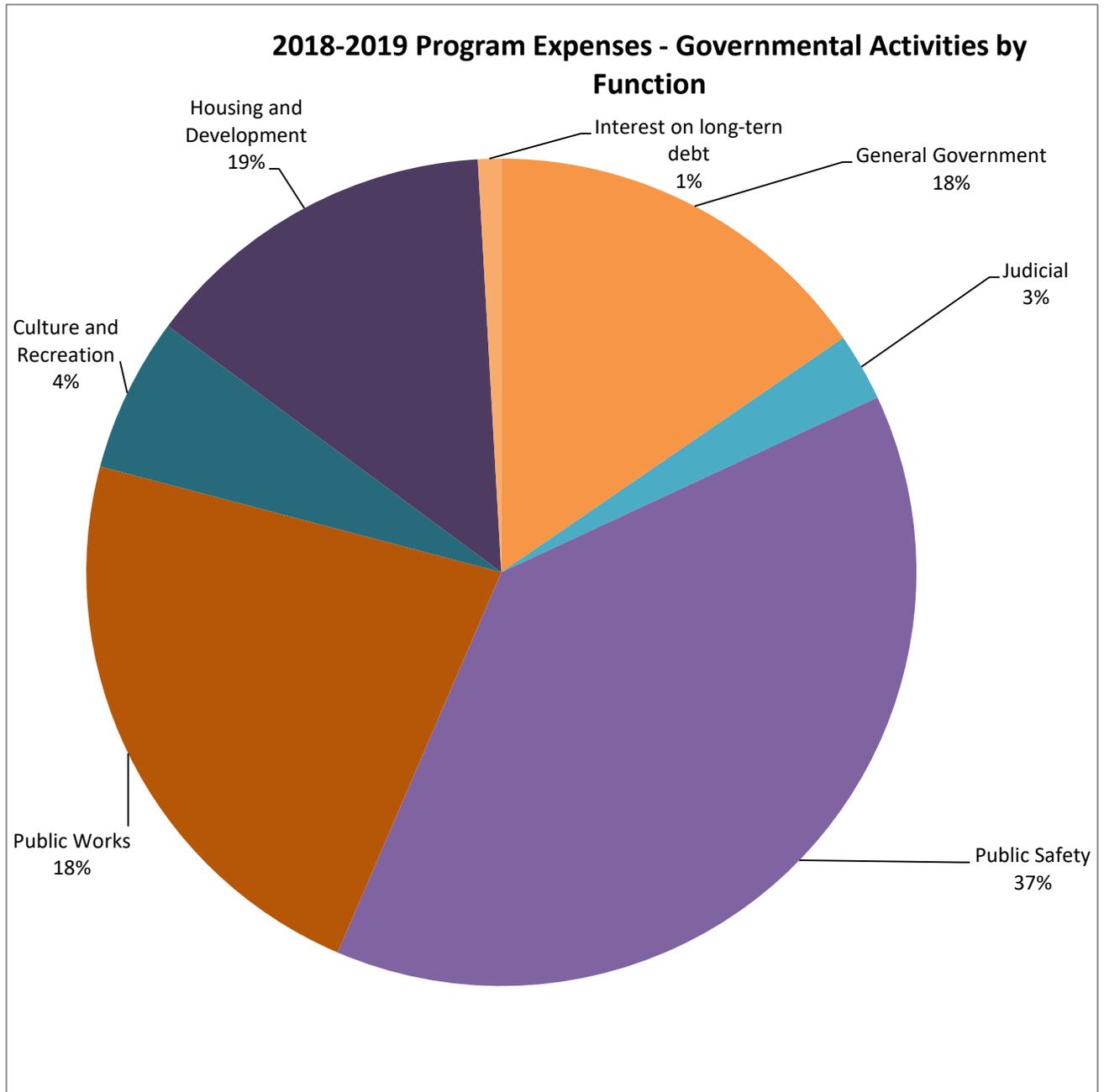
Governmental Activities: General Government expenses decreased by 15%, Public Safety increased 1%, Judicial increased 1%, Culture and Recreation increased 34%, Public Works increased 21%, Housing and Development decreased 27% and Interest on long term debt decreased 49%.



Revenue for governmental activities was \$18.8 million. The major revenue sources were taxes (51%), capital grants and contributions (29%), charges for services (14%), operating grants and contributions (4%), Interest and Investment Earnings (1%), and miscellaneous (1%).

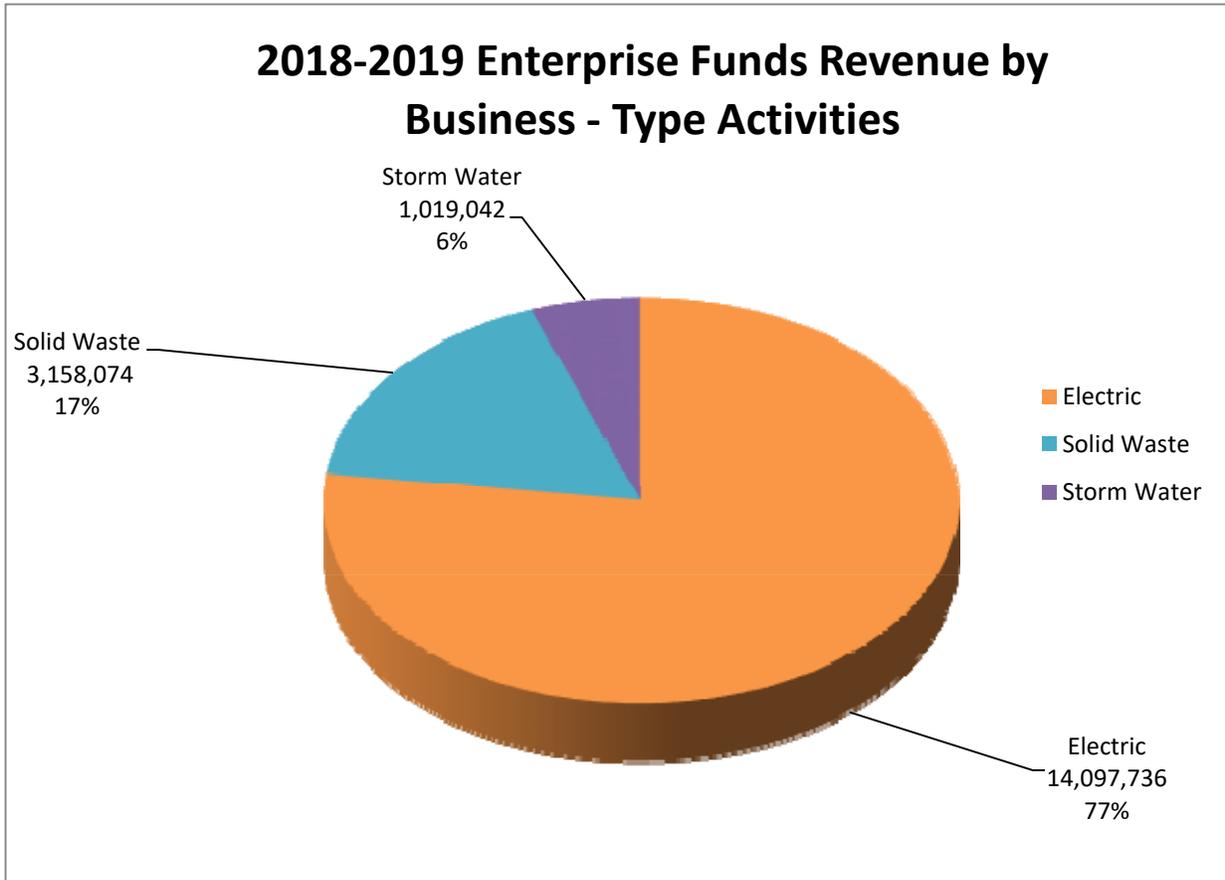


Expenses for the Governmental Activities were \$15.4 million, of which Public Safety accounted for 37%, Public Works 18%, General Government 18%, Housing and Development 19%, Judicial 3%, and Culture and Recreation 4%, interest on long-term debt 1%.

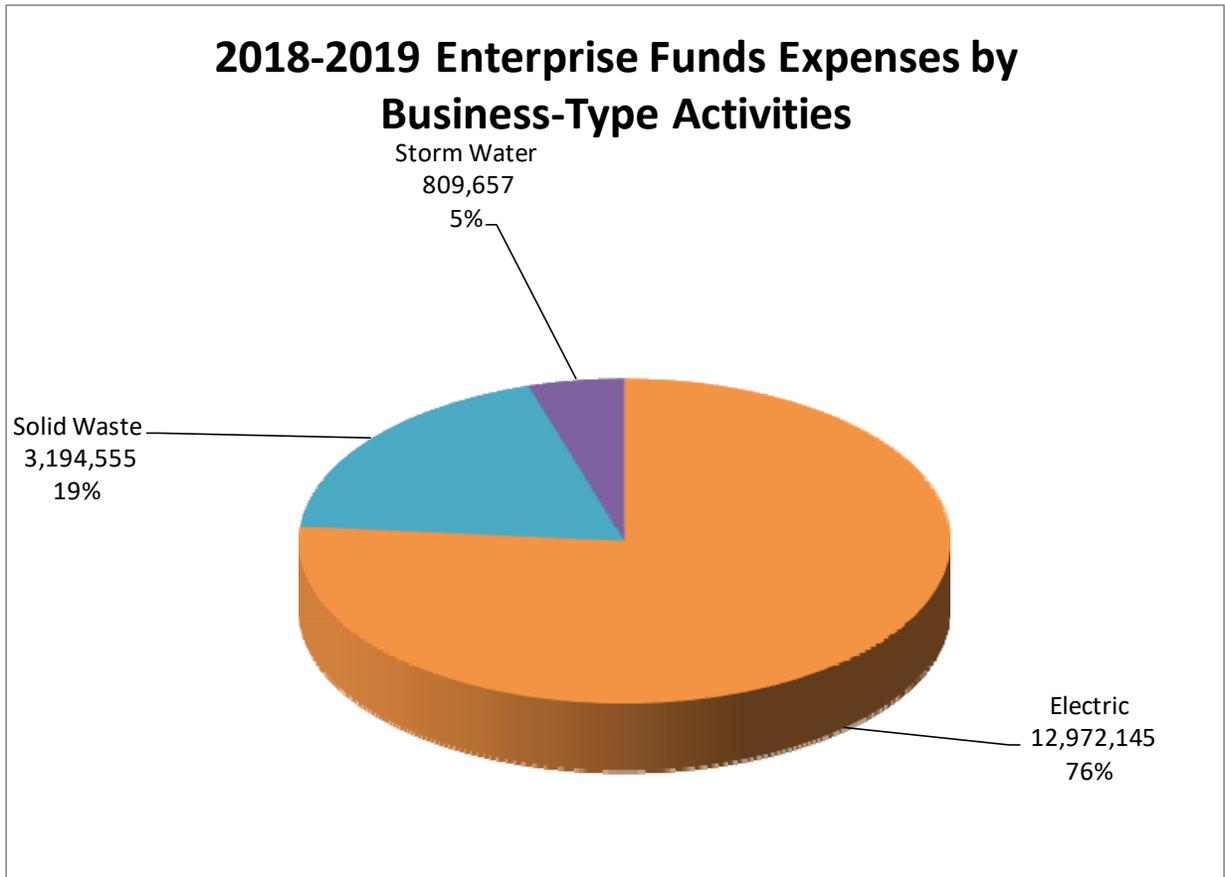


Business-Type Activities. Operations of business-type activities increased the City's net position by \$1,997,057. Key elements of this increase were as follows:

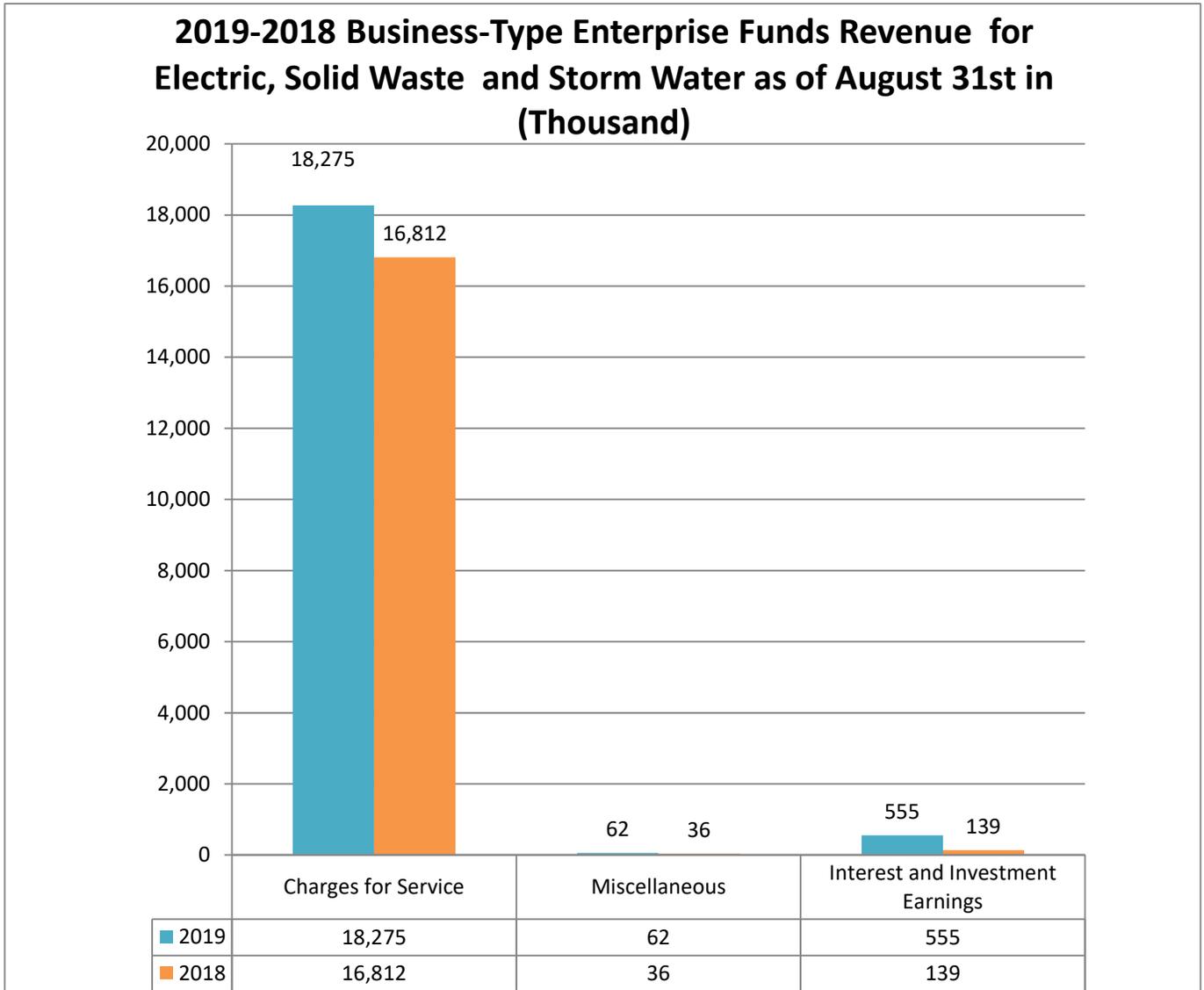
Sales for Business-Type activities were \$18,274,852 a increase of 8% over the prior year sales of \$16,998,946.



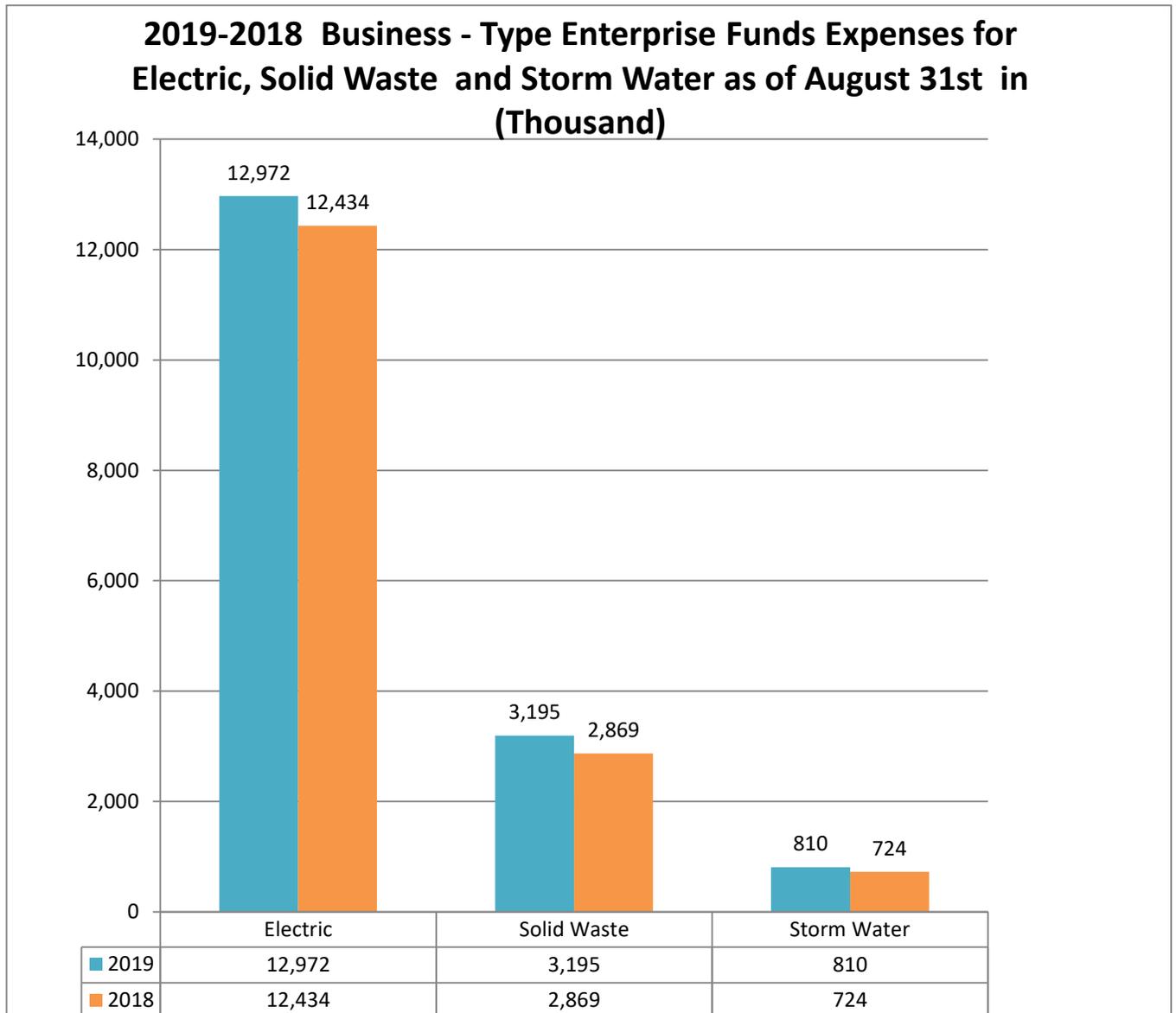
Expenses for the Business-type Activities were \$16.9 million, of which Electric accounted for 76%, Solid Waste 19% and Storm Water 5%.



Business-Type; Electric, Storm Water, and Solid Waste charges for services increased 8%, Miscellaneous increased 71% and Interest on Investment Earning increased by 301%



Business-Type: Electric increased 4%, Solid Waste increased 11% and Storm Water increased 12%.



The Electric Utility Enterprise Fund net position increased by \$1,814,318. This was an increase from 2018 of \$465,994 due to the increase in charges for sales and services.

The Solid Waste Utility Enterprise Fund net position decreased by \$26,646. This is a decrease from 2018 of \$404,723 due to the decrease in charges for sales and services.

The Storm Water Utility Fund net position increased by \$209,385. This is a decrease from 2018 of \$252,185 due to an increase in cost of services.

Review pages 121-130 (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 \$7,023,200 a increase of \$951,244 or (16%) in comparison with the prior year. Approximately 98.5% of this amount (\$6,915,696) 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. An ordinance was passed that designated \$4,000,000 of unassigned Fund Balance to be used for operating expenditures in the face of a disaster.

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 45% of total general fund expenditures for the current year.

Key factors in the increase of the General Fund's fund balance of \$951,244 during the current year are:

- This increase is due to the increase in property taxes and insurance premium tax.
- For 2019, there was an decrease in the funds transferred in over 2018.

Below is a breakdown of 2019-2018 Revenues and Expenses comparison:

- 2019-2018 Revenues comparison: Revenues for 2019 are \$13,825,043 and 2018 revenues were \$11,887,472. Revenues increased by \$1,937,571 which is an increase of 16% over 2018.
- 2019-2018 Expenditures comparison: Expenditures for 2019 are \$12,942,301 and 2018 expenditures were \$13,890,129. Expenditures decreased by \$947,828, a 7% decrease over 2018.

Below are several revenue line items that have an increase (decrease) in revenue over 2018

- Tax revenue increased by \$752,280 (9%).
- Investment earnings increased by \$15,705 (36%).
- Licenses and permits increased by \$616,979 (124%).
- Fine, fees and forfeitures decreased by \$483,068 (29%) over 2018.
- Charges for services increased by \$16,870 (12%).
- Other decreased by \$20,411 (8%).

Review pages 95-100 (Exhibits D-1 thru D-4) for additional information on the General Fund.

SPECIAL REVENUE FUNDS

- Confiscated Assets Fund: The fund balance for 2018 was \$507 and for 2019 is \$507. There was no change over 2018.
- Hotel/Motel Tax Fund: The fund balance for 2018 was \$396,649 and for 2019 is \$486,227. This is an increase of \$89,578, which is a 23% increase over 2018.
- Federal Seized Drug Fund: The fund balance for 2018 was \$117,799 and for 2019 is \$98,515. This is a decrease of \$19,284, which is a 16% decrease over 2018.
- Technology Surcharges Fund: The fund balance for 2018 was \$190,208 and for 2019 is \$177,481. This is a decrease of \$12,727 which is a 7% decrease over 2018.
- Rental Motor Vehicle Fund: The fund balance for 2018 was \$398,051 and for 2019 is \$514,758. This is an increase of \$116,707 which is a 26% increase over 2018.

Review pages 101-110 (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 2018 is \$10,527 and for 2019 is \$10,531. This is an increase of \$4.
- 2014 Special Purpose Local Option Sales Tax Fund: The fund balance for 2018 was \$1,802,105 and for 2019 is \$1,744,239. This is a decrease of \$57,866.
- 2017 Special Purpose Local Option Sales Tax Fund: The fund balance for 2018 was \$1,831,386, and for 2019 is \$1,843,809. This is an increase of \$12,423.
- Grants: The fund balance for 2018 was \$0 and for 2019 is \$0. There is no change.
- 2017 Revenue Bond: The fund balance for 2018 was \$7,886,371 and for 2019 is \$6,089,786. This is a decrease of \$1,796,585.
-

Review pages 111-120 (Exhibits F-1 thru F-10) for additional information on the Capital Projects Funds.

PROPRIETARY FUNDS

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

2019 Net position of the City's four proprietary funds are as follows:

Electric Utility	23,730,840
Solid Waste Utility	1,088,668
Storm Water Utility	2,372,284

The increase in net position for the funds was \$1,997,057, which is a 78% increase over 2018. 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 121-130 (Exhibits G-1 thru G-9) for additional information on the Enterprise Funds.

COMPONENT UNIT

The Component Unit 2018 Balance Sheet shows fund balance of \$1,322,614 and 2019 Balance Sheet shows fund balance of \$8,041,497. This is an increase of \$6,718,883 which is an increase of 508% over 2018.

Review pages 133-134 (Exhibits I-1 thru I-2) for additional information on the Downtown Development Component Unit.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund 2018-2019 adopted budget was \$10,899,740. Final year end budget total was \$11,981,222.

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, 2019, amounted to \$73,324,972 (net of accumulated depreciation), which is a 5% increase from 2018. 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, 2019, the City invested \$5,788,649 in new capital assets. Investment for business-type activities totaled \$1,366,800, while \$4,421,849 was for governmental activities. Major capital asset events during the current year included the following:

Governmental Activities : \$4,421,849

- \$ 0 Purchase of Land
- \$ 2,410,852 Construction in Progress
- \$ 0 Buildings
- \$ 1,244,779 Infrastructure
- \$ 273,517 Vehicles and equipment
- \$ 379,711 Furniture and Fixtures
- \$ 112,990 Intangible assets

Business-type Activities : \$1,366,800

- \$ 832,205 Construction in Progress
- \$ 500,441 Investment in the electrical, and storm water distribution systems
- \$ 34,154 Vehicles and equipment

More information on capital assets may be found in the Note 9 to the Financial Statements, Exhibit A-13, on pages 59-60 of this report.

Debt Administration

Primary Government:

At the end of August 31, 2019 the City had a capital lease agreement with Dell with a balance of \$363,511; Revenue Bond with a balance of \$5,990,000; Contracts Payable with a balance of \$348,377.

Component Unit:

Downtown Development Authority entered into a lending agreement with the City on September 10, 2018 in the amount of \$405,955 for the purchase of real property. As of August 31, 2019 the balance was \$405,955.

Downtown Development Authority issued Series 2018 Revenue Bonds in the amount of \$8,195,000 on December 27, 2018. The proceeds were issued for the purpose of financing the cost of a parking facility. As of August 31, 2019, the balance was \$8,195,000.

More information on long-term debt may be found in the Note 13 and 14 to the Financial Statements, Exhibit A-13, on pages 62-66 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected officials and management considered many factors when adopting the budget for the year ending August 31, 2020. Budget calculations were based on, but not limited to, the following factors:

- The Storm Water department has been operating for nine 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 2020 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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,580,967	\$ 1,668,039	\$ 12,249,006	\$ 352,368
Certificates of deposit	1,049,639	0	1,049,639	0
Investments	0	7,234,565	7,234,565	0
Restricted assets				
Cash and cash equivalents	6,129,701	211,834	6,341,535	7,643,046
Investments	0	5,934,699	5,934,699	0
Receivables (net)				
Accounts	5,196	4,004,208	4,009,404	0
Taxes	346,374	0	346,374	0
Intergovernmental	868,365	0	868,365	0
Interest	157	0	157	0
Notes	0	24,362	24,362	0
Internal balances	666,444	(666,444)	0	0
Prepaid items	107,504	35,301	142,805	0
Property held for resale	0	0	0	463,748
Inventories	0	992,996	992,996	0
Total current assets	19,754,347	19,439,560	39,193,907	8,459,162
Noncurrent assets				
Notes receivable	0	381,593	381,593	0
Capital assets				
Non-depreciable	23,794,666	1,758,493	25,553,159	4,000
Depreciable (net)	38,721,179	9,050,634	47,771,813	124,688
Total noncurrent assets	62,515,845	11,190,720	73,706,565	128,688
Total assets	82,270,192	30,630,280	112,900,472	8,587,850
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	1,160,786	166,888	1,327,674	0
Deferred outflows related to OPEB	292,533	5,367	297,900	0
Total deferred outflows of resources	1,453,319	172,255	1,625,574	0
LIABILITIES				
Current liabilities				
Payables				
Accounts	789,333	364,978	1,154,311	8,389
Retainages	19,260	0	19,260	0
Intergovernmental	0	793,410	793,410	0
Sales tax	0	97,596	97,596	0
Customer deposits	0	0	0	3,320
Interest	25,757	0	25,757	34,146
Accrued salaries and payroll liabilities	170,283	24,903	195,186	0
Compensated absences	296,096	30,603	326,699	0
Unearned revenue	37,349	281,962	319,311	0
Other liabilities	663,996	0	663,996	0
Notes payable	0	0	0	24,362
Bonds payable	1,460,000	0	1,460,000	0
Contracts payable	73,296	0	73,296	0
Capital lease payable	112,686	0	112,686	0
Liabilities payable from restricted assets				
Customer deposits payable	0	659,765	659,765	0
Total current liabilities	3,648,056	2,253,217	5,901,273	70,217

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
August 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Net pension liability	\$ 1,983,570	\$ 193,883	\$ 2,177,453	\$ 0
Net OPEB liability	7,390,005	888,604	8,278,609	0
Notes payable	0	0	0	381,593
Bonds payable	4,530,000	0	4,530,000	8,195,000
Contracts payable	275,081	0	275,081	0
Capital lease payable	250,825	0	250,825	0
Total noncurrent liabilities	14,429,481	1,082,487	15,511,968	8,576,593
Total liabilities	18,077,537	3,335,704	21,413,241	8,646,810
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	514,515	99,017	613,532	0
Deferred inflows related to OPEB	1,173,615	176,022	1,349,637	0
Total deferred inflows of resources	1,688,130	275,039	1,963,169	0
NET POSITION				
Net investment in capital assets	61,539,908	10,809,127	72,349,035	128,688
Restricted for:				
General Government	177,481	0	177,481	0
Public Safety	99,022	0	99,022	0
Housing and Development	514,758	0	514,758	0
MEAG generation projects	0	5,486,768	5,486,768	0
Capital projects	3,698,365	0	3,698,365	0
Unrestricted	(2,071,690)	10,895,897	8,824,207	(187,648)
Total net position	\$ 63,957,844	\$ 27,191,792	\$ 91,149,636	\$ (58,960)

CITY OF NORCROSS, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended August 31, 2019

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	\$ 2,372,403	\$ 137,514	\$ 200	\$ 0	\$ (2,234,689)
Judicial	407,185	0	0	0	(407,185)
Public Safety	5,910,470	1,337,775	840,173	0	(3,732,522)
Public Works	3,487,839	0	0	3,176,650	(311,189)
Culture and Recreation	928,665	100,079	15,450	678,848	(134,288)
Housing and Development	2,146,059	968,286	0	1,569,061	391,288
Interest on long-term debt	139,368	0	0	0	(139,368)
Total governmental activities	15,391,989	2,543,654	855,823	5,424,559	(6,567,953)
Business-type activities					
Electric Utility	12,972,145	14,097,736	164,844	0	1,290,435
Solid Waste	3,194,555	3,158,074	0	0	(36,481)
Storm Water Utility	809,657	1,019,042	0	0	209,385
Total business-type activities	16,976,357	18,274,852	164,844	0	1,463,339
Total primary government	32,368,346	20,818,506	1,020,667	5,424,559	(5,104,614)
Component Unit					
Downtown Development Authority					
Housing and Development	2,348,922	0	0	0	(2,348,922)
Primary Government					
	Governmental Activities	Business-Type Activities	Total	Component Unit	
Change in net assets					
Net (expense) revenue	\$ (6,567,953)	\$ 1,463,339	\$ (5,104,614)	\$ (2,348,922)	
General revenues					
Taxes					
Property	5,583,549	0	5,583,549	0	
Franchise	1,024,460	0	1,024,460	0	
Intangibles	107,375	0	107,375	0	
Occupational	382,392	0	382,392	0	
Insurance premium	1,087,596	0	1,087,596	0	
Alcoholic beverage	336,166	0	336,166	0	
Hotel/Motel	902,199	0	902,199	0	
Other	116,707	0	116,707	14,686	
Interest and investment earnings	123,610	554,596	678,206	30,790	
Miscellaneous	242,616	61,622	304,238	724,457	
Contribution of property from					
City of Norcross	0	0	0	65,797	
Transfers	82,500	(82,500)	0	0	
Total general revenues and transfers	9,989,170	533,718	10,522,888	835,730	
Change in net position	3,421,217	1,997,057	5,418,274	(1,513,192)	
Net position - beginning (original)	60,536,627	25,381,967	85,918,594	1,454,232	
Prior period adjustments	0	(187,232)	(187,232)	0	
Net position - beginning (restated)	60,536,627	25,194,735	85,731,362	1,454,232	
Net position - ending	\$ 63,957,844	\$ 27,191,792	\$ 91,149,636	\$ (58,960)	

CITY OF NORCROSS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2019

	General	Hotel/Motel Tax	2017 SPLOST	2017 Revenue Bond	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and cash equivalents	\$ 5,959,656	\$ 709,343	\$ 1,241,590	\$ 6,129,701	\$ 2,670,378	\$ 16,710,668
Certificates of deposit	1,049,639	0	0	0	0	1,049,639
Receivables (net)						
Accounts	5,196	0	0	0	0	5,196
Taxes	197,747	138,468	0	0	10,159	346,374
Intergovernmental	72,879	0	780,926	14,560	0	868,365
Interest	157	0	0	0	0	157
Prepaid items	107,504	0	0	0	0	107,504
Due from other funds	669,100	0	50,909	0	0	720,009
Total assets	\$ 8,061,878	\$ 847,811	\$ 2,073,425	\$ 6,144,261	\$ 2,680,537	\$ 19,807,912
LIABILITIES						
Accounts payable	\$ 182,567	\$ 361,584	\$ 215,816	\$ 3,566	\$ 25,800	\$ 789,333
Retainages payable	5,460	0	13,800	0	0	19,260
Accrued salaries and payroll liabilities	170,283	0	0	0	0	170,283
Unearned revenue	37,349	0	0	0	0	37,349
Due to other funds	0	0	0	50,909	2,656	53,565
Other liabilities	557,946	0	0	0	106,050	663,996
Total liabilities	953,605	361,584	229,616	54,475	134,506	1,733,786
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue- property taxes	85,073	0	0	0	0	85,073
FUND BALANCES						
Nonspendable:						
Prepaid items	107,504	0	0	0	0	107,504
Restricted for:						
General Government	0	0	0	0	177,481	177,481
Public Safety	0	0	0	0	99,022	99,022
Housing and Development	0	0	0	0	514,758	514,758
Capital outlay	0	0	1,843,809	6,089,786	1,754,770	9,688,365
Assigned for:						
Housing and Development	0	486,227	0	0	0	486,227
Unassigned	6,915,696	0	0	0	0	6,915,696
Total fund balances	7,023,200	486,227	1,843,809	6,089,786	2,546,031	17,989,053
Total liabilities, deferred inflows of resources and fund balances	\$ 8,061,878	\$ 847,811	\$ 2,073,425	\$ 6,144,261	\$ 2,680,537	\$ 19,807,912

CITY OF NORCROSS, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
August 31, 2019

Total fund balance - total governmental funds \$ 17,989,053

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	62,515,845
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Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds.

These are:

Property taxes	85,073
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

These are:

Capital leases	\$ (363,511)	
Interest payable	(25,757)	
Bonds	(5,990,000)	
Contracts	(348,377)	
Compensated absences	(296,096)	
Net pension liability	(1,983,570)	
Net OPEB liability	(7,390,005)	(16,397,316)

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	\$ 1,160,786
Deferred outflows related to OPEB	292,533

Deferred inflows of resources:

Deferred inflows related to pensions	(514,515)	
Deferred inflows related to OPEB	(1,173,615)	(234,811)

Net position of governmental activities		\$ 63,957,844
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CITY OF NORCROSS, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended August 31, 2019

	General	Hotel/Motel Tax	2017 SPLOST	2017 Revenue Bond	Nonmajor Governmental Funds	Totals
REVENUES						
Taxes	\$ 8,635,938	\$ 902,199	\$ 0	\$ 0	\$ 116,707	\$ 9,654,844
Licenses and permits	1,116,272	0	0	0	0	1,116,272
Fines, fees and forfeitures	1,190,494	0	0	0	81,177	1,271,671
Charges for services	155,712	0	0	0	0	155,712
Intergovernmental	2,409,234	0	3,390,492	463,651	0	6,263,377
Interest	59,127	0	964	64,434	440	124,965
Contributions	15,650	0	0	0	0	15,650
Other	242,616	0	0	0	0	242,616
Total revenues	13,825,043	902,199	3,391,456	528,085	198,324	18,845,107
EXPENDITURES						
Current						
General Government	2,204,111	0	0	0	79,274	2,283,385
Judicial	408,844	0	0	0	0	408,844
Public Safety	6,017,629	0	0	0	33,963	6,051,592
Public Works	1,976,663	0	0	0	0	1,976,663
Culture and Recreation	864,690	0	0	0	0	864,690
Housing and Development	1,278,240	812,621	0	0	0	2,090,861
Capital outlay	0	0	1,816,323	2,424,194	58,253	4,298,770
Debt service	192,124	0	1,562,710	0	0	1,754,834
Total expenditures	12,942,301	812,621	3,379,033	2,424,194	171,490	19,729,639
Excess (deficiency) of revenues over (under) expenditures	882,742	89,578	12,423	(1,896,109)	26,834	(884,532)
Other financing sources (uses)						
Transfers in	0	0	0	99,524	0	99,524
Transfers out	(17,024)	0	0	0	0	(17,024)
Issuance of long-term debt	84,026	0	0	0	0	84,026
Sales of capital assets	1,500	0	0	0	0	1,500
Total other financing sources (uses)	68,502	0	0	99,524	0	168,026
Net change in fund balance	951,244	89,578	12,423	(1,796,585)	26,834	(716,506)
Fund balances, September 1	6,071,956	396,649	1,831,386	7,886,371	2,519,197	18,705,559
Fund balances, August 31	\$ 7,023,200	\$ 486,227	\$ 1,843,809	\$ 6,089,786	\$ 2,546,031	\$ 17,989,053

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, 2019

Net change in fund balances - total governmental funds \$ (716,506)

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	\$ 4,421,849	
Depreciation	<u>(2,002,910)</u>	2,418,939

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	\$ (23,730)	
Related accumulated depreciation	<u>23,730</u>	0

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenues. (114,399)

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

Pension contributions	\$ 578,333	
Cost of benefits earned net of employee contributions	<u>(334,879)</u>	243,454

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	\$ 634,705	
Cost of benefits earned net of employee contributions	<u>(566,273)</u>	68,432

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	\$ 137,647	
Capital lease proceeds	(84,026)	
Contract payments	36,648	
Bond payments	1,435,000	
Net change in interest payable	<u>6,171</u>	1,531,440

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.

Net change in compensated absences		<u>(10,143)</u>
Change in net position of governmental activities		<u>\$ 3,421,217</u>

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, 2019

	Budget		Actual	Variance with
	Original	Final		Final
REVENUES				
Taxes	\$ 7,498,000	\$ 7,498,000	\$ 8,635,938	\$ 1,137,938
Licenses and permits	541,500	541,500	1,116,272	574,772
Fines, fees and forfeitures	1,715,000	1,715,000	1,190,494	(524,506)
Charges for services	119,650	119,650	155,712	36,062
Intergovernmental	854,590	1,903,290	2,409,234	505,944
Interest	10,000	10,000	59,127	49,127
Contributions	0	0	15,650	15,650
Other	161,000	193,782	242,616	48,834
Total revenues	10,899,740	11,981,222	13,825,043	1,843,821
EXPENDITURES				
Current				
General Government				
Governing Body	441,451	424,427	407,679	16,748
Administration	517,690	517,690	497,424	20,266
City Clerk	203,818	203,818	154,944	48,874
Chief Executive	108,260	124,447	113,974	10,473
Information Technology	1,033,242	1,003,236	882,990	120,246
Human Resources	242,952	242,952	147,100	95,852
Judicial				
Municipal Court	461,871	447,953	408,844	39,109
Public Safety				
Police	5,661,563	5,607,460	5,410,093	197,367
E911 Communications	793,420	698,207	607,536	90,671
Public Works				
Public Works Administration	1,925,364	2,110,110	1,976,663	133,447
Culture and Recreation				
Parks and Recreation	823,262	873,916	864,690	9,226
Housing and Development				
Community Development	918,411	1,020,303	1,006,384	13,919
Economic Development	300,653	290,520	271,856	18,664
Debt Service				
General Government	0	138,276	138,021	255
Public Safety	0	54,103	54,103	0
Total expenditures	13,431,957	13,757,418	12,942,301	815,117
Excess (deficiency) of revenues over (under) expenditures	(2,532,217)	(1,776,196)	882,742	2,658,938
Other financing sources (uses)				
Transfers in	1,873,040	1,873,040	0	(1,873,040)
Transfers out	0	(17,024)	(17,024)	0
Issuance of long-term debt	0	0	84,026	84,026
Sales of capital assets	900,000	0	1,500	1,500
Contingency	(240,823)	(136,007)	0	136,007
Total other financing sources (uses)	2,532,217	1,720,009	68,502	(1,651,507)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(56,187)	951,244	1,007,431
Fund balances, September 1	0	56,187	6,071,956	6,015,769
Fund balances, August 31	\$ 0	\$ 0	\$ 7,023,200	\$ 7,023,200

CITY OF NORCROSS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
STATEMENT OF OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
				<u>Budget</u>
REVENUES				
Hotel/Motel taxes	\$ 849,799	\$ 849,799	\$ 902,199	\$ 52,400
Total revenues	<u>849,799</u>	<u>849,799</u>	<u>902,199</u>	<u>52,400</u>
EXPENDITURES				
Current				
Housing and Development				
Personal services	156,262	156,262	142,501	13,761
Contract services	<u>756,413</u>	<u>756,413</u>	<u>670,120</u>	<u>86,293</u>
Total expenditures	<u>912,675</u>	<u>912,675</u>	<u>812,621</u>	<u>100,054</u>
Excess (deficiency) of revenues over (under) expenditures	(62,876)	(62,876)	89,578	152,454
Fund balances, September 1	<u>62,876</u>	<u>62,876</u>	<u>396,649</u>	<u>333,773</u>
Fund balances, August 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 486,227</u>	<u>\$ 486,227</u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2019

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 0	\$ 936,856	\$ 731,183	\$ 1,668,039
Investments	7,234,565	0	0	7,234,565
Restricted assets				
Cash and cash equivalents	0	211,834	0	211,834
Investments	5,934,699	0	0	5,934,699
Accounts receivable (net)	2,812,990	456,173	735,045	4,004,208
Prepaid items	33,700	0	1,601	35,301
Due from other funds	0	53,508	100,000	153,508
Inventories	992,996	0	0	992,996
Notes receivable	24,362	0	0	24,362
Total current assets	17,033,312	1,658,371	1,567,829	20,259,512
Noncurrent assets				
Notes receivable	381,593	0	0	381,593
Capital assets				
Non-depreciable	1,758,493	0	0	1,758,493
Depreciable (net)	7,708,887	106,401	1,235,346	9,050,634
Total noncurrent assets	9,848,973	106,401	1,235,346	11,190,720
Total assets	26,882,285	1,764,772	2,803,175	31,450,232
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	125,264	0	41,624	166,888
Deferred outflows of resources related to OPEB	5,367	0	0	5,367
Total deferred outflows of resources	130,631	0	41,624	172,255
LIABILITIES				
Current liabilities				
Payables				
Accounts	81,391	269,207	14,380	364,978
Intergovernmental	793,410	0	0	793,410
Sales tax	97,596	0	0	97,596
Accrued salaries and payroll liabilities	20,087	0	4,816	24,903
Compensated absences	22,356	0	8,247	30,603
Unearned revenue	86,899	195,063	0	281,962
Due to other funds	819,952	0	0	819,952
Liabilities payable from restricted assets				
Customer deposits payable	447,931	211,834	0	659,765
Total current liabilities	2,369,622	676,104	27,443	3,073,169
Noncurrent liabilities				
Net pension liability	129,489	0	64,394	193,883
Net OPEB liability	563,646	0	324,958	888,604
Total noncurrent liabilities	693,135	0	389,352	1,082,487
Total liabilities	3,062,757	676,104	416,795	4,155,656

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2019

	<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	\$ 81,016	\$ 0	\$ 18,001	\$ 99,017
Deferred inflows of resources related to OPEB	138,303	0	37,719	176,022
Total deferred inflows of resources	<u>219,319</u>	<u>0</u>	<u>55,720</u>	<u>275,039</u>
NET POSITION				
Investment in capital assets	9,467,380	106,401	1,235,346	10,809,127
Restricted for:				
MEAG generation projects	5,486,768	0	0	5,486,768
Unrestricted	<u>8,776,692</u>	<u>982,267</u>	<u>1,136,938</u>	<u>10,895,897</u>
Total net position	<u>\$ 23,730,840</u>	<u>\$ 1,088,668</u>	<u>\$ 2,372,284</u>	<u>\$ 27,191,792</u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2019

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
OPERATING REVENUES				
Charges for sales and services	\$ 14,097,736	\$ 3,158,074	\$ 1,019,042	\$ 18,274,852
Other	51,787	9,835	0	61,622
Total operating revenues	<u>14,149,523</u>	<u>3,167,909</u>	<u>1,019,042</u>	<u>18,336,474</u>
OPERATING EXPENSES				
Costs of sales and services	11,385,936	3,027,577	308,387	14,721,900
Personal services	1,297,104	164,761	470,148	1,932,013
Depreciation	289,105	2,217	31,122	322,444
Total operating expenses	<u>12,972,145</u>	<u>3,194,555</u>	<u>809,657</u>	<u>16,976,357</u>
Operating income (loss)	<u>1,177,378</u>	<u>(26,646)</u>	<u>209,385</u>	<u>1,360,117</u>
Non-operating revenues (expenses)				
Investment revenue	554,596	0	0	554,596
Intergovernmental revenue	164,844	0	0	164,844
Total non-operating revenues (expenses)	<u>719,440</u>	<u>0</u>	<u>0</u>	<u>719,440</u>
Net income (loss) before transfers	1,896,818	(26,646)	209,385	2,079,557
Transfers in (out)				
Transfers out	(82,500)	0	0	(82,500)
Change in net position	<u>1,814,318</u>	<u>(26,646)</u>	<u>209,385</u>	<u>1,997,057</u>
Net position, September 1 (original)	21,916,522	1,302,546	2,162,899	25,381,967
Prior period adjustments	0	(187,232)	0	(187,232)
Net position, September 1 (restated)	<u>21,916,522</u>	<u>1,115,314</u>	<u>2,162,899</u>	<u>25,194,735</u>
Net position, August 31	<u>\$ 23,730,840</u>	<u>\$ 1,088,668</u>	<u>\$ 2,372,284</u>	<u>\$ 27,191,792</u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2019

	Business-Type			Totals
	Electric Utility	Solid Waste	Storm Water Utility	
Cash flows from operating activities:				
Receipts from customers	\$ 13,893,660	\$ 3,176,518	\$ 1,028,643	\$ 18,098,821
Payments to suppliers	(11,425,065)	(3,472,802)	(328,277)	(15,226,144)
Payments to employees	(1,303,114)	(164,761)	(468,123)	(1,935,998)
Other receipts	51,787	0	0	51,787
Net cash provided (used) by operating activities	<u>1,217,268</u>	<u>(461,045)</u>	<u>232,243</u>	<u>988,466</u>
Cash flows from non-capital financing activities:				
Receipts from other governments	164,844	0	0	164,844
Receipts from other funds	0	1,418,180	0	1,418,180
Payments to other funds	(944,040)	0	0	(944,040)
Net cash provided (used) by non-capital financing activities	<u>(779,196)</u>	<u>1,418,180</u>	<u>0</u>	<u>638,984</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,026,281)	0	(340,518)	(1,366,799)
Payment of capital related accounts payable	0	0	(35,269)	(35,269)
Net cash provided (used) by financing activities	<u>(1,026,281)</u>	<u>0</u>	<u>(375,787)</u>	<u>(1,402,068)</u>
Cash flows from investing activities:				
Interest received	554,596	0	0	554,596
Proceeds from sale of investment	439,568	0	0	439,568
Issuance of note receivable	(405,955)	0	0	(405,955)
Net cash provided (used) by investing activities	<u>588,209</u>	<u>0</u>	<u>0</u>	<u>588,209</u>
Net increase (decrease) in cash and cash equivalents	0	957,135	(143,544)	813,591
Cash and cash equivalents, September 1	<u>0</u>	<u>191,555</u>	<u>874,727</u>	<u>1,066,282</u>
Cash and cash equivalents, August 31	<u>\$ 0</u>	<u>\$ 1,148,690</u>	<u>\$ 731,183</u>	<u>\$ 1,879,873</u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended August 31, 2019

	<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)	\$ 1,177,378	\$ (26,646)	\$ 209,385	\$ 1,360,117
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	289,105	2,217	31,122	322,444
(Increase) decrease in accounts receivable	(236,749)	(23,163)	9,601	(250,311)
(Increase) decrease in prepaid items	14,501	0	1,205	15,706
(Increase) decrease in inventories	(15,483)	0	0	(15,483)
(Increase) decrease in deferred outflows related to OPEB	(53,516)	0	0	(53,516)
(Increase) decrease in deferred outflows related to pension	(4,522)	0	(15,033)	(19,555)
Increase (decrease) in accounts payable	23,962	(445,225)	(21,095)	(442,358)
Increase (decrease) in intergovernmental payables	(62,109)	0	0	(62,109)
Increase (decrease) in unearned revenue	0	7,831	0	7,831
Increase (decrease) in deposits payable	23,716	23,941	0	47,657
Increase (decrease) in sales tax payable	8,957	0	0	8,957
Increase (decrease) in accrued payroll liabilities	5,425	0	3,937	9,362
Increase (decrease) in net OPEB liability	(22,004)	0	(5,771)	(27,775)
Increase (decrease) in deferred inflows related to pension	3,535	0	992	4,527
Increase (decrease) in deferred inflows related to OPEB	46,313	0	12,631	58,944
Increase (decrease) in net pension liability	18,759	0	5,269	24,028
Total adjustments	39,890	(434,399)	22,858	(371,651)
Net cash provided (used) by operating activities	<u>\$ 1,217,268</u>	<u>\$ (461,045)</u>	<u>\$ 232,243</u>	<u>\$ 988,466</u>
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 0	\$ 936,856	\$ 731,183	\$ 1,668,039
Restricted assets				
Cash and cash equivalents	0	211,834	0	211,834
Total cash and cash equivalents	<u>\$ 0</u>	<u>\$ 1,148,690</u>	<u>\$ 731,183</u>	<u>\$ 1,879,873</u>

CITY OF NORCROSS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
August 31, 2019

	<u>Municipal Court Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 183,871
LIABILITIES	
Due to other agencies	\$ 183,871

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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, 2019.

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
For the fiscal year ended August 31, 2019

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.

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.

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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, 2019.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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
For the fiscal year ended August 31, 2019

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, 2019 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
For the fiscal year ended August 31, 2019

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, 2019, 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
For the fiscal year ended August 31, 2019

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, 2019, the average weighted maturity of the Intermediate, Intermediate Extended, and Short-term Portfolios were 15.0, 47.0, and 1.2 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, 2019, the City's balances in the Voluntary Flexible Operating Accounts were \$7,967,483, and in the Generation Trust Accounts were \$5,201,781.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

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, 2019 consist of the following:

Investment Type	Fair Value
Municipal Competitive Trust	
Short-term Portfolio	\$ 3,118,745
Intermediate Portfolio	4,837,471
Intermediate Extended Portfolio	5,213,048
Total Investments	\$ 13,169,264

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

Georgia Fund 1 is rated AAAf by Standard & Poor's. The weighted average maturity at August 31, 2019 was 29 days. At August 31, 2019, the City's balance in Georgia Fund 1 was \$49,455.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

4. Accounts Receivable

Net accounts receivable at August 31, 2019 consist of the following:

Primary Government		
Major Funds		
General Fund		\$ 5,196
Enterprise Funds		
Electric Utility	\$ 2,827,125	
Less: Allowances for Uncollectibles	(14,135)	
Solid Waste	458,465	
Less: Allowances for Uncollectibles	(2,292)	
Storm Water Utility	888,085	
Less: Allowances for Uncollectibles	<u>(153,040)</u>	<u>4,004,208</u>
Total Primary Government		<u><u>\$ 4,009,404</u></u>

5. Intergovernmental Receivables

Intergovernmental receivables at August 31, 2019 consist of the following:

Primary Government		
Major Funds		
General Fund		\$ 72,879
Capital Projects Funds		
2017 SPLOST	\$ 780,926	
2017 Revenue Bond	<u>14,560</u>	<u>795,486</u>
Total Primary Government		<u><u>\$ 868,365</u></u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

6. Taxes Receivable

Property Taxes

Property taxes receivable as of August 31, 2019 consist of the following:

Year of Levy	Amount
2018	\$ 57,726
2017	28,136
2016	29,518
2015	14,923
2014	73,690
2013	29,012
2012	48,758
	281,763
Less allowance for uncollectible	(179,209)
Total	\$ 102,554

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 2019, based upon the assessments of January 1, 2018, were billed on September 15, 2018, and due on November 15, 2018. Tax liens are issued 90 days after the due date. The tax rate of 5.749 mills for 2018 was levied on August 6, 2018.

Other Taxes

\$62,668 of franchise taxes, \$138,468 of hotel/motel taxes, \$32,525 of alcohol excise taxes and \$10,159 in rental motor vehicle excise taxes are also included in taxes receivable.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

7. Interfund Receivables and Payables

A summary of interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Electric Utility	\$ 666,444
Storm Water Utility	Electric Utility	100,000
2017 SPLOST	2017 Revenue Bond	50,909
Solid Waste	Electric Utility	53,508
General	Nonmajor Governmental	<u>2,656</u>
Subtotal		<u><u>\$ 873,517</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 Utility, Electric Utility, and Solid Waste enterprise funds resulted from transactions to alleviate equity in pooled cash deficits at year-end. Amounts due to the 2017 SPLOST Fund from the 2017 Revenue Bond Fund are related to SPLOST-compliant expenditures that will be reimbursed from the SPLOST bond proceeds.

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

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

8. Interfund Transfers

A summary of interfund transfers is as follows:

Transfer Out Fund	Transfer In Fund	<u>Amount</u>
Electric Utility	2017 Revenue Bond	\$ 82,500
General	2017 Revenue Bond	<u>17,024</u>
Subtotal		<u><u>\$ 99,524</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
For the fiscal year ended August 31, 2019

9. Capital Assets

Capital asset activity for the primary government for the year ended August 31, 2019 was as follows:

	<u>Balance 9/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 8/31/2019</u>
Governmental activities				
Non-depreciable assets				
Land	\$ 20,255,576	\$ 0	\$ 0	\$ 20,255,576
Construction in progress	2,522,005	2,410,852	(1,393,767)	3,539,090
Total nondepreciable assets	<u>22,777,581</u>	<u>2,410,852</u>	<u>(1,393,767)</u>	<u>23,794,666</u>
Depreciable assets				
Buildings	12,934,898	0	0	12,934,898
Infrastructure	56,653,965	2,638,546	0	59,292,511
Vehicles and equipment	5,118,537	273,517	(23,730)	5,368,324
Furniture and fixtures	3,133,387	379,711	0	3,513,098
Intangible assets	227,406	112,990	0	340,396
Total depreciable assets	<u>78,068,193</u>	<u>3,404,764</u>	<u>(23,730)</u>	<u>81,449,227</u>
Accumulated depreciation				
Buildings	(3,916,527)	(270,950)	0	(4,187,477)
Infrastructure	(31,032,795)	(1,125,887)	0	(32,158,682)
Vehicles and equipment	(3,656,818)	(431,277)	23,730	(4,064,365)
Furniture and fixtures	(2,061,925)	(157,850)	0	(2,219,775)
Intangible assets	(80,803)	(16,946)	0	(97,749)
Total accumulated depreciation	<u>(40,748,868)</u>	<u>(2,002,910)</u>	<u>23,730</u>	<u>(42,728,048)</u>
Total depreciable assets, net	<u>37,319,325</u>	<u>1,401,854</u>	<u>0</u>	<u>38,721,179</u>
Governmental activities capital assets, net	<u>\$ 60,096,906</u>	<u>\$ 3,812,706</u>	<u>\$ (1,393,767)</u>	<u>\$ 62,515,845</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Construction in progress	1,093,245	832,205	(167,957)	1,757,493
Total non-depreciable assets	<u>1,094,245</u>	<u>832,205</u>	<u>(167,957)</u>	<u>1,758,493</u>
Depreciable assets				
Distribution system	11,402,018	668,398	0	12,070,416
Vehicles and equipment	1,778,512	34,154	(41,341)	1,771,325
Total depreciable assets	<u>13,180,530</u>	<u>702,552</u>	<u>(41,341)</u>	<u>13,841,741</u>
Accumulated depreciation				
Distribution system	(3,214,808)	(196,506)	0	(3,411,314)
Vehicles and equipment	(1,295,196)	(125,938)	41,341	(1,379,793)
Total accumulated depreciation	<u>(4,510,004)</u>	<u>(322,444)</u>	<u>41,341</u>	<u>(4,791,107)</u>
Total depreciable assets, net	<u>8,670,526</u>	<u>380,108</u>	<u>0</u>	<u>9,050,634</u>
Business-type activities capital assets, net	<u>\$ 9,764,771</u>	<u>\$ 1,212,313</u>	<u>\$ (167,957)</u>	<u>\$ 10,809,127</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

9. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for fiscal year ending August 31, 2019 was as follows:

	<u>Balance 9/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 8/31/2019</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	(2,063)	(605)	0	(2,668)
Equipment	(244)	(244)	0	(488)
Infrastructure	(6,769)	(2,081)	0	(8,850)
Total accumulated depreciation	<u>(9,076)</u>	<u>(2,930)</u>	<u>0</u>	<u>(12,006)</u>
Total depreciable assets, net	<u>127,618</u>	<u>(2,930)</u>	<u>0</u>	<u>124,688</u>
Downtown Development Authority capital assets, net	<u>\$ 131,618</u>	<u>\$ (2,930)</u>	<u>\$ 0</u>	<u>\$ 128,688</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 228,473
Judicial	363
Public Safety	469,100
Public Works	1,090,715
Culture and Recreation	94,161
Housing and Development	<u>120,098</u>
Total depreciation expense for governmental activities	<u>\$ 2,002,910</u>

Business-type activities

Electric Utility	\$ 289,105
Solid Waste Utility	2,217
Storm Water Utility	<u>31,122</u>
Total depreciation expense for business-type activities	<u>\$ 322,444</u>

DDA Component Unit

\$ 2,930

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

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 \$463,748 for the DDA.

11. Notes Receivable

On September 10, 2018, the City of Norcross entered into a lending agreement with the Downtown Development Authority for the purchase of real property. At August 31, 2019, the balance of the note receivable was \$405,955. The DDA executed a promissory note in favor of the City to pay 2% simple annual interest, with payments suspended for the first 6 months, with interest and payable due monthly thereafter. 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.

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, 2019 total \$363,511 for governmental activities.

Total assets leased under capital leases are \$950,871 for governmental activities, consisting of:

	Cost	Accumulated Depreciation
Furniture and fixtures	\$ 652,811	\$ 155,673
Vehicles and equipment	298,060	127,740
Totals	\$ 950,871	\$ 283,413

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

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

12. Capital and Operating Lease Agreements (continued)

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of August 31, 2019:

Year Ending August 31,	Governmental activities
2020	\$ 128,437
2021	128,437
2022	117,012
2023	19,718
Total minimum lease payments	393,604
Less amounts representing interest	(30,093)
Present value of minimum lease payments	<u>\$ 363,511</u>

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

13. Long-Term Debt

Bonds from Direct Placements

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. In an event of default, any outstanding principal and interest on the bonds may become immediately due and payable. This bond is secured by pledged sales tax proceeds. At August 31, 2019, the balance of these bonds is \$5,990,000.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

13. Long-Term Debt (continued)

Bonds from Direct Placements, continued

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

Year Ending August 31,	Principal	Interest	Total
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>\$ 5,990,000</u>	<u>\$ 259,720</u>	<u>\$ 6,249,720</u>

Downtown Development Authority Component Unit

On December 27, 2018, the Downtown Development Authority issued \$8,195,000 Downtown Development Authority of the City of Norcross Taxable Revenue Bond (Parking Facilities Project), Series 2018. The 2018 Bond was issued for the purpose of financing the cost of a parking facilities project to be constructed by a local business. Upon completion, the parking facility will be owned by the Authority and rented to the local business. The bond bears an interest rate of 5%, with semi-annual payments to be made by the Authority using rental proceeds beginning on February 1, 2019. The bond matures on February 1, 2044. Payment of the bond is guaranteed by the City and secured by ad valorem property tax up to a maximum of 3 mills on all property in the City. In an event of default, the item or installment shall continue as an obligation of the City until the amount has been fully paid. At August 31, 2019, the balance of these bonds is \$8,195,000.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

13. Long-Term Debt (continued)

Bonds from Direct Placements, continued

The Downtown Development Authority's debt service requirement to maturity on the Series 2018 bond is as follows:

Year Ending August 31,	Principal	Interest	Total
2020	\$ 0	\$ 409,750	\$ 409,750
2021	0	409,750	409,750
2022	200,000	404,750	604,750
2023	210,000	394,500	604,500
2024	220,000	383,750	603,750
2025-2029	1,265,000	1,739,375	3,004,375
2030-2034	1,610,000	1,382,000	2,992,000
2035-2039	2,060,000	925,000	2,985,000
2040-2044	2,630,000	341,750	2,971,750
Totals	<u>\$ 8,195,000</u>	<u>\$ 6,390,625</u>	<u>\$ 14,585,625</u>

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. In an event of default, any outstanding principal and interest on the contracts may become immediately due and payable, and all software products may be repossessed and professional services suspended by the technology company. At August 31, 2019, the balance of this contract is \$348,377.

Year Ending August 31,	Principal	Interest	Total
2020	\$ 73,296	\$ 0	\$ 73,296
2021	119,215	0	119,215
2022	155,866	0	155,866
Totals	<u>\$ 348,377</u>	<u>\$ 0</u>	<u>\$ 348,377</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

13. Long-Term Debt (continued)

Notes from Direct Borrowings

Downtown Development Authority Component Unit

On September 10, 2018, the Downtown Development Authority entered into a lending agreement with the City of Norcross for the purchase of real property. At August 31, 2019, the balance of the note from direct borrowing was \$405,955. The DDA executed a promissory note in favor of the City to pay 2% simple annual interest, with payments suspended for the first 6 months, with interest and principal due and payable monthly thereafter. The note is secured by the property, but in the event of default, the property would revert to the City. 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.

Year Ending August 31,	Principal	Interest	Total
2020	\$ 24,362	\$ 7,918	\$ 32,280
2021	24,875	7,405	32,280
2022	25,377	6,903	32,280
2023	331,341	6,893	338,234
Totals	<u>\$ 405,955</u>	<u>\$ 29,119</u>	<u>\$ 435,074</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

14. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the fiscal year ending August 31, 2019:

	<u>Balance 9/1/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 8/31/2019</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds from direct placements	\$ 7,425,000	\$ 0	\$ (1,435,000)	\$ 5,990,000	\$ 1,460,000
Contracts payable	385,025	0	(36,648)	348,377	73,296
Capital leases payable	417,132	84,026	(137,647)	363,511	112,686
Compensated absences	285,953	296,096	(285,953)	296,096	296,096
Total Governmental Activities	<u>\$ 8,513,110</u>	<u>\$ 380,122</u>	<u>\$ (1,895,248)</u>	<u>\$ 6,997,984</u>	<u>\$ 1,942,078</u>
Business-type activities					
Compensated absences	\$ 25,742	\$ 30,603	\$ (25,742)	\$ 30,603	\$ 30,603
Downtown Development Authority					
Component Unit					
Notes from direct borrowings	\$ 785,000	\$ 405,955	\$ (785,000)	\$ 405,955	\$ 24,362
Bonds from direct placements	0	8,195,000	0	8,195,000	0
Total Component Unit	<u>\$ 785,000</u>	<u>\$ 8,600,955</u>	<u>\$ (785,000)</u>	<u>\$ 8,600,955</u>	<u>\$ 24,362</u>

Bonds from direct placements 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, 2019 was \$139,368 for governmental activities.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

15. 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, 2019:

	<u>Hotel/Motel Tax Fund</u>	<u>2017 SPLOST</u>	<u>2017 Revenue Bond</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
General Government					
Technology equipment	\$ 0	\$ 0	\$ 0	\$ 177,481	\$ 177,481
Public Safety					
Police department vehicles and equipment	0	0	0	99,022	99,022
Housing and Development					
Trade and tourism	0	0	0	514,758	514,758
Capital projects	0	1,843,809	6,089,786	1,754,770	9,688,365
	<u>\$ 0</u>	<u>\$ 1,843,809</u>	<u>\$ 6,089,786</u>	<u>\$ 2,546,031</u>	<u>\$ 10,479,626</u>
Assigned for:					
Housing and Development					
Trade and tourism	\$ 486,227	\$ 0	\$ 0	\$ 0	\$ 486,227

16. Intradepartmental Billings

Total operating revenues and total operating expenses in the Electric Utility and Solid Waste Enterprise Funds include \$362,160 and \$359,623, respectively, of intra departmental billings for electricity and sanitation usage.

17. 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
For the fiscal year ended August 31, 2019

17. 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 January 1, 2019, the date of the most recent actuarial valuation, there were 197 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	36
Terminated vested participants entitled to but not yet receiving benefits	48
Active participants	113
Total number of participants	197

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
For the fiscal year ended August 31, 2019

17. 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, 2019 was \$582,360, or 9.28% of covered payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, the City reported a net pension liability of \$2,177,453. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. For the fiscal year ended August 31, 2019, the City recognized pension expense of \$221,990. For the Governmental Activities, the net pension liability is liquidated by the General Fund.

At August 31, 2019, 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	\$ 882,179	\$ (116,805)
Changes of assumptions	10,836	0
Difference between projected and actual earnings on pension plan investments	0	(496,727)
City contributions subsequent to the measurement date	434,659	0
Totals	<u>\$ 1,327,674</u>	<u>\$ (613,532)</u>

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

17. Pension Plan (continued)

The \$434,659 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

<u>Ending August 31</u>		
2020	\$	62,187
2021		61,169
2022		65,571
2023		72,556
2024		<u>18,000</u>
Totals	\$	<u><u>279,483</u></u>

Actuarial Assumptions. The total pension liability in the January 1, 2019 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 one 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 January 1, 2019 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
For the fiscal year ended August 31, 2019

17. 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%	6.40%
International equity	20%	7.40%
Real estate	10%	5.10%
Global fixed income	5%	3.03%
Domestic fixed income	20%	1.75%
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
For the fiscal year ended August 31, 2019

17. 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 3/31/2018	\$ 13,473,787	\$ 11,466,637	\$ 2,007,150
Changes for the year:			
Service cost	164,741	0	164,741
Interest	503,420	0	503,420
Differences between expected and actual experience	321,430	0	321,430
Contributions—employer	0	219,585	(219,585)
Contributions—employee	0	44,865	(44,865)
Net investment income	0	571,217	(571,217)
Benefit payments, including refunds of employee contributions	(263,275)	(263,275)	0
Administrative expense	0	(16,379)	16,379
Net changes	<u>726,316</u>	<u>556,013</u>	<u>170,303</u>
Balances at 9/30/2018	<u>\$ 14,200,103</u>	<u>\$ 12,022,650</u>	<u>\$ 2,177,453</u>

Plan's fiduciary net position as a percentage of the total pension liability	84.67%
Covered payroll	\$ 6,168,363
Net pension liability as a percentage of covered payroll	35.30%

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%	\$ 4,072,006
Current discount rate	7.50%	2,177,453
1% increase	8.50%	612,838

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
For the fiscal year ended August 31, 2019

18. 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, 2019, the City contributed \$94,884 to the plans based on covered salaries of 4,415,836. Plan members made voluntary contributions of \$252,518 to the plans.

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
For the fiscal year ended August 31, 2019

19. 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, 2019 was \$205,213, or 4.65% 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
For the fiscal year ended August 31, 2019

19. 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, 2019, the City reported a net OPEB liability of \$8,278,609. The net OPEB liability was measured as of August 31, 2018, 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, 2019, the City recognized OPEB expense of \$256,116. For the Governmental Activities, the net OPEB Liability is liquidated by the General Fund.

The components of the net OPEB liability are as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 8/31/2017	<u>\$ 8,699,259</u>	<u>\$ 0</u>	<u>\$ 8,699,259</u>
Changes for the year:			
Service cost	250,627	0	250,627
Interest	310,540	0	310,540
Differences between expected and actual experience	(236,936)	0	(236,936)
Contributions—employer	0	205,213	(205,213)
Changes in assumptions	(539,668)	0	(539,668)
Benefit payments, including refunds of member contributions	(205,213)	(205,213)	0
Net changes	<u>(420,650)</u>	<u>0</u>	<u>(420,650)</u>
Balances at 8/31/2018	<u>\$ 8,278,609</u>	<u>\$ 0</u>	<u>\$ 8,278,609</u>

Plan's fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	\$ 5,052,184
Plan net OPEB liability as a percentage of covered employee payroll	163.86%

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ 0	\$ 1,131,077
Difference between expected and actual experience in the total OPEB liability	0	218,560
Contributions subsequent to the measurement date	297,900	0
Totals	<u>\$ 297,900</u>	<u>\$ 1,349,637</u>

CITY OF NORCROSS, GEORGIA
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19. Post-Employment Benefits Other Than Pensions (continued)

The \$297,900 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending August 31	
2020	\$ (305,051)
2021	(305,051)
2022	(305,051)
2023	(305,051)
2024	<u>(129,433)</u>
Totals	<u>\$ (1,349,637)</u>

Actuarial Assumptions. The total OPEB liability was measured as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Projected salary increases	3.25% to 8.25%, including inflation
Discount rate	3.96%
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
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For the fiscal year ended August 31, 2019

19. 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 3.96%, the Bond Buyer 20-Bond GO Index rate published closest to, but not later than, the measurement date of August 31, 2018.

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 (2.96%) or one percentage point higher (4.96%) 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	2.96%	\$ 9,737,996
Current discount rate	3.96%	8,278,609
1% increase	4.96%	7,116,602
		Net OPEB Liability
<u>Healthcare Cost Trend Rates</u>		<u>Net OPEB Liability</u>
1% decrease		\$ 6,982,742
Current discount rate		8,278,609
1% increase		9,928,651

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
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For the fiscal year ended August 31, 2019

20. 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, 2019, follows:

Lodging tax receipts	\$ 902,199
Disbursements to promote trade and tourism	\$ 812,621 90% of tax receipts

21. 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, 2019, the City of Norcross contributed the use of one police officer to the DEA for undercover work; the City paid \$62,201 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, 2019, 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
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For the fiscal year ended August 31, 2019

22. 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, 2019. Separate financial statements may be obtained from Housing Authority of the City of Norcross, 19 Garner Street, Norcross, GA 30071.

23. 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
For the fiscal year ended August 31, 2019

23. 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, 2019, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

24. 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 \$8,780,770 from MEAG during the fiscal year ended August 31, 2019. 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 flexible operating trust account includes funds that are available to the City for operating costs and rate stabilization. At the end of the current fiscal year, the balance in this account was \$7,967,483. This amount is included in investments in the Electric Utility Fund. The generation trust account is used to offset the City's share of future MEAG generation projects. At the end of the current fiscal year, the balance in this account was \$5,201,781. This amount is included in restricted investments in the Electric Utility Fund.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

24. 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, 2019 were \$0 and \$0 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 \$0.

Contingencies

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

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
For the fiscal year ended August 31, 2019

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%	<u>\$ 13,308</u>

26. Conduit Debt

Downtown Development Authority Component Unit

The Downtown Development Authority has issued revenue bonds to provide financial assistance to a local company for the acquisition and construction of parking facilities. Rents, revenues, and receipts will be pledged as security for payment of the principal and interest of the bond. Upon repayment of the bonds, ownership of the acquired facilities transfers to local business served by the bond issuance. In the event of default, the amount in default shall continue as an obligation of the Company until the amount shall have been fully paid. The Downtown Development Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The amount of conduit debt revenue bond obligations outstanding as of the end of the current fiscal year is \$35,000,000.

27. Nonexchange Financial Guarantee

On December 27, 2018, the City adopted a resolution authorizing the execution and delivery of an intergovernmental agreement between the City of Norcross, Georgia and the Downtown Development Authority, a discretely presented component unit of the City. The intergovernmental agreement establishes the City of Norcross, Georgia as the guarantor of the \$8,195,000 Downtown Development Authority of the City of Norcross Taxable Revenue Bond (Parking Facilities Project), Series 2018. In the event the Downtown Development Authority is unable to make the required payments of the bond issuance, the intergovernmental agreement requires the City to provide funds, which shall be sufficient to make the required debt service payments through the maturity dates of the bonds with the final maturity date being February 1, 2044. At this time the City does not anticipate having to provide funds for the required bond payments.

CITY OF NORCROSS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2019

28. Changes in Beginning Balances

Solid Waste

A prior period adjustment has been made to correct accounts receivable at August 31, 2018. This adjustment decreased beginning net position by \$187,232.

29. New Accounting Standards

The City implemented Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for periods beginning after June 15, 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORCROSS, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
August 31, 2019
(Unaudited)

	Fiscal Year End				
	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 164,741	\$ 326,020	\$ 303,187	\$ 261,349	\$ 311,706
Interest	503,420	910,650	876,775	825,040	793,291
Differences between expected and actual experience	321,430	825,660	(248,867)	49,762	(234,843)
Changes of assumptions	0	15,146	0	0	0
Changes of benefits terms	0	(95,637)	0	0	0
Benefit payments, including refunds of employee contributions	(263,275)	(516,757)	(471,229)	(465,976)	(459,675)
Other changes	0	0	0	0	2,333
Net change in total pension liability	726,316	1,465,082	459,866	670,175	412,812
Total pension liability - beginning	13,473,787	12,008,705	11,548,839	10,878,664	10,465,852
Total pension liability - ending (a)	\$ 14,200,103	\$ 13,473,787	\$ 12,008,705	\$ 11,548,839	\$ 10,878,664
Plan fiduciary net position					
Contributions - employer	\$ 219,585	\$ 497,740	\$ 675,679	\$ 426,124	\$ 563,073
Contributions - employee	44,865	81,838	66,757	52,468	45,321
Net investment income	571,217	1,264,471	1,126,953	27,244	764,683
Benefit payments, including refunds of employee contributions	(263,275)	(516,757)	(471,229)	(465,976)	(459,675)
Administrative expense	(16,379)	(29,513)	(29,780)	(17,370)	(14,733)
Net change in total pension liability	556,013	1,297,779	1,368,380	22,490	898,669
Plan fiduciary net position - beginning	11,466,637	10,168,858	8,800,478	8,777,988	7,879,319
Plan fiduciary net position - ending (b)	\$ 12,022,650	\$ 11,466,637	\$ 10,168,858	\$ 8,800,478	\$ 8,777,988
Net pension liability (asset) - ending : (a) - (b)	\$ 2,177,453	\$ 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	84.67%	85.10%	84.68%	76.20%	80.69%
Covered payroll	\$ 6,168,363	\$ 5,836,525	\$ 5,024,965	\$ 4,694,327	\$ 4,403,174
Net pension liability as a percentage of covered payroll	35.30%	34.39%	36.61%	58.55%	47.71%

Note: Fiscal year 2015 was the first year of implementation. Therefore, years prior are not reported.

CITY OF NORCROSS, GEORGIA
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS
August 31, 2019
(Unaudited)

	Fiscal Year End				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 582,360	\$ 534,188	\$ 514,845	\$ 484,598	\$ 557,197
Contributions in relation to the actuarially determined contribution	<u>(582,360)</u>	<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>\$ 0</u>	<u>\$ (47,439)</u>	<u>\$ (110,111)</u>
Covered payroll	\$ 6,273,183	\$ 5,817,853	\$ 5,561,334	\$ 5,028,974	\$ 4,836,831
Contributions as a percentage of covered payroll	9.28%	9.18%	9.26%	10.58%	13.80%

Note: Fiscal year 2015 was the first year of implementation. Therefore, years prior are not reported.

CITY OF NORCROSS, GEORGIA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
August 31, 2019
(Unaudited)

	Fiscal Year End	
	2019	2018
Total OPEB liability		
Service cost	\$ 250,627	\$ 305,217
Interest	310,540	272,234
Differences between expected and actual experience	(236,936)	(31,671)
Changes in assumptions	(539,668)	(1,022,025)
Benefit payments, including refunds of member contributions	(205,213)	(209,992)
Net change in total OPEB liability	(420,650)	(686,237)
Total OPEB liability - beginning	8,699,259	9,385,496
Total OPEB liability - ending (a)	\$ 8,278,609	\$ 8,699,259
Plan fiduciary net position		
Contributions - employer	\$ 205,213	\$ 209,992
Benefit payments, including refunds of member contributions	(205,213)	(209,992)
Net change in plan fiduciary net position	0	0
Plan fiduciary net position - beginning	0	0
Plan fiduciary net position - ending (b)	\$ 0	\$ 0
Net OPEB liability (asset) - ending : (a) - (b)	\$ 8,278,609	\$ 8,699,259
Plan's fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered employee payroll	\$ 5,052,184	\$ 5,052,184
Plan net OPEB liability as a percentage of covered employee payroll	163.86%	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, 2019
(Unaudited)

	Fiscal Year End	
	2019	2018
Actuarially determined contribution	\$ 578,379	\$ 683,141
Contributions in relation to the actuarially determined contribution	(205,213)	(209,992)
Contribution deficiency (excess)	\$ 373,166	\$ 473,149
Covered employee payroll	\$ 4,415,836	\$ 4,158,369
Contributions as a percentage of covered employee payroll	4.65%	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
For the fiscal year ended August 31, 2019

Pension Plan

1. Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2019, 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, 2020.

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 one 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
For the fiscal year ended August 31, 2019

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%.

CITY OF NORCROSS, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended August 31, 2019

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.

2. Methods and Assumptions Used to Determine Contribution Rates

Discount Rate = 3.96%

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, 2017 was 3.51%, and effective for August 31, 2018 was 3.96%. The inflation rate assumption decreased to 2.75% from 3.25%. The salary scale assumption decreased to the range 3.25%-8.25% from 3.75%-8.75%.

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF NORCROSS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2019

	Special Revenue			
	Confiscated Assets	Federal Seized Drug	Technology Surcharges	Rental Motor Vehicle Excise Tax
ASSETS				
Cash and cash equivalents	\$ 106,557	\$ 101,564	\$ 177,481	\$ 504,599
Taxes receivable	0	0	0	10,159
Total assets	\$ 106,557	\$ 101,564	\$ 177,481	\$ 514,758
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 0	\$ 393	\$ 0	\$ 0
Other liabilities	106,050	0	0	0
Due to other funds	0	2,656	0	0
Total liabilities	106,050	3,049	0	0
Fund balances				
Restricted for:				
General Government	0	0	177,481	0
Public Safety	507	98,515	0	0
Housing and Development	0	0	0	514,758
Capital Outlay	0	0	0	0
Total fund balances	507	98,515	177,481	514,758
Total liabilities and fund balances	\$ 106,557	\$ 101,564	\$ 177,481	\$ 514,758

<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>2009 SPLOST</u>	<u>2014 SPLOST</u>	
\$ 10,531	\$ 1,769,646	\$ 2,670,378
0	0	10,159
<u>10,531</u>	<u>1,769,646</u>	<u>2,680,537</u>
\$ 0	\$ 25,407	\$ 25,800
0	0	106,050
0	0	2,656
<u>0</u>	<u>25,407</u>	<u>134,506</u>
0	0	177,481
0	0	99,022
0	0	514,758
<u>10,531</u>	<u>1,744,239</u>	<u>1,754,770</u>
<u>10,531</u>	<u>1,744,239</u>	<u>2,546,031</u>
<u>\$ 10,531</u>	<u>\$ 1,769,646</u>	<u>\$ 2,680,537</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, 2019

	Special Revenue			
	Confiscated Assets	Federal Seized Drug	Technology Surcharges	Rental Motor Vehicle Excise Tax
REVENUES				
Taxes	\$ 0	\$ 0	\$ 0	\$ 116,707
Fees, fines, and forfeitures	0	14,630	66,547	0
Interest	0	49	0	0
Total revenues	0	14,679	66,547	116,707
EXPENDITURES				
Current				
General Government	0	0	79,274	0
Public Safety	0	33,963	0	0
Capital outlay	0	0	0	0
Total expenditures	0	33,963	79,274	0
Excess (deficiency) of revenues over (under) expenditures	0	(19,284)	(12,727)	116,707
Fund balances, September 1	507	117,799	190,208	398,051
Fund balances, August 31	\$ 507	\$ 98,515	\$ 177,481	\$ 514,758

<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>2009 SPLOST</u>	<u>2014 SPLOST</u>	
\$ 0	\$ 0	\$ 116,707
0	0	81,177
4	387	440
<u>4</u>	<u>387</u>	<u>198,324</u>
0	0	79,274
0	0	33,963
0	58,253	58,253
<u>0</u>	<u>58,253</u>	<u>171,490</u>
4	(57,866)	26,834
<u>10,527</u>	<u>1,802,105</u>	<u>2,519,197</u>
<u>\$ 10,531</u>	<u>\$ 1,744,239</u>	<u>\$ 2,546,031</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, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 5,959,656	\$ 4,734,957
Certificates of deposit	1,049,639	1,037,177
Receivables (net)		
Accounts	5,196	4,080
Taxes	197,747	279,122
Intergovernmental	72,879	44,347
Notes	0	785,000
Interest	157	1,539
Prepaid items	107,504	116,892
Due from other funds	669,100	1,530,640
	\$ 8,061,878	\$ 8,533,754
 LIABILITIES		
Payables		
Accounts	\$ 182,567	\$ 296,992
Retainages	5,460	0
Accrued salaries and payroll liabilities	170,283	150,333
Unearned revenue	37,349	12,069
Other liabilities	557,946	384,751
Due to other funds	0	1,418,181
	953,605	2,262,326
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	85,073	199,472
 FUND BALANCES		
Nonspendable:		
Prepaid items	107,504	116,892
Notes receivable	0	785,000
Unassigned	6,915,696	5,170,064
	7,023,200	6,071,956
Total fund balances	7,023,200	6,071,956
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,061,878	\$ 8,533,754

CITY OF NORCROSS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Taxes	\$ 8,635,938	\$ 7,883,658
Licenses and permits	1,116,272	499,293
Fines, fees and forfeitures	1,190,494	1,673,562
Charges for services	155,712	138,842
Intergovernmental	2,409,234	1,385,668
Interest	59,127	43,422
Contributions	15,650	0
Other	242,616	263,027
Total revenues	<u>13,825,043</u>	<u>11,887,472</u>
EXPENDITURES		
Current		
General Government	2,204,111	3,922,109
Judicial	408,844	387,156
Public Safety	6,017,629	5,778,514
Public Works	1,976,663	2,000,553
Culture and Recreation	864,690	615,541
Housing and Development	1,278,240	898,370
Total Current	<u>12,750,177</u>	<u>13,602,243</u>
Debt Service		
General Government	138,021	146,511
Public Safety	54,103	141,375
Total Debt Service	<u>192,124</u>	<u>287,886</u>
Total expenditures	<u>12,942,301</u>	<u>13,890,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>882,742</u>	<u>(2,002,657)</u>
Other financing sources (uses)		
Transfers in (out)		
Electric Utility Fund	0	482,153
2017 Revenue Bonds Fund	(17,024)	0
Issuance of long-term debt	84,026	818,682
Sales of capital assets	1,500	65,371
Total other financing sources (uses)	<u>68,502</u>	<u>1,366,206</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	951,244	(636,451)
Fund balances, September 1	<u>6,071,956</u>	<u>6,708,407</u>
Fund balances, August 31	<u><u>\$ 7,023,200</u></u>	<u><u>\$ 6,071,956</u></u>

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2019
(with comparative actual amounts for the year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 4,500,000	\$ 5,158,618	\$ 658,618	\$ 4,634,016
Motor vehicle tax	250,000	504,529	254,529	422,600
Cost, penalties, and interest	20,000	34,801	14,801	10,534
Total general property taxes	4,770,000	5,697,948	927,948	5,067,150
Intangible tax	46,000	72,509	26,509	58,699
Real estate transfer tax	25,000	34,867	9,867	29,674
Franchise tax	1,080,000	1,024,460	(55,540)	1,033,868
Insurance premium tax	1,000,000	1,087,596	87,596	1,008,479
Occupational tax	347,000	382,392	35,392	353,909
Alcoholic beverage excise tax	230,000	336,166	106,166	331,879
Total taxes	7,498,000	8,635,938	1,137,938	7,883,658
Licenses and permits				
Alcohol licenses	126,000	132,575	6,575	133,200
Building permits	400,000	968,286	568,286	344,929
Other permits	15,500	15,411	(89)	21,164
Total licenses and permits	541,500	1,116,272	574,772	499,293
Fines, fees and forfeitures	1,715,000	1,190,494	(524,506)	1,673,562
Charges for services	119,650	155,712	36,062	138,842
Intergovernmental	1,903,290	2,409,234	505,944	1,385,668
Interest	10,000	59,127	49,127	43,422
Contributions	0	15,650	15,650	0
Other	193,782	242,616	48,834	263,027
Total revenues	\$ 11,981,222	\$ 13,825,043	\$ 1,843,821	\$ 11,887,472

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2019
(with comparative actual amounts for the year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	\$ 107,232	\$ 99,926	\$ 7,306	\$ 104,390
Contract services	314,059	304,617	9,442	681,070
Supplies and materials	3,136	3,136	0	3,190
Total Governing Body	424,427	407,679	16,748	788,650
Administration				
Personal services	368,856	289,682	79,174	343,622
Contract services	139,788	201,187	(61,399)	1,251,533
Supplies and materials	9,046	6,555	2,491	4,389
Total Administration	517,690	497,424	20,266	1,599,544
City Clerk				
Personal services	166,999	124,859	42,140	98,460
Contract services	22,983	17,841	5,142	13,154
Supplies and materials	13,836	12,244	1,592	11,858
Total City Clerk	203,818	154,944	48,874	123,472
Chief Executive				
Personal services	83,041	81,066	1,975	79,999
Contract services	38,406	31,098	7,308	16,619
Supplies and materials	3,000	1,810	1,190	475
Total Chief Executive	124,447	113,974	10,473	97,093
Information Technology				
Personal services	102,567	74,145	28,422	105,769
Contract services	750,756	670,730	80,026	624,372
Supplies and materials	54,700	54,089	611	44,920
Capital outlay	95,213	84,026	11,187	397,009
Total Information Technology	1,003,236	882,990	120,246	1,172,070
Human Resources				
Personal services	158,947	81,011	77,936	2,293
Contract services	80,205	62,744	17,461	138,264
Supplies and materials	3,800	3,345	455	723
Total Human Resources	242,952	147,100	95,852	141,280
Total General Government	2,516,570	2,204,111	312,459	3,922,109

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2019
(with comparative actual amounts for the year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
Judicial				
Municipal Court				
Personal services	\$ 282,747	\$ 260,194	\$ 22,553	\$ 255,974
Contract services	160,006	145,178	14,828	128,576
Supplies and materials	5,200	3,472	1,728	2,606
Total Judicial	<u>447,953</u>	<u>408,844</u>	<u>39,109</u>	<u>387,156</u>
Public Safety				
Police				
Personal services	4,435,810	4,274,525	161,285	4,087,144
Contract services	386,937	361,894	25,043	315,479
Supplies and materials	260,508	250,504	10,004	195,382
Capital outlay	524,205	523,170	1,035	131,772
Total Police	<u>5,607,460</u>	<u>5,410,093</u>	<u>197,367</u>	<u>4,729,777</u>
E-911 Communications				
Personal services	587,757	548,314	39,443	586,183
Contract services	101,685	55,638	46,047	38,088
Supplies and materials	4,500	3,584	916	2,793
Capital outlay	4,265	0	4,265	421,673
Total E-911 Communications	<u>698,207</u>	<u>607,536</u>	<u>90,671</u>	<u>1,048,737</u>
Total Public Safety	<u>6,305,667</u>	<u>6,017,629</u>	<u>288,038</u>	<u>5,778,514</u>
Public Works				
Public Works Administration				
Personal services	484,506	459,835	24,671	495,995
Contract services	1,277,091	1,269,621	7,470	1,223,150
Supplies and materials	173,039	162,479	10,560	145,552
Capital outlay	175,474	84,728	90,746	135,856
Total Public Works Administration	<u>2,110,110</u>	<u>1,976,663</u>	<u>133,447</u>	<u>2,000,553</u>
Culture and Recreation				
Parks and Recreation				
Personal services	436,964	428,308	8,656	290,115
Contract services	334,717	334,148	569	269,914
Supplies and materials	72,976	72,975	1	40,758
Capital outlay	29,259	29,259	0	14,754
Total Culture and Recreation	<u>873,916</u>	<u>864,690</u>	<u>9,226</u>	<u>615,541</u>

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended August 31, 2019
(with comparative actual amounts for the year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
Housing and Development				
Community Development				
Personal services	\$ 464,556	\$ 457,210	\$ 7,346	\$ 356,048
Contract services	547,154	542,441	4,713	253,942
Supplies and materials	8,593	6,733	1,860	5,485
Total Community Development	1,020,303	1,006,384	13,919	615,475
Economic Development				
Personal services	112,834	98,009	14,825	106,267
Contract services	176,944	173,105	3,839	176,140
Supplies and materials	742	742	0	488
Total Economic Development	290,520	271,856	18,664	282,895
Total Housing and Development	1,310,823	1,278,240	32,583	898,370
Total Current	13,565,039	12,750,177	814,862	13,602,243
Debt Service				
General Government				
Information Technology	138,276	138,021	255	146,511
Public Safety				
E-911 Communications	54,103	54,103	0	141,375
Total Debt Service	192,379	192,124	255	287,886
Total expenditures	\$ 13,757,418	\$ 12,942,301	\$ 815,117	\$ 13,890,129

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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, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 106,557	\$ 101,413
LIABILITIES		
Other liabilities	\$ 106,050	\$ 100,906
FUND BALANCES		
Restricted for Public Safety	507	507
Total liabilities and fund balances	\$ 106,557	\$ 101,413

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, 2019
(with comparative actual amounts for the year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
REVENUES				
Other	\$ 0	\$ 0	\$ 0	\$ 0
Total revenues	0	0	0	0
EXPENDITURES				
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0
Fund balances, September 1	0	507	507	507
Fund balances, August 31	\$ 0	\$ 507	\$ 507	\$ 507

**CITY OF NORCROSS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2019 and 2018**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 709,343	\$ 372,890
Taxes receivable	138,468	128,021
Total assets	\$ 847,811	\$ 500,911
 LIABILITIES		
Accounts payable	\$ 361,584	\$ 104,262
 FUND BALANCES		
Assigned for Housing and Development	486,227	396,649
Total liabilities and fund balances	\$ 847,811	\$ 500,911

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, 2019
(with comparative actual amounts for the year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	\$ 849,799	\$ 902,199	\$ 52,400	\$ 728,636
Total revenues	<u>849,799</u>	<u>902,199</u>	<u>52,400</u>	<u>728,636</u>
EXPENDITURES				
Current				
Housing and Development				
Personal services	156,262	142,501	13,761	147,135
Contract services	756,413	670,120	86,293	670,578
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,728</u>
Total expenditures	<u>912,675</u>	<u>812,621</u>	<u>100,054</u>	<u>884,441</u>
Excess (deficiency) of revenues over (under) expenditures	(62,876)	89,578	152,454	(155,805)
Fund balances, September 1	<u>62,876</u>	<u>396,649</u>	<u>333,773</u>	<u>552,454</u>
Fund balances, August 31	<u><u>\$ 0</u></u>	<u><u>\$ 486,227</u></u>	<u><u>\$ 486,227</u></u>	<u><u>\$ 396,649</u></u>

CITY OF NORCROSS, GEORGIA
FEDERAL SEIZED DRUG SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 101,564	\$ 120,455
LIABILITIES		
Accounts payable	\$ 393	\$ 0
Due to other funds	<u>2,656</u>	<u>2,656</u>
Total liabilities	<u>3,049</u>	<u>2,656</u>
FUND BALANCES		
Restricted for Public Safety	<u>98,515</u>	<u>117,799</u>
Total liabilities and fund balances	<u>\$ 101,564</u>	<u>\$ 120,455</u>

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, 2019
(with comparative actual amounts for the year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines and forfeitures	\$ 32,000	\$ 14,630	\$ (17,370)	\$ 67,435
Interest	0	49	49	43
Total revenues	32,000	14,679	(17,321)	67,478
EXPENDITURES				
Current				
Public Safety				
Personal services	0	0	0	88,652
Supplies and materials	75,000	33,963	41,037	46,239
Capital outlay	0	0	0	59,976
Total expenditures	75,000	33,963	41,037	194,867
Excess (deficiency) of revenues over (under) expenditures	(43,000)	(19,284)	23,716	(127,389)
Fund balances, September 1	43,000	117,799	74,799	245,188
Fund balances, August 31	\$ 0	\$ 98,515	\$ 98,515	\$ 117,799

CITY OF NORCROSS, GEORGIA
TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 177,481	\$ 193,513
LIABILITIES		
Accounts payable	\$ 0	\$ 3,305
FUND BALANCES		
Restricted for General Government	177,481	190,208
Total liabilities and fund balances	\$ 177,481	\$ 193,513

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, 2019
(with comparative actual amounts for the year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines and forfeitures	\$ 110,000	\$ 66,547	\$ (43,453)	\$ 106,154
Total revenues	110,000	66,547	(43,453)	106,154
EXPENDITURES				
Current				
General Government				
Contract services	55,000	45,737	9,263	4,080
Supplies and materials	55,000	33,537	21,463	31,883
Total expenditures	110,000	79,274	30,726	35,963
Excess (deficiency) of revenues over (under) expenditures	0	(12,727)	(12,727)	70,191
Fund balances, September 1	0	190,208	190,208	120,017
Fund balances, August 31	\$ 0	\$ 177,481	\$ 177,481	\$ 190,208

CITY OF NORCROSS, GEORGIA
RENTAL MOTOR VEHICLE EXCISE TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
August 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 504,599	\$ 388,461
Taxes receivable	10,159	9,590
Total assets	\$ 514,758	\$ 398,051
FUND BALANCES		
Restricted for Housing and Development	\$ 514,758	\$ 398,051

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, 2019
(with comparative actual amounts for the fiscal year ended August 31, 2018)

	<u>2019</u>			<u>2018</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Taxes	\$ 70,000	\$ 116,707	\$ 46,707	\$ 105,076
EXPENDITURES				
Current				
Housing and Development				
Contract services	70,000	0	70,000	0
Excess (deficiency) of revenues over (under) expenditures	0	116,707	116,707	105,076
Fund balances, September 1	0	398,051	398,051	292,975
Fund balances, August 31	<u>\$ 0</u>	<u>\$ 514,758</u>	<u>\$ 514,758</u>	<u>\$ 398,051</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, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 10,531	\$ 10,527
FUND BALANCES		
Restricted for capital outlay	\$ 10,531	\$ 10,527

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, 2019 and 2018

	2019	2018
REVENUES		
Interest	\$ 4	\$ 5
EXPENDITURES		
Capital outlay		
Culture and Recreation	0	0
Excess (deficiency) of revenues over (under) expenditures	4	5
Fund balances, September 1	10,527	10,522
Fund balances, August 31	\$ 10,531	\$ 10,527

CITY OF NORCROSS, GEORGIA
2014 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,769,646	\$ 1,778,725
Intergovernmental receivable	0	28,400
	Total assets	\$ 1,807,125
	\$ 1,769,646	\$ 1,807,125
LIABILITIES		
Accounts payable	\$ 25,407	\$ 5,020
FUND BALANCES		
Restricted for capital outlay	1,744,239	1,802,105
	Total liabilities and fund balances	\$ 1,807,125
	\$ 1,769,646	\$ 1,807,125

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Interest	<u>\$ 387</u>	<u>\$ 288</u>
EXPENDITURES		
Capital outlay		
Public Works	<u>58,253</u>	<u>517,263</u>
Excess (deficiency) of revenues over (under) expenditures	(57,866)	(516,975)
Fund balances, September 1	<u>1,802,105</u>	<u>2,319,080</u>
Fund balances, August 31	<u><u>\$ 1,744,239</u></u>	<u><u>\$ 1,802,105</u></u>

CITY OF NORCROSS, GEORGIA
2017 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,241,590	\$ 1,421,189
Intergovernmental receivable	780,926	437,379
Due from other funds	50,909	0
Total assets	\$ 2,073,425	\$ 1,858,568
LIABILITIES		
Accounts payable	\$ 215,816	\$ 27,182
Retainages payable	13,800	0
Total liabilities	229,616	27,182
FUND BALANCES		
Restricted for capital outlay	1,843,809	1,831,386
Total liabilities and fund balances	\$ 2,073,425	\$ 1,858,568

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Intergovernmental	\$ 3,390,492	\$ 2,561,998
Interest	964	666
	<u>3,391,456</u>	<u>2,562,664</u>
Total revenues		
EXPENDITURES		
Capital outlay		
Public Works	1,639,215	626,694
Recreation	177,108	71,908
Debt Service	1,562,710	1,062,369
	<u>3,379,033</u>	<u>1,760,971</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	12,423	801,693
Fund balances, September 1	<u>1,831,386</u>	<u>1,029,693</u>
Fund balances, August 31	<u><u>\$ 1,843,809</u></u>	<u><u>\$ 1,831,386</u></u>

**CITY OF NORCROSS, GEORGIA
GRANTS CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS	\$ 0	\$ 0
LIABILITIES	0	0
FUND BALANCES		
Assigned	<u>0</u>	<u>0</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 0</u>

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, 2019 and 2018

	2019	2018
Other financing sources (uses)		
Transfers in (out)		
Solid Waste Fund	\$ 0	\$ 11,855
Fund balances, September 1	0	(11,855)
Fund balances, August 31	\$ 0	\$ 0

**CITY OF NORCROSS, GEORGIA
2017 REVENUE BOND
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
August 31, 2019 and 2018**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 6,129,701	\$ 7,949,663
Intergovernmental receivable	14,560	0
Total assets	6,144,261	7,949,663
LIABILITIES		
Accounts payable	\$ 3,566	\$ 21,217
Retainages payable	0	42,075
Due to other funds	50,909	0
Total liabilities	54,475	63,292
FUND BALANCES		
Restricted for capital outlay	6,089,786	7,886,371
Total liabilities and fund balances	\$ 6,144,261	\$ 7,949,663

CITY OF NORCROSS, GEORGIA
2017 REVENUE BOND
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the fiscal years ended August 31, 2019 and 2018

	2019	2018
REVENUES		
Intergovernmental	\$ 463,651	\$ 0
Interest	64,434	69,027
	528,085	69,027
EXPENDITURES		
Capital outlay		
Culture and Recreation	2,424,194	440,586
Debt Service	0	157,070
	2,424,194	597,656
Excess (deficiency) of revenues over (under) expenditures	(1,896,109)	(528,629)
Other financing sources (uses)		
Transfers in (out)		
General Fund	17,024	0
Electric Utility Fund	82,500	0
Proceeds from bond issuance	0	8,415,000
	99,524	8,415,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,796,585)	7,886,371
Fund balances, September 1	7,886,371	0
Fund balances, August 31	\$ 6,089,786	\$ 7,886,371

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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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Investments	\$ 7,234,565	\$ 8,029,256
Accounts receivable (net)	2,812,990	2,576,241
Prepaid items	33,700	48,201
Inventories	992,996	977,513
Notes receivable	24,362	0
Total current assets	<u>11,098,613</u>	<u>11,631,211</u>
Restricted assets		
MEAG Generation Trust		
Investments	5,486,768	5,155,361
Customer Deposits		
Investments	447,931	424,215
Total restricted assets	<u>5,934,699</u>	<u>5,579,576</u>
Capital assets		
Land	1,000	1,000
Electric system	10,810,106	10,482,227
Vehicles and equipment	1,266,922	1,274,108
Construction in progress	1,757,493	1,093,245
Accumulated depreciation	(4,368,141)	(4,120,376)
Total capital assets (net of accumulated depreciation)	<u>9,467,380</u>	<u>8,730,204</u>
Other assets		
Notes receivable	381,593	0
Total assets	<u>26,882,285</u>	<u>25,940,991</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	125,264	71,748
Deferred outflows of resources related to OPEB	5,367	845
Total deferred outflows of resources	<u>130,631</u>	<u>72,593</u>
LIABILITIES		
Current liabilities		
Payables		
Accounts	81,391	57,429
Intergovernmental	793,410	855,519
Sales tax	97,596	88,639
Accrued salaries and payroll liabilities	20,087	16,940
Compensated absences	22,356	20,078
Unearned revenue	86,899	86,899
Due to other funds	819,952	1,681,492
Total current liabilities	<u>1,921,691</u>	<u>2,806,996</u>
Current liabilities payable from restricted assets		
Customer deposits	447,931	424,215

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Noncurrent liabilities		
Net pension liability	\$ 129,489	\$ 110,730
Net OPEB liability	563,646	585,650
	<u>693,135</u>	<u>696,380</u>
Total liabilities	<u>3,062,757</u>	<u>3,927,591</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	81,016	77,481
Deferred inflows of resources related to OPEB	138,303	91,990
	<u>219,319</u>	<u>169,471</u>
NET POSITION		
Investment in capital assets	9,467,380	8,730,204
Restricted for MEAG generation projects	5,486,768	5,155,361
Unrestricted	8,776,692	8,030,957
	<u>23,730,840</u>	<u>21,916,522</u>
Total net position	<u>\$ 23,730,840</u>	<u>\$ 21,916,522</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for sales and services		
Electric sales	\$ 14,097,736	\$ 12,737,260
Other	51,787	36,057
	<u>14,149,523</u>	<u>12,773,317</u>
OPERATING EXPENSES		
Costs of sales and services	11,385,936	10,984,545
Personal services	1,297,104	1,153,777
Depreciation	289,105	295,682
	<u>12,972,145</u>	<u>12,434,004</u>
Operating income (loss)	<u>1,177,378</u>	<u>339,313</u>
Non-operating revenues (expenses)		
Investment revenue	554,596	138,399
Intergovernmental	164,844	470,435
	<u>719,440</u>	<u>608,834</u>
Net income (loss) before transfers	1,896,818	948,147
Transfers in (out)		
2017 Revenue Bond Fund	<u>(82,500)</u>	<u>(482,153)</u>
Change in net position	<u>1,814,318</u>	<u>465,994</u>
Net position, September 1 (original)	21,916,522	21,396,937
Prior period adjustments	<u>0</u>	<u>53,591</u>
Net position, September 1 (restated)	<u>21,916,522</u>	<u>21,450,528</u>
Net position, August 31	<u><u>\$ 23,730,840</u></u>	<u><u>\$ 21,916,522</u></u>

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 13,893,660	\$ 13,060,239
Payments to suppliers	(11,425,065)	(11,135,673)
Payments to employees	(1,303,114)	(1,122,934)
Other receipts	51,787	36,057
Net cash provided (used) by operating activities	<u>1,217,268</u>	<u>837,689</u>
Cash flows from non-capital financing activities		
Payments to other funds	(944,040)	(328,645)
Receipts from other governments	164,844	470,435
Net cash provided (used) by non-capital financing activities	<u>(779,196)</u>	<u>141,790</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,026,281)</u>	<u>(42,957)</u>
Cash flows from investing activities:		
Interest received	554,596	138,399
Proceeds from sale of investment	439,568	0
Issuance of note receivable	(405,955)	0
Purchase of investments	0	(1,148,921)
Net cash provided (used) by investing activities	<u>588,209</u>	<u>(1,010,522)</u>
Net increase (decrease) in cash and cash equivalents	0	(74,000)
Cash and cash equivalents, September 1	<u>0</u>	<u>74,000</u>
Cash and cash equivalents, August 31	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 1,177,378</u>	<u>\$ 339,313</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	289,105	295,682
(Increase) decrease in accounts receivable	(236,749)	310,188
(Increase) decrease in prepaid items	14,501	13,587
(Increase) decrease in inventories	(15,483)	(102,966)
(Increase) decrease in deferred outflows related to OPEB	(53,516)	205
(Increase) decrease in deferred outflows related to pension	(4,522)	(47,827)
Increase (decrease) in accounts payable	23,962	(67,655)
Increase (decrease) in intergovernmental payables	(62,109)	5,906
Increase (decrease) in deposits payable	23,716	9,970
Increase (decrease) in sales tax payable	8,957	2,821
Increase (decrease) in accrued payroll liabilities	5,425	4,435
Increase (decrease) in net OPEB liability	(22,004)	(50,942)
Increase (decrease) in deferred inflows related to pension	3,535	15,808
Increase (decrease) in deferred inflows related to OPEB	46,313	91,990
Increase (decrease) in net pension liability	18,759	17,174
Total adjustments	<u>39,890</u>	<u>498,376</u>
Net cash provided (used) by operating activities	<u>\$ 1,217,268</u>	<u>\$ 837,689</u>

**CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2019 and 2018**

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 936,856	\$ 3,662
Accounts receivable (net)	456,173	433,010
Due from other funds	53,508	1,471,689
Total current assets	1,446,537	1,908,361
Restricted assets		
Customer deposits		
Cash and cash equivalents	211,834	187,893
Capital assets		
Vehicles and equipment	106,401	108,617
Total assets	1,764,772	2,204,871
LIABILITIES		
Current liabilities		
Accounts payable	269,207	714,432
Unearned revenue	195,063	187,232
Total current liabilities	464,270	901,664
Current liabilities payable from restricted assets		
Customer deposits	211,834	187,893
Total liabilities	676,104	1,089,557
NET POSITION		
Investment in capital assets	106,401	108,617
Unrestricted	982,267	1,006,697
Total net position	\$ 1,088,668	\$ 1,115,314

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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	\$ 3,158,074	\$ 3,086,108
Other	9,835	54
	3,167,909	3,086,162
OPERATING EXPENSES		
Costs of sales and services	3,027,577	2,761,992
Personal services	164,761	104,462
Depreciation	2,217	2,217
	3,194,555	2,868,671
Operating income (loss)	(26,646)	217,491
Net position, September 1 (restated)	1,115,314	897,823
Net position, August 31	\$ 1,088,668	\$ 1,115,314

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 3,176,518	\$ 3,083,005
Payments to suppliers	(3,472,802)	(2,286,933)
Payments to employees	<u>(164,761)</u>	<u>(104,462)</u>
Net cash provided (used) by operating activities	<u>(461,045)</u>	<u>691,610</u>
Cash flows from non-capital financing activities		
Receipts from other funds	1,418,180	0
Payments to other funds	<u>0</u>	<u>(1,091,105)</u>
Net cash provided (used) by non-capital financing activities	<u>1,418,180</u>	<u>(1,091,105)</u>
Net increase (decrease) in cash and cash equivalents	957,135	(399,495)
Cash and cash equivalents, September 1	<u>191,555</u>	<u>591,050</u>
Cash and cash equivalents, August 31	<u><u>\$ 1,148,690</u></u>	<u><u>\$ 191,555</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (26,646)</u>	<u>\$ 217,491</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,217	2,217
(Increase) decrease in accounts receivable	(23,163)	(21,758)
Increase (decrease) in accounts payable	(445,225)	475,059
Increase (decrease) in unearned revenue	7,831	0
Increase (decrease) in deposits payable	<u>23,941</u>	<u>18,601</u>
Total adjustments	<u>(434,399)</u>	<u>474,119</u>
Net cash provided by operating activities	<u><u>\$ (461,045)</u></u>	<u><u>\$ 691,610</u></u>
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	\$ 936,856	\$ 3,662
Customer deposits		
Cash and cash equivalents	<u>211,834</u>	<u>187,893</u>
Total cash and cash equivalents	<u><u>\$ 1,148,690</u></u>	<u><u>\$ 191,555</u></u>

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
August 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 731,183	\$ 874,727
Accounts receivable (net)	735,045	744,646
Prepaid items	1,601	2,806
Due from other funds	100,000	100,000
Total current assets	1,567,829	1,722,179
Capital assets		
Storm water system	1,260,306	919,788
Vehicles and equipment	393,572	393,572
Accumulated depreciation	(418,532)	(387,410)
Total capital assets (net of accumulated depreciation)	1,235,346	925,950
Total assets	2,803,175	2,648,129
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	41,624	26,591
LIABILITIES		
Current liabilities		
Accounts payable	14,380	70,744
Accrued salaries and payroll liabilities	4,816	3,462
Compensated absences	8,247	5,664
Total current liabilities	27,443	79,870
Noncurrent liabilities		
Net pension liability	64,394	59,125
Net OPEB liability	324,958	330,729
Total noncurrent liabilities	389,352	389,854
Total liabilities	416,795	469,724
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	18,001	17,009
Deferred inflows of resources related to OPEB	37,719	25,088
Total deferred inflows of resources	55,720	42,097
NET POSITION		
Net investment in capital assets	1,235,346	890,681
Unrestricted	1,136,938	1,272,218
Total net position	\$ 2,372,284	\$ 2,162,899

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for sales and services		
Storm water fees	\$ 1,019,042	\$ 988,346
OPERATING EXPENSES		
Costs of sales and services	308,387	270,123
Personal services	470,148	424,051
Depreciation	31,122	30,132
Total operating expenses	<u>809,657</u>	<u>724,306</u>
Operating income (loss)	209,385	264,040
Transfers in (out)		
Grants Fund	<u>0</u>	<u>(11,855)</u>
Change in net position	<u>209,385</u>	<u>252,185</u>
Net position, September 1 (original)	2,162,899	1,891,628
Prior period adjustments	<u>0</u>	<u>19,086</u>
Net position, September 1 (restated)	<u>2,162,899</u>	<u>1,910,714</u>
Net position, August 31	<u><u>\$ 2,372,284</u></u>	<u><u>\$ 2,162,899</u></u>

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,028,643	\$ 968,560
Payments to suppliers	(328,277)	(246,075)
Payments to employees	(468,123)	(418,100)
	<u>232,243</u>	<u>304,385</u>
Cash flows from non-capital financing activities		
Payments to other funds	<u>0</u>	<u>(100,000)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(340,518)	(129,321)
Payment of capital related accounts payable	(35,269)	0
	<u>(375,787)</u>	<u>(129,321)</u>
Net cash provided (used) by capital and related financing activities	<u>(375,787)</u>	<u>(129,321)</u>
Net increase (decrease) in cash and cash equivalents	(143,544)	75,064
Cash and cash equivalents, September 1	<u>874,727</u>	<u>799,663</u>
Cash and cash equivalents, August 31	<u><u>\$ 731,183</u></u>	<u><u>\$ 874,727</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 209,385</u>	<u>\$ 264,040</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	31,122	30,132
(Increase) decrease in accounts receivable	9,601	(19,786)
(Increase) decrease in prepaid items	1,205	1,500
(Increase) decrease in deferred outflows related to pension	(15,033)	(15,177)
Increase (decrease) in accounts payable	(21,095)	22,548
Increase (decrease) in payroll liabilities	3,937	(818)
Increase (decrease) in net OPEB liability	(5,771)	(13,607)
Increase (decrease) in deferred inflows related to pension	992	5,016
Increase (decrease) in deferred inflows related to OPEB	12,631	25,088
Increase (decrease) in net pension liability	5,269	5,449
	<u>22,858</u>	<u>40,345</u>
Total adjustments	<u>22,858</u>	<u>40,345</u>
Net cash provided by operating activities	<u><u>\$ 232,243</u></u>	<u><u>\$ 304,385</u></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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	<u>\$ 183,871</u>	<u>\$ 197,031</u>
LIABILITIES		
Due to other agencies	<u>\$ 183,871</u>	<u>\$ 197,031</u>

CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended August 31, 2019

	<u>Balance September 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance August 31</u>
ASSETS				
Cash and cash equivalents	\$ 197,031	\$ 1,766,724	\$ (1,779,884)	\$ 183,871
LIABILITIES				
Due to others agencies	\$ 197,031	\$ 1,766,724	\$ (1,779,884)	\$ 183,871

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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, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 352,368	\$ 142,323
Property held for resale	463,748	1,988,665
Restricted assets		
Cash and cash equivalents	7,643,046	0
Total assets	\$ 8,459,162	\$ 2,130,988
LIABILITIES		
Payables		
Accounts	\$ 8,390	\$ 20,054
Customer deposits	3,320	3,320
Notes	405,955	785,000
Total liabilities	417,665	808,374
FUND BALANCES		
Nonspendable:		
Property held for resale	463,748	1,988,665
Restricted for Housing and Development	7,577,749	(666,051)
Total fund balances	8,041,497	1,322,614
Total liabilities and fund balances	\$ 8,459,162	\$ 2,130,988

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, 2019
(With comparative actual amounts for the fiscal year ended August 31, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 62,000	\$ 65,797	\$ 3,797	\$ 1,143,214
Interest	50	30,790	30,740	52
Rent	131,795	188,722	56,927	117,035
Other	0	14,686	14,686	0
Total revenues	193,845	299,995	106,150	1,260,301
EXPENDITURES				
Current				
Housing and Development				
Contract services	150,866	146,068	4,798	128,485
Supplies and materials	31,793	12,232	19,561	17,285
Capital outlay	20,000	0	20,000	0
Intergovernmental	0	1,569,061	(1,569,061)	0
Debt service	358,798	584,486	(225,688)	194,000
Total expenditures	561,457	2,311,847	(1,750,390)	339,770
Excess (deficiency) of revenues over (under) expenditures	(367,612)	(2,011,852)	(1,644,240)	920,531
Other financing sources (uses)				
Proceeds from bond issuance	0	8,195,000	8,195,000	0
Proceeds from property held for resale	501,482	535,735	34,253	0
Contingency	(133,870)	0	133,870	0
Total other financing sources (uses)	367,612	8,730,735	8,363,123	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	6,718,883	6,718,883	920,531
Fund balances, September 1	0	1,322,614	1,322,614	402,083
Fund balances, August 31	\$ 0	\$ 8,041,497	\$ 8,041,497	\$ 1,322,614

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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, 2019, 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 January 15, 2020.

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 deficiency in internal control to be a material weakness:

2019-001

Condition: The 2018 financial statements were restated for errors and incorrectly reported amounts. The beginning balances were materially restated.

Criteria: Generally accepted accounting principles require that assets and liabilities be properly calculated and recorded.

Cause: The City did not sufficiently review year-end procedures before issuing financial statements.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated.

2019-001, continued

Recommendation: Management should review their year-end procedures for recording assets and liabilities.

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

City of Norcross, Georgia's Responses to Findings

The City of Norcross, Georgia's responses to the 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
January 15, 2020

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STATE REPORTING SECTION

CITY OF NORCROSS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended August 31, 2019

<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	\$ 2,827,586	\$ 58,253	\$ 2,885,839
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>\$ 5,611,000</u>	<u>\$ 58,253</u>	<u>\$ 5,669,253</u>

2017 SPLOST Referendum					
Transportation (roads, streets, bridges, and related facilities and equipment)	\$ 6,098,265	\$ 6,098,265	\$ 626,694	\$ 1,179,686	\$ 1,806,380
Recreational Facilities and Equipment	4,573,698	4,573,698	603,092	743,265	1,346,357
Parking Facilities	4,573,698	4,573,698	531,185	781,355	1,312,540
Total	<u>\$ 15,245,661</u>	<u>\$ 15,245,661</u>	<u>\$ 1,760,971</u>	<u>\$ 2,704,306</u>	<u>\$ 4,465,277</u>

Total expenditures and transfers out of 2017 SPLOST	\$ 3,379,033
Expenditures financed through other revenue sources for Transportation	(459,530)
Expenditures financed through other revenue sources for Recreation	(215,197)
	<u>\$ 2,704,306</u>

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.