CITY OF NORCROSS, GEORGIA

Annual Financial Report

For the Year Ended December 31, 2006

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CITY OF NORCROSS, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2006

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Independent Auditor's Report

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

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 year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Norcross, Georgia's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 December 31, 2006, and the respective changes in the financial position and cash flows, where applicable, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2007 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods or measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 special purpose local option sales tax report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, and the special purpose local option sales tax report have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Certified Public Accountants

Gainesville, Georgia
May 2, 2007

CITY OF NORCROSS

Mayor: Lillian Webb

Mayor Pro Tem: Charlie Riehm
Council Members
Jeff Allen
Terry Bowie
David McLeroy
Keith Shewbert

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 December 31, 2006. 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 $41,067,816 (reported as "net assets"). Of this amount, $14,396,087 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by $3,096,790.
- The City's governmental funds reported combined ending fund balances of $12,900,616. Approximately 84 percent of this amount, $10,853,947, is available for spending at the City's discretion (unreserved fund balance in the General Fund).
- The City's proprietary funds reported net assets of $14,934,001 at year end, a decrease of $931,826 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 assets 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 assets 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 Assets

The statement of net assets (page 15), presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The City's net assets, 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 assets 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 16), presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 Assets 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 59.

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 assets 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 Special Purpose Local Option Sales Tax (SPLOST) Capital Projects Fund is also considered a major fund.

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

The City's basic governmental fund financial statements can be found on pages 17-21 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 assets 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 three enterprise funds to account for separate business-type activities, and the major funds are reported in the basic proprietary fund financial statements on pages 22-25 of this report. The City of Norcross uses enterprise funds to account for its water, sewer, electric and solid waste functions. The Water and Sewer Utility, Electric 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 26.

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 27-58 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 18 and 20 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.

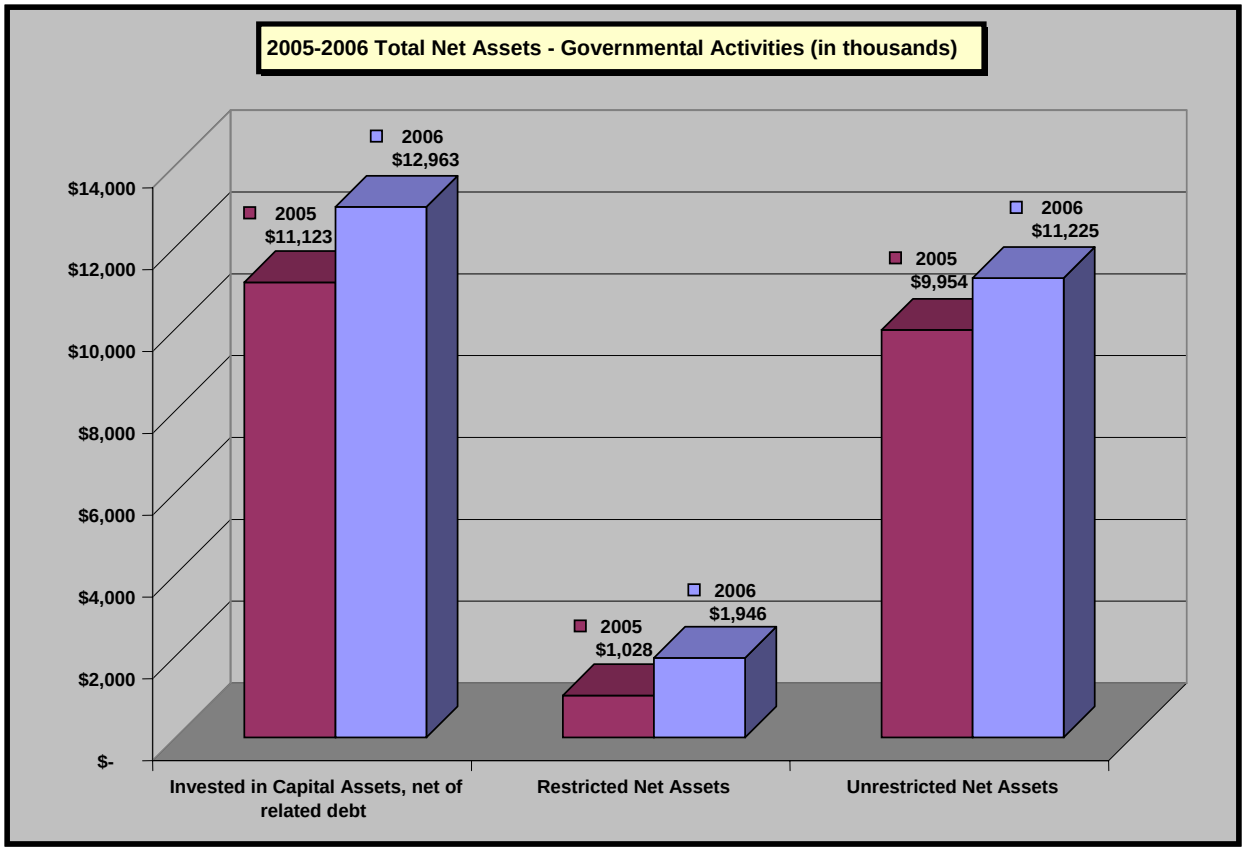
GOVERNMENT-WIDE FINANCIAL ANALYSIS

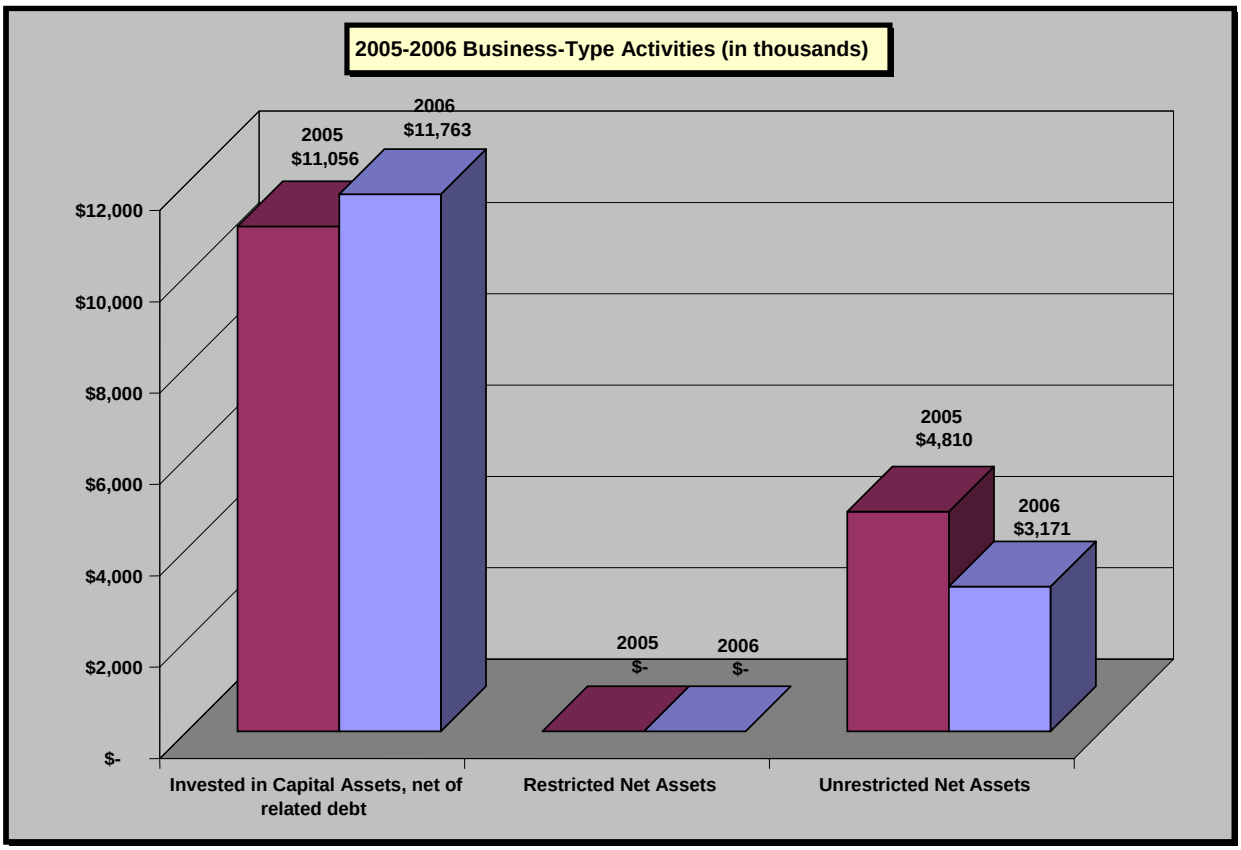
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Norcross, assets exceeded liabilities by $41,067,816 as of December 31, 2006. The following table provides a summary of the City's governmental and business-type net assets for the years ended December 31.

City of Norcross
Net Assets as of December 31, 2006 and 2005
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	$13,779	$11,734	$5,304	$6,109	$19,082	$17,842
Net Capital Assets	13,856	11,453	11,763	11,056	25,618	22,510
Total Assets	27,634	23,187	17,066	17,165	44,700	40,352
Current Liabilities	1,300	815	2,132	1,299	3,432	2,114
Long-term Liabilities	200	267	0	0	200	267
Total Liabilities	1,500	1,082	2,132	1,299	3,633	2,381
Invested in Capital Assets, net of related debt	12,963	11,123	11,763	11,056	24,726	22,179
Restricted Net Assets	1,946	1,028	0	0	1,946	1,028
Unrestricted Net Assets	11,225	9,954	3,171	4,810	14,396	14,763
Total Net Assets	$26,134	$22,105	$14,934	$15,866	$41,068	$37,971

The largest portion of the City's net assets (60%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.


2005-2006 Total Net Assets - Governmental Activities (in thousands)
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
2005 $11,123
2006 $12,963
2005 $1,028
2006 $1,946
2005 $9,954
2006 $11,225
Invested in Capital Assets, net of related debt
Restricted Net Assets
Unrestricted Net Assets


2005-2006 Business-Type Activities (in thousands)
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
2005 $11,056
2006 $11,763
2005 $-
2006 $-
2005 $4,810
2006 $3,171
Invested in Capital Assets, net of related debt
Restricted Net Assets
Unrestricted Net Assets

Restricted net assets totaling $1,945,967 are constrained by debt covenants or legal requirements and are not available for day-to-day operations of the City. The remaining balance of unrestricted net assets ($14,396,087) may be used to meet the City's ongoing obligations to citizens and creditors. The portion of unrestricted net assets from business-type activities was $3,171,357 at the end of the year. The City had positive balances in both categories of net assets for the government as a whole as of December 31, 2006.

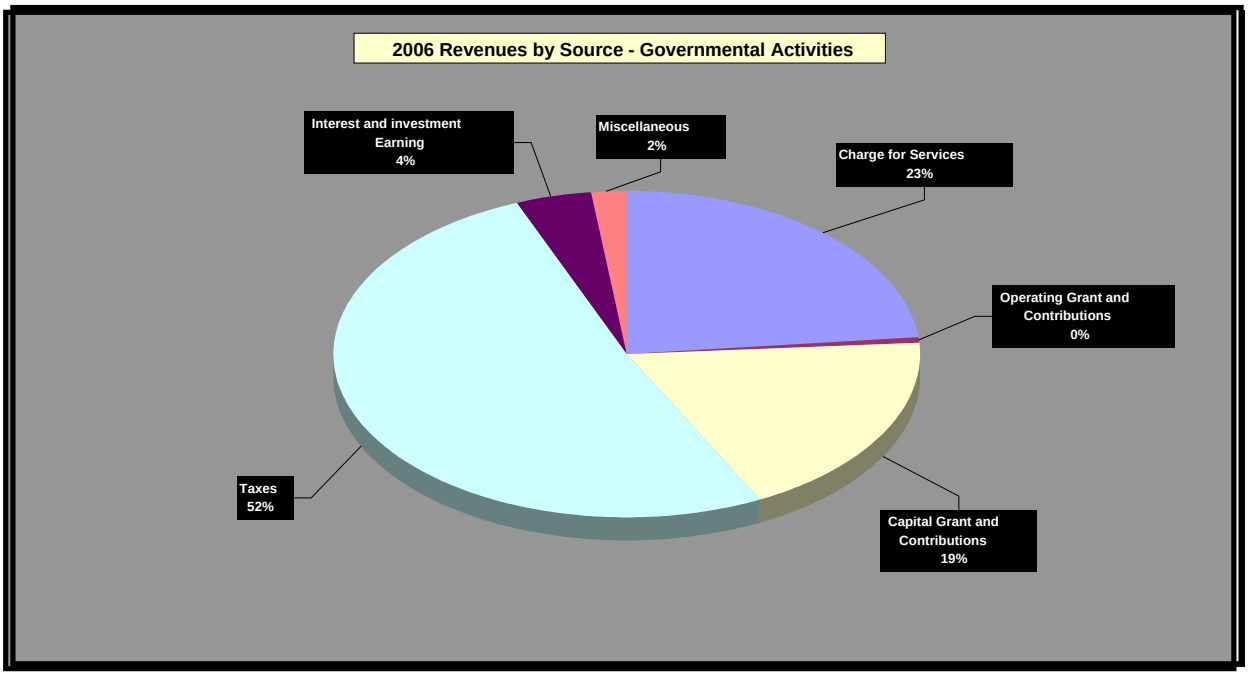
The City's net assets increased by $3,886,329 during the current year. Governmental activities resulted in an increase in net assets of $4,028,616, while business-type activities resulted in an decrease of net assets of $142,287. The following table was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the year.

City of Norcross
Changes in Net Assets for the Years ended December 31, 2006 and 2005
(in Thousands)

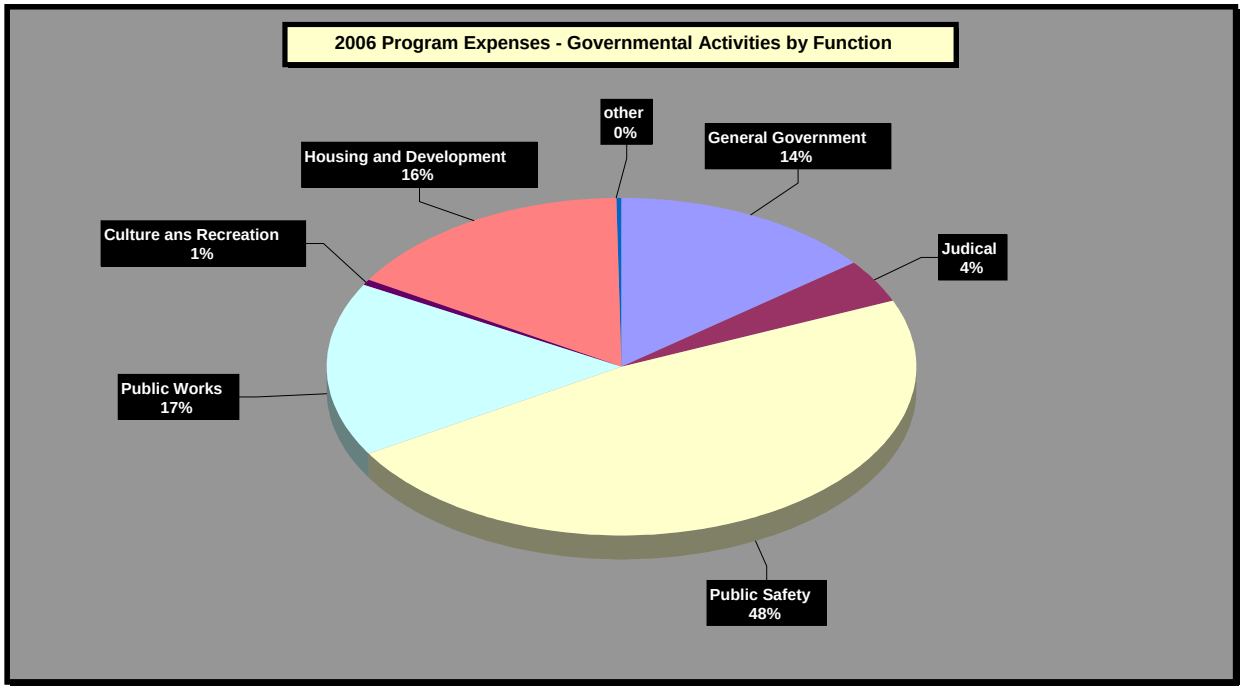
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	$2,658	$1,879	$13,048	$12,502	$15,706	$14,381
Operating Grants and Contributions	37	114	0	0	37	114
Capital Grants and Contributions	2,107	1,535	72	0	2,179	1,535
General Revenues:						
Taxes	5,849	5,358	0	0	5,849	5,358
Interest and Investment Earnings	460	292	179	58	639	350
Miscellaneous	218	95	5	6	223	101
Total Revenues	11,329	9,273	13,304	12,566	24,633	21,839
Expenses:						
General Government	1,051	786	0	0	1,051	786
Judicial	308	283	0	0	308	283
Public Safety	3,479	3,150	0	0	3,479	3,150
Public Works	1,220	1,229	0	0	1,220	1,229
Culture and Recreation	40	92	0	0	40	92
Housing and Development	1,187	450	0	0	1,187	450
Interest on long-term debt	15	0	0	0	15	0
Water and Sewer	0	0	2,827	2,195	2,827	2,195
Electric	0	0	8,864	7,572	8,864	7,572
Solid Waste	0	0	1,755	1,544	1,755	1,544
Total Expenses	7,300	5,990	13,446	11,311	20,746	17,301
Change in Net Assets	4,029	3,283	(142)	1,255	3,887	4,538
Net Assets - January 1	22,105	18,848	15,866	13,730	37,971	32,578
Prior period adjustments	0	(26)	(790)	881	(790)	855
Net Assets - December 31	$26,134	$22,105	$14,934	$15,866	$41,068	$37,971

Governmental Activities. Governmental activities increased the net assets of the City by $4,028,616. Revenues for the City's governmental activities increased by 22.2% ($2,056,038) over December 31, 2005. This increase in revenue was the result of additional revenue amounts for Taxes and Charges for Services and the reduction in expenses were due to the general fund expenses being less than what was actually budgeted. Revenues were up 22.2% and expenses were up 21.9%.

Revenue for governmental activities was $11.3 million. The major revenue sources were taxes (52%), charges for services (24%) and capital grants and contributions (19%).

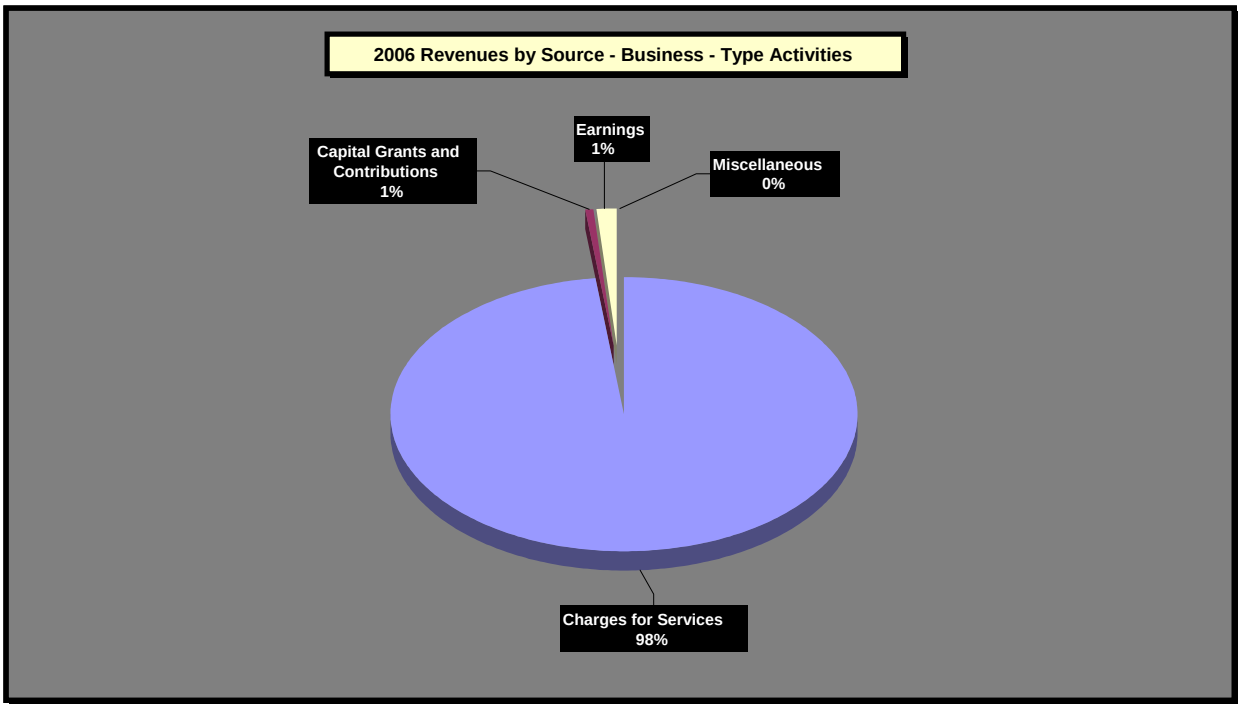


Expenditures were $7.3 million, of which public safety accounted for 48%, public works 17%, and general government 14%.

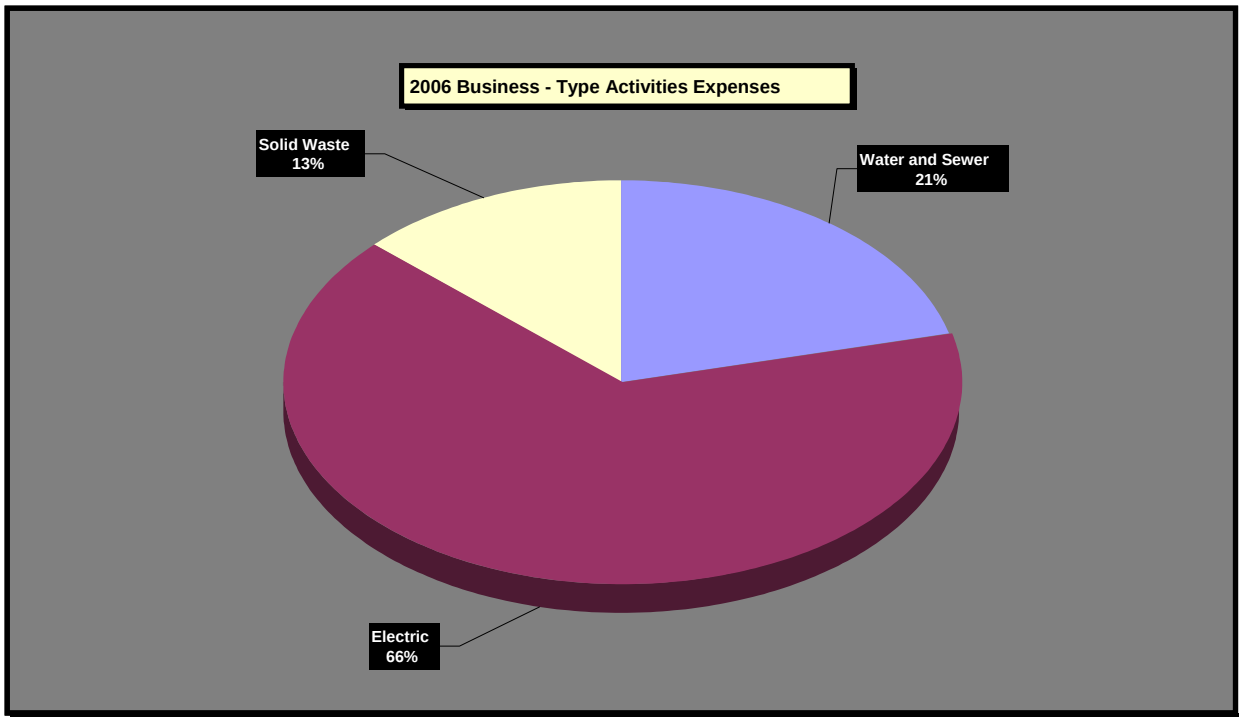


Business-type Activities. Business-type activities decreased the City's net assets by $142,287. Key elements of this increase were as follows:

Sales for business-type activities were $13,047,825, an increase of 10% over the prior year sales of $12,501,808.



Expenditures were $13.4 million, of which Electric accounted for 66%, Water/Sewer 21% and Solid Waste 13%.



The Water and Sewer Utility Enterprise Fund net assets decreased by $452,483. The decrease in net assets was due to unexpected costs to repair water/sewer lines.

The Electric Utility Enterprise Fund net assets decreased $656,461. The decrease in net asset was due to cost associated with updating electrical lines for new residential and commercial customers.

The Solid Waste Utility Enterprise Fund net assets increased by $177,118. The increase in revenue was due to the cost of providing service for new residential and commercial customers, without an increase from the current solid waste vendor.

Review pages 76-84 (Exhibit F-1 thru F-9) for 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 unreserved 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 four governmental funds.

At the end of the current year, the City's General Fund reported an ending fund balance of $10,954,649, an increase of $932,742 or 9% in comparison with the prior year. Approximately 99% of this amount ($10,853,947) constitutes an unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved and is not available for new spending because it has already been committed for other restricted purposes.

As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The unreserved fund balance represents 142% (one and a half times) of total general fund expenditures for the current year.

Key factors in the increase of the General Fund's fund balance of $932,742 during the current year are:

- The General Fund’s fund balance increased by $932,742. This increase is due to revenue being up by 7.1% and expenditures being up 16.38% for year end 2006.
- Tax revenue increased by $113,906 as a result of additional revenues in various types of taxes.
- Investment earnings increase by $142,471 due to higher interest rates on investments.
- Licenses and permits increased by $63,517.
- Fine, fees and forfeitures increased by $165,614.

Review pages 61-65 for information on the General Fund.

SPECIAL REVENUE FUNDS

- Confiscated Assets Revenue balance for 2005 was $8,877 and the 2006 balance was $14,105. An increase of 59% over 2005 ($5,228)
- Hotel/Motel Tax Special Revenue Funds balance for 2005 was $137,388 and the 2006 balance was $260,025. An increase of 90% over 2005 ($122,637)
- Federal Seized Drug Fund was established during 2006. Therefore, no comparative data is available.
- Technology Surcharges Fund was established during 2006. Therefore, no comparative data is available.

CAPITAL PROJECTS FUND

- SPLOST balance for 2005 was $882,014 and the 2006 balance was $1,472,702. An increase of 67% over 2005 ($590,688).

PRIOPRIETARY FUNDS

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

Net assets of the City's three proprietary funds are as follows:

Water and Sewer Utility	$ 6,859,735
Electric Utility	7,644,223
Solid Waste	430,043

The decrease in net assets for the funds was $931,826. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund 2006 adopted budget was $8,776,322. Final year end budget total was $9,548,130. The year end budget total exceed the original adopted budget by $771,808.

The major budget amendments were in the amount of $500,000 to DDA, $88,766 for the acquisition of 54 Jones Street, and $258,000 for the acquisition of College Street (all funds were allocated out prior year expenditures).

There were minor amendments to the budget. These amendments were line item transfers and departmental transfers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The investment in capital assets for the City's governmental and business-type activities as of December 31, 2006, amounted to $25,618,181 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and distribution systems for water/sewer and electricity.

During the year ended December 31, 2006, the City invested $4,269,559 in new capital assets. Investment for business-type activities totaled $1,149,563 while $3,119,996 was for governmental activities. Major capital asset events during the current year included the following:

Governmental Activities - $3119,996 total

$982,537	Purchases of Land
$177,177	Construction in Progress
$1,022,640	Buildings
$664,720	Infrastructure
$242,225	Vehicles and equipment
$30,697	Furniture and Fixtures

Business-type Activities - $1,149,563 total

$287,685	Construction in progress
$751,452	Investment in the water/sewer and electrical distribution systems
$110,426	Vehicles and equipment

More information on capital assets may be found in the Notes to the Financial Statements, Exhibit A-12, on pages 44-45 of this report.

Debt Administration

At the end of the current year, the City had outstanding debt. The city purchase of 54 Jones Street has a balance of $267,419 with an interest rate of 4.38%. Quarterly payments of principal and interest in the amount of $19,402 are due through September 1, 2010. The payment of this purchase was budgeted from the General Fund. The purchase of Barton Street property has a balance of $625,000 with an interest rate of 0.0%. Monthly payments of $100,000 are due through May 31, 2007; the final payment of $125,000 is due on June 30, 2007. The funds for this purchase were obligated out of 2005 SPLOST Funds.

More information on long-term debt may be found in the Notes to the Financial Statements, Exhibit A-12, on pages 46-48 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 December 31, 2007. Budget calculations were based on, but not limited to, the following factors:

- Even though water/sewer rates increased in 2005, they will need to be increased again in order to fund capital projects (such as water and sewer line improvements).
- Implementing and administering storm water program.
- SPLOST funds from Gwinnett County are being received at an average monthly rate of $135,000. These funds are restricted for Roads and Streets, Recreation Facilities, and Public Safety. This will help defer some cost from the General Fund.
- Tee-Grant and LCI revenues and expenses will be recognized during 2007.
- Departmental expenditures were budgeted to conform with last year, with only small incremental increases except for the administrative department. The City will hire a City Engineer, Building Inspector, Financial Analyst, Court/Marshal/Police Staff and 2nd Floor Coordinator.
- Repair and resurface roads.
- The cost of gasoline for the City operations.
- Increase in employees benefits.
- Maintenance and upgrade City park structures.
- Acquisition of building and land for a community center.

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. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Financial Services Director, 65 Lawrenceville Street, Norcross GA, 30071.

BASIC FINANCIAL STATEMENTS

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 2,826,440	$ 266,014	$ 3,092,454	$ 108,519
Equity in pooled cash	1,416,554	303,389	1,719,943	0
Certificates of deposit	6,995,197	1,068,309	8,063,506	0
Investments	435,455	1,054,024	1,489,479	300,000
Property held for resale	0	0	0	370,994
Restricted assets				
Cash and cash equivalents	0	318,783	318,783	0
Equity in pooled cash	0	94,494	94,494	0
Receivables (net)				
Accounts	297	1,570,128	1,570,425	0
Taxes	1,164,120	0	1,164,120	0
Intergovernmental	404,616	0	404,616	0
Interest	21,044	2,254	23,298	16,500
Notes	258,000	0	258,000	5,257
Internal balances	156,277	(156,277)	0	0
Prepaid items	76,734	27,961	104,695	0
Inventories	23,968	754,433	778,401	0
Total current assets	13,778,702	5,303,512	19,082,214	801,270
Noncurrent assets				
Capital assets				
Non-depreciable	3,617,989	298,185	3,916,174	0
Depreciable (net)	10,237,548	11,464,459	21,702,007	0
Total noncurrent assets	13,855,537	11,762,644	25,618,181	0
Total assets	27,634,239	17,066,156	44,700,395	801,270
LIABILITIES				
Current liabilities				
Payables				
Accounts	142,203	232,362	374,565	0
Intergovernmental	0	1,425,783	1,425,783	0
Sales tax	0	38,279	38,279	0
Accrued salaries	28,771	2,751	31,522	0
Compensated absences	162,983	3,846	166,829	0
Other liabilities	274,048	0	274,048	6,035
Notes payable	692,166	0	692,166	0
Liabilities payable from restricted assets				
Customer deposits payable	0	429,134	429,134	0
Total current liabilities	1,300,171	2,132,155	3,432,326	6,035
Noncurrent assets				
Notes payable	200,253	0	200,253	258,000
Total liabilities	1,500,424	2,132,155	3,632,579	264,035
NET ASSETS				
Invested in capital assets, net of related debt	12,963,118	11,762,644	24,725,762	0
Restricted for:				
Public Safety	213,240	0	213,240	0
Housing and Development	260,025	0	260,025	0
Capital projects	1,472,702	0	1,472,702	0
Unrestricted	11,224,730	3,171,357	14,396,087	537,235
Total net assets	$ 26,133,815	$ 14,934,001	$ 41,067,816	$ 537,235

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General Government	$ 1,051,381	$ 442,291	$ 0	$ 0	$ (609,090)
Judicial	308,342	0	0	0	(308,342)
Public Safety	3,478,808	1,928,740	7,598	0	(1,542,470)
Public Works	1,220,347	0	26,988	273,018	(920,341)
Culture and Recreation	39,479	0	1,958	1,810,340	1,772,819
Housing and Development	1,187,190	286,861	0	23,720	(876,609)
Interest on long-term debt	14,428	0	0	0	(14,428)
Total governmental activities	7,299,975	2,657,892	36,544	2,107,078	(2,498,461)
Business-type activities					
Water and Sewer Utility	2,827,104	2,489,108	0	72,240	(265,756)
Electric Utility	8,864,096	8,633,921	0	0	(230,175)
Solid Waste	1,755,287	1,924,796	0	0	169,509
Total business-type activities	13,446,487	13,047,825	0	72,240	(326,422)
Total primary government	20,746,462	15,705,717	36,544	2,179,318	(2,824,883)
Component Unit					
Downtown Development Authority					
Housing and Development	94,220	0	0	0	(94,220)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net assets				
Net (expense) revenue	$ (2,498,461)	$ (326,422)	$ (2,824,883)	$ (94,220)
General revenues				
Taxes				
Property	4,023,298	0	4,023,298	0
Franchise	938,441	0	938,441	0
Insurance premium	440,683	0	440,683	0
Intangibles	42,184	0	42,184	0
Alcoholic beverage	191,068	0	191,068	0
Hotel/Motel	193,191	0	193,191	0
Other	20,198	0	20,198	0
Interest and investment earnings	459,793	179,440	639,233	11,156
Payment from City of Norcross	0	0	0	500,000
Payment from component unit	32,189	0	32,189	0
Gain on sale of assets	9,955	0	9,955	0
Miscellaneous	176,077	4,695	180,772	360
Total general revenues	6,527,077	184,135	6,711,212	511,516
Change in net assets	4,028,616	(142,287)	3,886,329	417,296
Net assets - beginning (original)	22,105,199	15,865,827	37,971,026	119,939
Prior period adjustments	0	(789,539)	(789,539)	0
Net assets - beginning (restated)	22,105,199	15,076,288	37,181,487	119,939
Net assets - ending	$ 26,133,815	$ 14,934,001	$ 41,067,816	$ 537,235

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	General	SPLOST	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 1,512,660	$ 1,100,540	$ 213,240	$ 2,826,440
Equity in pooled cash	1,187,773	0	228,781	1,416,554
Certificates of deposit	6,995,197	0	0	6,995,197
Investments	435,455	0	0	435,455
Receivables (net)				
Accounts	297	0	0	297
Taxes	1,131,645	0	32,475	1,164,120
Intergovernmental	0	404,616	0	404,616
Interest	21,044	0	0	21,044
Notes	258,000	0	0	258,000
Prepaid items	76,734	0	0	76,734
Inventories	23,968	0	0	23,968
Due from other funds	188,731	0	0	188,731
Total assets	$ 11,831,504	$ 1,505,156	$ 474,496	$ 13,811,156
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables				
Accounts	$ 140,972	$ 0	$ 1,231	$ 142,203
Accrued salaries	28,771	0	0	28,771
Deferred revenue	433,064	0	0	433,064
Due to other funds	0	32,454	0	32,454
Other liabilities	274,048	0	0	274,048
Total liabilities	876,855	32,454	1,231	910,540
Fund balances				
Reserved for:				
Prepaid items	76,734	0	0	76,734
Inventories	23,968	0	0	23,968
Unreserved	10,853,947	1,472,702	0	12,326,649
Special Revenue	0	0	473,265	473,265
Total fund balances	10,954,649	1,472,702	473,265	12,900,616
Total liabilities and fund balances	$ 11,831,504	$ 1,505,156	$ 474,496	$ 13,811,156

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
December 31, 2006

Total fund balance - total governmental funds	$	12,900,616
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of $16,471,940, net of accumulated depreciation of ($2,616,403), are not financial resources and, therefore, are not reported in the funds.		13,855,537
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds. These include deferred property taxes of $433,064.		433,064
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These notes payable of ($892,419) and compensated absences of ($162,983)		(1,055,402)
Net assets of governmental activities	$	26,133,815

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2006

	General	SPLOST	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	$ 5,318,301	$ 0	$ 193,191	$ 5,511,492
Licenses and permits	681,587	0	0	681,587
Fines, fees and forfeitures	1,472,918	0	379,851	1,852,769
Charges for services	123,536	0	0	123,536
Intergovernmental	162,817	1,810,340	0	1,973,157
Investment	431,062	23,494	5,237	459,793
Contributions	195,029	0	0	195,029
Other	176,077	0	0	176,077
Total revenues	8,561,327	1,833,834	578,279	10,973,440
EXPENDITURES				
Current				
General Government	858,962	0	0	858,962
Judicial	306,486	0	0	306,486
Public Safety	3,334,719	0	175,534	3,510,253
Public Works	1,590,535	0	0	1,590,535
Culture and Recreation	33,679	0	0	33,679
Housing and Development	1,519,159	0	75,745	1,594,904
Capital outlay	0	2,721,691	0	2,721,691
Total expenditures	7,643,540	2,721,691	251,279	10,616,510
Excess (deficiency) of revenues over (under) expenditures	917,787	(887,857)	327,000	356,930
Other financing sources (uses)				
Transfers in	0	253,545	0	253,545
Transfers out	(253,545)	0	0	(253,545)
Proceeds from notes payable	0	1,225,000	0	1,225,000
Proceeds from sale of capital assets	268,500	0	0	268,500
Total other financing sources (uses)	14,955	1,478,545	0	1,493,500
Net change in fund balance	932,742	590,688	327,000	1,850,430
Fund balances, January 1	10,021,907	882,014	146,265	11,050,186
Fund balances, December 31	$ 10,954,649	$ 1,472,702	$ 473,265	$ 12,900,616

See accompanying notes to the financial statements.

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 year ended December 31, 2006

Net change in fund balances - total governmental funds	$	1,850,430
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. This is the amount by which capital outlays of $3,112,371 exceeded depreciation of ($459,595) in the current period.		2,652,776
In the statement of activities, the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of ($258,545).		(258,545)
Contibutions of capital assets from component unit increase net assets in the statement of activites, but do not appear in the governmental funds because they are not financial resources.		7,625
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred revenue.		337,571
The proceeds of debt issuance provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds of ($1,225,000) exceeded repayments of $663,179.		(561,821)
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. These include the net decrease in compensated absences.		580
Change in net assets of governmental activities	$	4,028,616

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2006

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 5,160,650	$ 5,160,650	$ 5,318,301	$ 157,651
Licenses and permits	539,500	539,500	681,587	142,087
Fines, fees and forfeitures	1,827,500	1,827,500	1,472,918	(354,582)
Charges for services	35,400	35,400	123,536	88,136
Intergovernmental	1,089,400	1,109,400	162,817	(946,583)
Investment	200,000	200,000	431,062	231,062
Contributions	0	0	195,029	195,029
Other	51,000	51,000	176,077	125,077
Total revenues	8,903,450	8,923,450	8,561,327	(362,123)
EXPENDITURES				
Current				
General Government				
Administration	682,840	751,550	615,452	136,098
City Clerk	319,171	269,171	178,399	90,772
Chief Executive	0	70,859	65,111	5,748
Judicial				
Municipal Court	321,274	319,774	306,486	13,288
Public Safety				
Marshal	271,613	443,500	270,516	172,984
Police	3,454,457	3,244,801	3,064,203	180,598
Public Works				
Public Works Administration	687,129	662,129	437,857	224,272
Highways and Streets	1,210,190	1,256,898	1,152,678	104,220
Culture and Recreation				
Parks and Recreation	0	61,467	33,679	27,788
Housing and Development				
Community Development	1,829,648	1,967,981	1,019,159	948,822
Agency allocations	0	500,000	500,000	0
Total expenditures	8,776,322	9,548,130	7,643,540	1,904,590
Excess (deficiency) of revenues over (under) expenditures	127,128	(624,680)	917,787	1,542,467
Other financing sources (uses)				
Transfers in (out)				
Transfers out	0	(256,345)	(253,545)	2,800
Proceeds from sale of capital assets	0	0	268,500	268,500
Contingency	(127,128)	(238,223)	0	238,223
Total other financing sources (uses)	(127,128)	(494,568)	14,955	509,523
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(1,119,248)	932,742	2,051,990
Fund balances, January 1	0	1,119,248	10,021,907	8,902,659
Fund balances, December 31	$ 0	$ 0	$ 10,954,649	$ 10,954,649

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

	Business Type			
	Water and Sewer Utility	Electric Utility	Solid Waste	Totals
ASSETS				
Current assets				
Cash and cash equivalents	$ 0	$ 266,014	$ 0	$ 266,014
Equity in pooled cash	0	0	303,389	303,389
Certificates of deposit	0	1,068,309	0	1,068,309
Investments	0	1,054,024	0	1,054,024
Restricted assets				
Cash and cash equivalents	30,388	288,395	0	318,783
Equity in pooled cash	0	0	94,494	94,494
Receivables (net)				
Accounts	314,026	1,020,583	235,519	1,570,128
Interest	0	2,254	0	2,254
Prepaid items	7,393	18,509	2,059	27,961
Inventories	70,221	684,212	0	754,433
Total current assets	422,028	4,402,300	635,461	5,459,789
Noncurrent assets				
Capital assets				
Non-depreciable	57,186	240,999	0	298,185
Depreciable (net)	7,483,689	3,980,770	0	11,464,459
Total noncurrent assets	7,540,875	4,221,769	0	11,762,644
Total assets	7,962,903	8,624,069	635,461	17,222,433
LIABILITIES				
Current liabilities				
Payables				
Accounts	103,643	17,795	110,924	232,362
Intergovernmental	802,058	623,725	0	1,425,783
Sales tax	0	38,279	0	38,279
Accrued salaries	1,273	1,478	0	2,751
Compensated absences	3,028	818	0	3,846
Due to other funds	146,921	9,356	0	156,277
Liabilities payable from restricted assets				
Customer deposits payable	46,245	288,395	94,494	429,134
Total liabilities	1,103,168	979,846	205,418	2,288,432
NET ASSETS				
Invested in capital assets	7,540,875	4,221,769	0	11,762,644
Unrestricted	(681,140)	3,422,454	430,043	3,171,357
Total net assets	$ 6,859,735	$ 7,644,223	$ 430,043	$ 14,934,001

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended December 31, 2006

	Business Type			
	Water and Sewer Utility	Electric Utility	Solid Waste	Totals
OPERATING REVENUES				
Charges for sales and services	$ 2,470,735	$ 8,574,209	$ 1,911,017	$ 12,955,961
Other	18,349	64,444	13,766	96,559
Total operating revenues	2,489,084	8,638,653	1,924,783	13,052,520
OPERATING EXPENSES				
Costs of sales and services	2,105,339	8,298,217	1,592,091	11,995,647
Personal services	422,746	421,747	163,196	1,007,689
Depreciation	299,019	144,132	0	443,151
Total operating expenses	2,827,104	8,864,096	1,755,287	13,446,487
Operating income (loss)	(338,020)	(225,443)	169,496	(393,967)
Non-operating revenues (expenses)				
Investment revenue	7,249	164,569	7,622	179,440
Income (loss) before capital contributions	(330,771)	(60,874)	177,118	(214,527)
Capital contributions				
Capital contributions	72,240	0	0	72,240
Change in net assets	(258,531)	(60,874)	177,118	(142,287)
Net assets, January 1 (original)	7,312,218	8,300,684	252,925	15,865,827
Prior period adjustments	(193,952)	(595,587)	0	(789,539)
Net assets, January 1 (restated)	7,118,266	7,705,097	252,925	15,076,288
Net assets, December 31	$ 6,859,735	$ 7,644,223	$ 430,043	$ 14,934,001

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2006

	Business Type			
	Water and Sewer Utility	Electric Utility	Solid Waste	Totals
Cash flows from operating activities:				
Receipts from customers	$ 2,472,494	$ 8,582,910	$ 1,914,057	$ 12,969,461
Payments to suppliers	(2,082,788)	(8,224,125)	(1,592,275)	(11,899,188)
Payments to employees	(420,968)	(421,370)	(163,196)	(1,005,534)
Other receipts (payments)	18,349	64,444	13,766	96,559
Net cash provided (used) by operating activities	(12,913)	1,859	172,352	161,298
Cash flows from non-capital financing activities:				
Receipts from other funds	146,921	0	0	146,921
Payments to other funds	0	(340,263)	0	(340,263)
Net cash provided (used) by non-capital financing activities	146,921	(340,263)	0	(193,342)
Cash flows from capital and related financing activities:				
Acquisition of fixed assets	(567,315)	(550,842)	0	(1,118,157)
Cash flows from investing activities:				
Interest received	7,249	184,422	7,622	199,293
Proceeds from sale of investments	0	2,073,112	0	2,073,112
Purchase of investments	0	(1,345,418)	0	(1,345,418)
Net cash provided (used) by investing activities	7,249	912,116	7,622	926,987
Net increase (decrease) in cash and cash equivalents	(426,058)	22,870	179,974	(223,214)
Cash and cash equivalents, January 1	456,446	531,539	217,909	1,205,894
Cash and cash equivalents, December 31	$ 30,388	$ 554,409	$ 397,883	$ 982,680

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2006

	Business Type			
	Water and Sewer Utility	Electric Utility	Solid Waste	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (338,020)	$ (225,443)	$ 169,496	$ (393,967)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	299,019	144,132	0	443,151
(Increase) decrease in accounts receivable	(18,581)	(60,384)	(13,935)	(92,900)
(Increase) decrease in prepaid items	(2,937)	(3,505)	573	(5,869)
(Increase) decrease in inventories	(6,337)	132,837	0	126,500
Increase (decrease) in accounts payable	(174,867)	(83,044)	(757)	(258,668)
Increase (decrease) in intergovernmental payable	206,692	19,872	0	226,564
Increase (decrease) in sales tax payable	0	7,932	0	7,932
Increase (decrease) in accrued payroll liabilities	1,778	377	0	2,155
Increase (decrease) in deposits payable	20,340	69,085	16,975	106,400
Total adjustments	325,107	227,302	2,856	555,265
Net cash provided (used) by operating activities	$ (12,913)	$ 1,859	$ 172,352	$ 161,298
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	$ 0	$ 266,014	$ 0	$ 266,014
Equity in pooled cash	0	0	303,389	303,389
Restricted assets				
Cash and cash equivalents	30,388	288,395	0	318,783
Equity in pooled cash	0	0	94,494	94,494
Total cash and cash equivalents	$ 30,388	$ 554,409	$ 397,883	$ 982,680

Noncash investing, capital, and financing activities:

Change in fair value on investments totaled $1,263 and $5,663 for 2006 and 2005, respectively.

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2006

	Municipal Court Agency Fund
ASSETS	
Equity in pooled cash	$ 257,287
Accounts receivable (net)	204,934
Total assets	$ 462,221
LIABILITIES	
Due to other agencies	$ 462,221

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

1. Description of Government Unit

The City of Norcross was established in 1870. The City operates under a council/mayor 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, electric, and sanitation 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. Basis of Presentation

The financial statements of the City of Norcross, Georgia, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the City are discussed below.

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.

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 a December 31st year-end. Individual financial statements may be obtained by contacting the City of Norcross Downtown Development Authority, 65 Lawrenceville Street, Norcross, GA 30071.

C. Government-wide and Fund Financial Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.

2. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements, continued

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for the City. Fiduciary activities of the City are not included in these statements.

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under 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. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities that normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements and Permanent funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. The City considers property taxes as available in the period for which they were levied if they are collected within 60 days subsequent to year-end. A 60-day availability period is also used for revenue recognition for all other governmental fund revenue.

The City reports the following major governmental fund:

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.

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.

The City reports the following major proprietary funds:

Water and Sewer Utility Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Norcross.

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

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.

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.

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).

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, are generally followed in the governmental and business-type activities and enterprise fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option for following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer, electric, and solid waste functions and the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. 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.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all governmental fund types, prior to December 31, except for the Capital Project Fund. The Capital Projects Fund is 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.

At the beginning of September 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 October 1.

During November and December, 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 December 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.

2. Summary of Significant Accounting Policies (continued)

F. 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.

G. 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.

H. Inventories

Inventories of the Water and Sewer Utility and Electric Utility Enterprise Funds are valued at cost on the average cost method.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items.

J. 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

2. Summary of Significant Accounting Policies (continued)

J. Capital Assets, continued

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical costs nor related depreciation have historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for years ending in 2007. The City has elected to implement the general provisions of GASB Statement No. 34 and intends to fully implement the retroactive infrastructure provisions in the year ending December 31, 2007.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life in Years	Capitalization 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
Equipment	7-10	$ 2,000
Vehicles	5	$ 2,000
Furniture and fixtures	7-10	$ 2,000
Land improvements	25-50	$ 2,000

All land will be valued and capitalized.

2. Summary of Significant Accounting Policies (continued)

J. Capital Assets, continued

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.

K. 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.

L. 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 assets. 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.

2. Summary of Significant Accounting Policies (continued)

M. 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.

N. Reservations and Designations of Fund Balances

Reservations represent the portions of fund balances which are not appropriable for expenditure or have been segregated for specific future uses by legal mandate. Designations represent the portions of fund balance for which the government has made tentative plans.

O. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain 2005 amounts have been reclassified to conform with the 2006 presentation.

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.

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.

3. Deposit and Investment Risk (continued)

Credit Risk

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

Concentration of Credit Risk

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

Foreign currency risk

The City has no investments denominated in a foreign currency.

At December 31, 2006, the City's investments in debt securities had the following maturities and credit ratings:

Investment	Fair Value	Maturity	Credit Rating	
Fannie Mae	417,908	10/29/2007	AAA	S & P

The City is a participant in the Municipal Electric Authority of Georgia (MEAG). The MEAG board approves an annual system budget from which MEAG 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 MEAG's Voluntary Flexible Operating Account fund in lieu of receiving a refund. This voluntary stabilization fund is 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 MEAG Voluntary Flexible Operating Account is not rated; at December 31, 2006, the average weighted maturity of the fund was 2.3 months. At December 31, 2006, the City's balance in the Voluntary Flexible Operating Account was $1,054,024.

3. Deposit and Investment Risk (continued)

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 AAAm rated money market funds. Georgia Fund 1 is managed by the Georgia Office of Treasury and Fiscal Services. 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 managed by the Georgia Office of Treasury and Financial Services. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board.

Georgia Fund 1 is rated AAAm by Standard & Poor's. The weighted average maturity at December 31, 2006 was 16 days. At December 31, 2006, the City's balance in Georgia Fund 1 was $43,096.

4. Accounts Receivable

Net accounts receivable at December 31, 2006 consist of the following:

Major Funds		
General Fund		$ 297
Enterprise Funds		
Water and Sewer Utility	315,086	
Less: Allowances for Uncollectibles	(1,060)	
Electric Utility	1,024,028	
Less: Allowances for Uncollectibles	(3,445)	
Solid Waste	236,314	
Less: Allowances for Uncollectibles	(795)	1,570,128
Total Primary Government		$ 1,570,425
Fiduciary Funds		
Agency Funds		
Municipal Court	$ 332,592	
Less: Allowances for Uncollectibles	(127,658)	$ 204,934

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2006 consist of the following:

Major Funds	
SPLOST Capital Projects	
Gwinnett County, Georgia	$ 404,616

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2006 consist of property taxes for seven years as follows:

Year of Levy	Amount
2006	$ 637,203
2005	58,303
2004	7,310
2003	3,763
2002	484
2001	556
2000	1,470
	709,089
Less allowance for uncollectible	(25,109)
Total	$ 683,980

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 2006, based upon the assessments of January 1, 2006, were billed on September 20, 2006 and due on November 20, 2006. Tax liens are issued 90 days after the due date. The tax rate of 6.527 mills, with a tax rollback of .429 mills, for 2006 was levied on July 10, 2006.

Other Taxes

$432,945 of franchise taxes, $32,475 of hotel/motel taxes, and $14,720 of alcohol excise taxes are also included in taxes receivable.

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables is as follows:

	Due from: Major Funds			
	SPLOST	Water and Sewer Utility	Electric Utility	**Total**
Due to:				
Major Funds				
General	$ 32,454	$ 146,921	$ 9,356	$ 188,731

The balance reported as Due to/Due from represent loans between the borrow funds and the lender fund. The balances reported in the General Fund as due from the Water and Sewer Utility and Electric Utility Funds resulted from transactions to alleviate equity in pooled cash deficits at year-end. The balance reported in the General Fund as due from the SPLOST Capital Projects Fund resulted from expenditures paid for in the General Fund which will be reimbursed by the SPLOST Fund; these expenditures are in compliance with the applicable SPLOST referendum. These balances are expected to be paid back within the next year.

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

A summary of interfund transfers is as follows:

	Transfers out: Major Funds
	General
Tranfers in:	
Major Funds	
SPLOST	$ 253,545

The transfer between the General and SPLOST Funds was a reimbursement for land purchased in the prior year. The City originally planned to use this land for recreational purposes; the purchase was in compliance with the SPLOST referendum. During 2006, the City Council decided to use the land for other purposes, which were not in compliance with the SPLOST referendum. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

8. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2006 was as follows:

	Balance 12/31/2005	Increases	Decreases	Balance 12/31/2006
Governmental activities				
Non-depreciable assets				
Land	$ 2,429,095	$ 982,537	$ (258,545)	$ 3,153,087
Construction in progress	772,950	177,177	(485,225)	464,902
Total nondepreciable assets	3,202,045	1,159,714	(743,770)	3,617,989
Depreciable assets				
Buildings	7,723,548	1,022,640	0	8,746,188
Infrastructure	1,146,203	1,149,945	0	2,296,148
Vehicles and equipment	1,341,415	242,225	(20,313)	1,563,327
Furniture and fixtures	217,591	30,697	0	248,288
Total depreciable assets	10,428,757	2,445,507	(20,313)	12,853,951
Accumulated depreciation				
Buildings	(956,544)	(217,892)	0	(1,174,436)
Infrastructure	(61,943)	(45,598)	0	(107,541)
Vehicles and equipment	(1,019,617)	(163,140)	20,313	(1,162,444)
Furniture and fixtures	(139,017)	(32,965)	0	(171,982)
Total accumulated depreciation	(2,177,121)	(459,595)	20,313	(2,616,403)
Total depreciable assets, net	8,251,636	1,985,912	0	10,237,548
Governmental activities capital assets, net	$ 11,453,681	$ 3,145,626	$ (743,770)	$ 13,855,537
Business-type activities				
Non-depreciable assets				
Land	$ 10,500	$ 0	$ 0	$ 10,500
Construction in progress	134,407	287,685	(134,407)	287,685
Total non-depreciable assets	144,907	287,685	(134,407)	298,185
Depreciable assets				
Distribution system	15,256,628	885,859	0	16,142,487
Vehicles and equipment	617,857	110,426	0	728,283
Total depreciable assets	15,874,485	996,285	0	16,870,770
Accumulated depreciation				
Distribution system	(4,364,243)	(413,649)		(4,777,892)
Vehicles and equipment	(598,917)	(29,502)	0	(628,419)
Total accumulated depreciation	(4,963,160)	(443,151)	0	(5,406,311)
Total depreciable assets, net	10,911,325	553,134	0	11,464,459
Business-type activities capital assets, net	$ 11,056,232	$ 840,819	$ (134,407)	$ 11,762,644

8. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 195,695
Judicial	1,642
Public Safety	159,023
Public Works	87,527
Culture and Recreation	11,931
Housing and Development	3,777
Total depreciation expense for governmental activities	$ 459,595
Business-type activities	
Water and Sewer Utility	$ 299,019
Electric Utility	144,132
Total depreciation expense for business-type activities	$ 443,151

The reconciliation of additions to capital assets for governmental activities is as follows:

	Governmental Activities
Current year capital outlays	$ 3,112,371
Current capital asset addition paid for by Downtown Development Component unit and transferred to Primary Government	7,625
Prior year construction in progress placed into service and reclassified as infrastructure	485,225
Additions to capital assets	$ 3,605,221

9. Operating Lease Agreements

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

10. Long-Term Debt

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

Notes Payable

Governmental Activities

On November 23, 2005, the City entered into an owner-financed lending agreement for the purchase of real property in the original amount of $350,000. At December 31, 2006, the balance of this note is $267,419. Quarterly installments of principal and interest are due through September 1, 2010; interest at 4.38%.

On June 30, 2006, the City entered into an owner-financed lending agreement for the purchase of real property in the original amount of $1,225,000. At December 31, 2006, the balance of this note is $625,000. Monthly installments of principal are due through June 30, 2007; interest at 0.0%.

Annual debt service requirements for notes payable are as follows:

Year ending December 31,	Principal	Interest	Total
2007	$ 692,166	$ 10,442	$ 702,608
2008	70,105	7,502	77,607
2009	73,174	4,434	77,608
2010	56,974	1,231	58,205
Totals	$ 892,419	$ 23,609	$ 916,028

10. Long-Term Debt (continued)

Downtown Development Authority Component Unit

On December 20, 2006, the Downtown Development Authority entered into an owner-financed lending agreement with the City of Norcross for the purchase of real property in the original amount of $258,000. At December 31, 2006, the balance of this note is $258,000. Payment of principal is due on December 1, 2009; interest at 0.0%. The Downtown Development Authority has the right to extend the due date until December 31, 2011. It is the intent of the Authority to repay upon sale of the real property purchased from the City.

Annual debt service requirements for note payables are as follows:

Year ending December 31,	Principal
2009	$ 258,000

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for fiscal year ended December 31, 2006:

	Balance 12/31/2005	Additions	Deductions	Balance 12/31/2006	Due Within One Year
Governmental activities					
Notes payable	$ 330,598	$ 1,225,000	$ 663,179	$ 892,419	$ 692,166
Compensated absences	163,563	162,983	163,563	162,983	162,983
Total governmental activities	$ 494,161	$ 1,387,983	826,742	$ 1,055,402	$ 855,149
Business-type activities					
Compensated absences	$ 2,400	$ 3,846	$ 2,400	$ 3,846	$ 3,846
Downtown Development Authority Component Unit					
Notes payable	$ 0	$ 258,000	$ 0	$ 258,000	$ 0

10. Long-Term Debt (continued)

Revenue bond issue costs and discounts/premiums are amortized over the life of the related debt using the straight-line method. In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated by the General Fund.

11. Reserved Equity Balances

General Fund

Reserved for prepaid items - An amount of $76,734 has been reserved for prepaid items since this amount is not legally available for appropriation.

Reserved for inventories - An amount of $23,968 has been reserved for prepaid items since this amount is not legally available for appropriation.

12. Changes in Beginning Balances

Business-type Activities

Water and Sewer Utility Enterprise Fund

A prior period adjustment has been made to record an unrecorded intergovernmental payable at December 31, 2005. This adjustment decreased beginning net assets by $193,952. The 2005 intergovernmental payables and unrestricted net asset amounts have been restated to reflect this adjustment.

Electric Utility Enterprise Fund

A prior period adjustment has been made to record an unrecorded account payable at December 31, 2005. This adjustment decreased beginning net assets by $595,587. The 2005 accounts payable and unrestricted net asset amounts have been restated to reflect this adjustment.

The net effect of these adjustments is to decrease beginning net assets in the Business-type Activities by $789,539.

13. Intradepartmental Billings

Total operating revenues and total operating expenses in the Water and Sewer Utility, Electric Utility, and Solid Waste Enterprise Funds include $15,412, $102,742, and $32,563, respectively, of intra departmental billings for water and sewer, electricity, and sanitation usage.

14. Retirement Plans

Plan Description

The City of Norcross is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of March 1, 1986, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 – Summary of Significant Accounting Policies for reporting of investments.

All City employees who work a minimum of forty hours per week are eligible to participate in the Plan after completing one year of service. Mayor and Council are not eligible to participate in the plan. Benefits vest after five years of service. Participants become eligible to retire with unreduced benefits at age 65 with five years of service or at age 62 with ten years of service.

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

14. Retirement Plans (continued)

Plan Description, continued

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 1.55% of the employee's average salary up to a floating break point and 2.00% of the employee's average salary above the floating break point for the five highest years of employment multiplied by the years of credited service. The floating break point is based upon average Social Security earnings determined by the employee's year of employment termination. The plan also provides benefits in the event of death or disability. These benefits provisions were established by an adoption agreement executed by the City Council.

Vested employees who have reached age 55 with at least ten years of credited service are eligible to receive an early retirement benefit, payable monthly for life, reduced on an actuarial equivalent basis. Death benefits and optional forms of retirement income on an actuarial equivalent basis are also available.

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	17
Terminated vested participants entitled to but not yet receiving benefits	13
Active participants	69
Total number of participants	99

14. Retirement Plans (continued)

Funding Policy

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The current rate is 10.9% of annual covered payroll. The Plan is a noncontributory participant plan. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of GASB Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1986 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The remaining amortization period at March 1, 2006 varies for the bases. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

Annual Pension Cost

For 2006, the City's annual pension cost of $316,122 was equal to the City's recommended and actual contributions. The minimum contribution was $296,664. The recommended contribution (projected to March 1, 2006) was computed as part of an actuarial valuation as of March 1, 2006. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 5.5 percent per year compounded annually (5.0 percent and 0.5 percent attributable to inflation and merit, respectively), (c) no post-retirement benefit increases.

14. Retirement Plans (continued)

Historical Trend Information

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

Pension Cost Information

Funding Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
3/1/2001	$ 174,327	100%	$ 0
3/1/2002	219,273	100%	0
3/1/2003	250,150	100%	0
3/1/2004	270,164	100%	0
3/1/2005	276,648	100%	0
3/1/2006	316,122	100%	0

Schedule of Funding Progress

Actuarial Valuation Date March 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Funded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2001	$ 2,309,117	$ 2,482,223	$ 173,106	93.03%	$ 2,104,487	8.23%
2002	2,582,203	2,901,599	319,396	88.99%	2,466,111	12.95%
2003	2,804,274	3,325,297	521,023	84.33%	2,685,600	19.40%
2004	3,173,763	3,855,802	682,039	82.31%	2,654,578	25.69%
2005	3,605,144	4,164,295	559,151	86.57%	2,837,542	19.71%
2006	4,035,170	4,834,638	799,468	83.46%	2,912,963	27.45%

Additional ten year historical trend information can be found in separate reports issued by GMA, which provides information about progress made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets is calculated as the roll forward of prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during 10 prior years.

15. 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 a maximum of 25% of their salary, 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 2006, the City contributed $61,774 to the plans based on covered salaries of $2,606,252. Plan members made voluntary contributions of $156,781 to the plans. Total payroll was $3,763,812.

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.

16. Post Employment Health Care Benefits

In addition to providing pension benefits, the City provides, through passage of local ordinance, certain health care benefits for retired employees. City employees who retired prior to January 1, 1999 with 10 years of service and employees who retired after January 1, 1999 with 20 years of service are eligible for those benefits. The City's share of retiree health care benefits is recognized as an expenditure as premiums are paid. As of December 31, 2006, there were 14 retirees eligible for the benefits. For 2006, the cost of providing these benefits totaled $157,512. Offsetting revenues of $1,743 were recognized at the time contributions were received by the retirement plan administrator.

17. Hotel/Motel Lodging Tax

The City has levied a 3% lodging tax. A summary of the transactions for the year ending December 31, 2006, follows:

Lodging Tax Receipts	$193,191	
Disbursements to promote trade and tourism	$ 75,745	40% of tax receipts

18. Joint Ventures

The City of Norcross participates with the Drug Enforcement Administration (DEA) and various other cities in the Gwinnett County Drug Task Force (GCDTF) 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 and GCDTF units are funded primarily through grant monies and operate on a balanced budget determined by revenue. The financial records of the GCDTF unit are maintained by Gwinnett County, Georgia, and reported in their audit report. During 2006, the City of Norcross contributed the use of one police officer to the DEA and on police officer to the GCDTF for undercover work; the City paid $13,465 in personnel costs for the GCDTF officer and $75,569 in personnel costs for the DEA officer. A copy of the GCDTF unit financial statements can be obtained from Gwinnett County, Georgia, care of Gwinnett County Police Department, PO Box 602, Lawrenceville, GA 30046.

18. Joint Ventures (continued)

Under Georgia law, the City, in conjunction with other cities and counties in the Greater Atlanta Metropolitan area, is a member of the Atlanta Regional Commission (ARC). During its year ended December 31, 2006, 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.

19. 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 2006. Separate financial statements may be obtained from Housing Authority of the City of Norcross, 19 Garner Street, Norcross, GA 30071.

20. Risk Management

Material estimates have been made by management about the life of depreciated fixed 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.

20. Risk Management (continued)

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

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

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2006, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

21. 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 $7,222,559 from MEAG during the year ended December 31, 2006. The City's future minimum payment obligations to the Authority will be based on the Authority's costs and the City's yearly demand for bulk power supply.

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

The Trust created three types of accounts that are held by MEAG in the name of the City. The flexible operating trust account includes funds that are available to the City for operating costs and rate stabilization. As of December 31, 2006, the balance in this account was $1,054,024. This amount is included in investments in the Electric Utility Fund.

The two additional accounts created were the credit support operating and the reserve funded debt account. The funds in the credit support operating account are restricted for use to offset rate increases exceeding certain criteria and for loans for capital improvements that will reduce future operating costs. The funds in the reserve funded debt account can only be applied to charges related to MEAG's bond obligations. The balances of these accounts at December 31, 2006 were $3,155,297 and $3,696,573, respectively. Due to the restricted nature of these funds, neither is shown in the Electric Utility Fund.

21. Commitments and Contingencies (continued)

Contingencies

The City is a defendant in several lawsuits. Management intends to contest these open cases vigorously. The City's legal counsel has stated that the outcome of these lawsuits is not presently determinable. However, in the case of a former employee who has filed claims under Title VII of the Civil Rights Act, the Fair Labor Standards Act, and 42 USCS Section 1983, the plaintiff's claim was dismissed on April 13, 2007. As consideration for the dismissal, the City agreed to employ her into a vacant Customer Service Representative position with normal benefits and a salary of $391 per week. This employment began on December 29, 2006, and automatically terminated on April 13, 2007.

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COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF NORCROSS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	Special Revenue				Total Nonmajor Governmental Funds
	Confiscated Assets	Hotel/Motel Tax	Federal Seized Drug	Technology Surcharges	
ASSETS					
Cash and cash equivalents	$ 14,105	$ 0	$ 199,135	$ 0	$ 213,240
Equity in pooled cash	0	228,781	0	0	228,781
Taxes receivable	0	32,475	0	0	32,475
Total assets	$ 14,105	$ 261,256	$ 199,135	$ 0	$ 474,496
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 0	$ 1,231	$ 0	$ 0	$ 1,231
Fund balances					
Unreserved	14,105	260,025	199,135	0	473,265
Total liabilities and fund balances	$ 14,105	$ 261,256	$ 199,135	$ 0	$ 474,496

CITY OF NORCROSS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2006

	Special Revenue				Total Nonmajor
	Confiscated Assets	Hotel/Motel Tax	Federal Seized Drug	Technology Surcharges	Governmental Funds
REVENUES					
Taxes	$ 0	$ 193,191	$ 0	$ 0	$ 193,191
Fees, fines, and forfeitures	37,098	0	257,677	85,076	379,851
Interest	46	5,191	0	0	5,237
Total revenues	37,144	198,382	257,677	85,076	578,279
EXPENDITURES					
Current					
Public Safety	31,916	0	58,542	85,076	175,534
Housing and Development	0	75,745	0	0	75,745
Total expenditures	31,916	75,745	58,542	85,076	251,279
Excess (deficiency) of revenues over (under) expenditures	5,228	122,637	199,135	0	327,000
Fund balances, January 1	8,877	137,388	0	0	146,265
Fund balances, December 31	$ 14,105	$ 260,025	$ 199,135	$ 0	$ 473,265

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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
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	$ 1,512,660	$ 2,621,099
Equity in pooled cash	1,187,773	182,283
Certificates of deposit	6,995,197	5,545,997
Investments	435,455	1,002,226
Receivables (net)		
Accounts	297	5,187
Taxes	1,131,645	864,161
Interest	21,044	28,984
Notes	258,000	0
Prepaid items	76,734	66,250
Inventories	23,968	0
Due from other funds	188,731	354,619
Total assets	$ 11,831,504	$ 10,670,806
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 140,972	$ 426,033
Accrued salaries	28,771	18,208
Deferred revenue	433,064	95,493
Other liabilities	274,048	109,165
Total liabilities	876,855	648,899
Fund balances		
Reserved for prepaid items	76,734	66,250
Reserved for inventories	23,968	0
Unreserved	10,853,947	9,955,657
Total fund balances	10,954,649	10,021,907
Total liabilities and fund balances	$ 11,831,504	$ 10,670,806

CITY OF NORCROSS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2006 and 2005

	2006	2005
REVENUES		
Taxes	$ 5,318,301	$ 5,204,395
Licenses and permits	681,587	618,070
Fines, fees and forfeitures	1,472,918	1,307,304
Charges for services	123,536	46,887
Intergovernmental	162,817	395,287
Investment	431,062	288,591
Contributions	195,029	2,345
Other	176,077	88,890
Total revenues	8,561,327	7,951,769
EXPENDITURES		
Current		
General Government	858,962	705,869
Judicial	306,486	281,428
Public Safety	3,334,719	3,044,598
Public Works	1,590,535	1,751,519
Culture and Recreation	33,679	0
Housing and Development	1,519,159	607,936
Total expenditures	7,643,540	6,391,350
Excess (deficiency) of revenues over (under) expenditures	917,787	1,560,419
Other financing sources (uses)		
Transfers in (out)		
Confiscated Assets Fund	0	(105,246)
Hotel/Motel Tax Fund	0	(27,272)
SPLOST Fund	(253,545)	0
Proceeds from the sale of capital assets	268,500	600,030
Total other financing sources (uses)	14,955	467,512
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	932,742	2,027,931
Fund balances, January 1 (original)	10,021,907	8,020,304
Prior period adjustments	0	(26,328)
Fund balances, January 1 (restated)	10,021,907	7,993,976
Fund balances, December 31	$ 10,954,649	$ 10,021,907

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2006
(With comparative actual amounts for the year ended December 31, 2005)

	2006			2005
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 3,330,350	$ 3,479,667	$ 149,317	$ 3,252,654
Motor vehicle tax	138,300	172,717	34,417	162,410
Cost, penalties, and interest	17,000	33,343	16,343	26,493
Total general property taxes	3,485,650	3,685,727	200,077	3,441,557
Intangible tax	50,000	42,184	(7,816)	48,290
Real estate transfer tax	18,000	20,198	2,198	25,657
Franchise tax	825,000	938,441	113,441	1,075,157
Hotel/Motel tax	166,000	0	(166,000)	0
Insurance premium tax	430,000	440,683	10,683	421,202
Alcoholic beverage excise tax	186,000	191,068	5,068	192,532
Total taxes	5,160,650	5,318,301	157,651	5,204,395
Licenses and Permits				
Business license	285,500	285,922	422	323,967
Alcohol licenses	60,000	138,050	78,050	123,617
Building permits	150,000	226,917	76,917	124,317
Other permits	44,000	30,698	(13,302)	46,169
Total licenses and permits	539,500	681,587	142,087	618,070
Fines, fees and forfeitures	1,827,500	1,472,918	(354,582)	1,307,304
Charges for Services	35,400	123,536	88,136	46,887
Intergovernmental				
Grants	1,089,400	111,265	(978,135)	253,912
Other	20,000	51,552	31,552	141,375
Total intergovernmental	1,109,400	162,817	(946,583)	395,287
Investment	200,000	431,062	231,062	288,591
Contributions	0	195,029	195,029	2,345
Other	51,000	176,077	125,077	88,890
Total revenues	$ 8,923,450	$ 8,561,327	$ (362,123)	$ 7,951,769

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2006
(With comparative actual amounts for the year ended December 31, 2005)

	2006			2005
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
General Government				
Administration				
Personal services	$ 547,654	$ 491,211	$ 56,443	$ 316,437
Contract services	149,346	98,898	50,448	100,856
Supplies and materials	15,050	17,391	(2,341)	6,789
Capital outlay	39,500	7,952	31,548	60,190
Total Administration	751,550	615,452	136,098	484,272
City Clerk				
Personal services	140,256	118,245	22,011	115,018
Contract services	120,630	57,141	63,489	100,796
Supplies and materials	8,035	3,013	5,022	5,783
Capital outlay	250	0	250	0
Total City Clerk	269,171	178,399	90,772	221,597
Chief Executive				
Personal services	61,859	60,668	1,191	0
Contract services	5,000	2,204	2,796	0
Supplies and materials	700	2,239	(1,539)	0
Capital outlay	3,300	0	3,300	0
Total Chief Executive	70,859	65,111	5,748	0
Total General Government	1,091,580	858,962	232,618	705,869
Judicial				
Municipal Court				
Personal services	272,888	271,566	1,322	249,210
Contract services	36,986	26,011	10,975	31,301
Supplies and materials	3,900	8,909	(5,009)	917
Capital outlay	6,000	0	6,000	0
Total Judicial	319,774	306,486	13,288	281,428
Public Safety				
Marshal				
Personal services	257,348	158,211	99,137	149,950
Contract services	42,605	22,107	20,498	21,424
Supplies and materials	19,988	12,591	7,397	7,444
Capital outlay	26,550	0	26,550	0
Debt service	97,009	77,607	19,402	0
Total Marshal	443,500	270,516	172,984	178,818
Police				
Personal services	2,537,782	2,572,652	(34,870)	2,456,334
Contract services	378,096	296,779	81,317	253,961
Supplies and materials	135,023	121,980	13,043	109,464
Capital outlay	193,900	72,792	121,108	46,021
Total Police	3,244,801	3,064,203	180,598	2,865,780
Total Public Safety	3,688,301	3,334,719	353,582	3,044,598

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2006
(With comparative actual amounts for the year ended December 31, 2005)

	2006			2005
	Final Budget	Actual	Variance	Actual
Public Works				
Public Works Administration				
Personal services	$ 267,459	$ 219,930	$ 47,529	$ 85,995
Contract services	107,770	59,756	48,014	79,542
Supplies and materials	127,550	118,124	9,426	107,284
Capital outlay	159,350	40,047	119,303	46,234
Total Public Works Administration	662,129	437,857	224,272	319,055
Highways and Streets				
Personal services	361,599	314,367	47,232	283,307
Contract services	506,971	369,819	137,152	569,345
Supplies and materials	67,250	49,420	17,830	57,209
Capital outlay	321,078	419,072	(97,994)	522,603
Total Highways and Streets	1,256,898	1,152,678	104,220	1,432,464
Total Public Works	1,919,027	1,590,535	328,492	1,751,519
Culture and Recreation				
Parks and Recreation				
Personal services	21,467	4,233	17,234	0
Contract services	0	570	(570)	0
Supplies and materials	0	12,668	(12,668)	0
Capital outlay	40,000	16,208	23,792	0
Total Culture and Recreation	61,467	33,679	27,788	0
Housing and Development				
Community Development				
Personal services	103,897	152,608	(48,711)	217,325
Contract services	571,031	459,205	111,826	162,602
Supplies and materials	4,250	3,578	672	3,299
Capital outlay	1,288,803	403,768	885,035	224,710
Total Community Development	1,967,981	1,019,159	948,822	607,936
Agency allocations				
Downtown Development Authority	500,000	500,000	0	0
Total Housing and Development	2,467,981	1,519,159	948,822	607,936
Total expenditures	$ 9,548,130	$ 7,643,540	$ 1,904,590	$ 6,391,350

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.

CITY OF NORCROSS, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash	$ 14,105	$ 8,877
LIABILITIES AND FUND BALANCES		
Fund balances		
Unreserved	$ 14,105	$ 8,877

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 year ended December 31, 2006
(with comparative actual amounts for the year ended December 31, 2005)

	2006			2005
	Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	$ 40,000	$ 37,098	$ (2,902)	$ 20,789
Interest	0	46	46	283
Total revenues	40,000	37,144	(2,856)	21,072
EXPENDITURES				
Current				
Public Safety				
Supplies and materials	0	19,666	(19,666)	42,632
Capital outlay	40,000	9,250	30,750	74,809
Other	0	3,000	(3,000)	0
Total expenditures	40,000	31,916	8,084	117,441
Excess (deficiency) of revenues over (under) expenditures	0	5,228	5,228	(96,369)
Other financing sources (uses)				
Transfers in (out)				
General Fund	0	0	0	105,246
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	5,228	5,228	8,877
Fund balances, January 1	0	8,877	8,877	0
Fund balances, December 31	$ 0	$ 14,105	$ 14,105	$ 8,877

CITY OF NORCROSS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2006 and 2005

	2006	2005
ASSETS		
Equity in pooled cash	$ 228,781	$ 129,623
Taxes receivable	32,475	27,413
Total assets	$ 261,256	$ 157,036
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 1,231	$ 0
Deferred revenue	0	19,648
Total liabilities	1,231	19,648
Fund balances		
Unreserved	260,025	137,388
Total liabilities and fund balances	$ 261,256	$ 157,036

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 year ended December 31, 2006
(with comparative actual amounts for the year ended December 31, 2005)

	2006			2005
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	$ 166,000	$ 193,191	$ 27,191	$ 179,973
Interest	0	5,191	5,191	0
Total revenues	166,000	198,382	32,382	179,973
EXPENDITURES				
Current				
Housing and Development				
Contract services	161,000	59,587	101,413	69,136
Supplies and materials	1,000	8,000	(7,000)	721
Capital outlay	0	8,158	(8,158)	0
Contingency	4,000	0	4,000	0
Total expenditures	166,000	75,745	90,255	69,857
Excess (deficiency) of revenues over (under) expenditures	0	122,637	122,637	110,116
Other financing sources (uses)				
Transfers in (out)				
General Fund	0	0	0	27,272
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	122,637	122,637	137,388
Fund balances, January 1	0	137,388	137,388	0
Fund balances, December 31	$ 0	$ 260,025	$ 260,025	$ 137,388

CITY OF NORCROSS, GEORGIA
FEDERAL SEIZED DRUG SPECIAL REVENUE FUND
BALANCE SHEET
December 31, 2006

ASSETS

Cash	$ 199,135

LIABILITIES AND FUND BALANCES

Fund balances

Unreserved	$ 199,135

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 year ended December 31, 2006

	Final Budget	Actual	Variance
REVENUES			
Forfeitures	$ 122,779	$ 257,677	$ 134,898
EXPENDITURES			
Current			
Public Safety			
Supplies and materials	0	40,232	(40,232)
Capital outlay	122,779	18,310	104,469
Total expenditures	122,779	58,542	64,237
Excess (deficiency) of revenues over (under) expenditures	0	199,135	199,135
Fund balances, January 1	0	0	0
Fund balances, December 31	$ 0	$ 199,135	$ 199,135

CITY OF NORCROSS, GEORGIA
TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND
BALANCE SHEET
December 31, 2006

ASSETS	
Total assets	$ 0
LIABILITIES AND FUND BALANCES	
Total liabilities and fund balances	$ 0

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 year ended December 31, 2006

	Final Budget	Actual	Variance
REVENUES			
Fees, fines and forfeitures	$ 137,500	$ 85,076	$ (52,424)
EXPENDITURES			
Current			
Judicial			
Capital outlay	7,500	0	7,500
Public Safety			
Supplies and materials	0	79,876	(79,876)
Capital outlay	130,000	5,200	124,800
Total expenditures	137,500	85,076	52,424
Excess (deficiency) of revenues over (under) expenditures	0	0	0
Fund balances, January 1	0	0	0
Fund balances, December 31	$ 0	$ 0	$ 0

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CAPITAL PROJECTS FUND

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.

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.

CITY OF NORCROSS, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	$ 1,100,540	$ 285,201
Certificate of deposit	0	202,723
Intergovernmental receivable	404,616	414,088
Total assets	$ 1,505,156	$ 902,012
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 0	$ 14,998
Due to other funds	32,454	5,000
Total liabilities	32,454	19,998
Fund balances		
Unreserved	1,472,702	882,014
Total liabilities and fund balances	$ 1,505,156	$ 902,012

CITY OF NORCROSS, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the years ended December 31, 2006 and 2005

	2006	2005
REVENUES		
Intergovernmental	$ 1,810,340	$ 1,251,585
Interest	23,494	2,724
Total revenues	1,833,834	1,254,309
EXPENDITURES		
Public Safety		
Capital outlay	93,671	0
Culture and Recreation		
Contract services	10,077	91,548
Capital outlay	2,017,943	611,345
Debt service	600,000	19,402
Total expenditures	2,721,691	722,295
Excess (deficiency) of revenues over (under) expenditures	(887,857)	532,014
Other financing sources (uses)		
Transfers in (out)		
General fund	253,545	0
Proceeds from notes payable	1,225,000	350,000
Total other financing sources (uses)	1,478,545	350,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	590,688	882,014
Fund balances, January 1	882,014	0
Fund balances, December 31	$ 1,472,702	$ 882,014

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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.

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

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.

CITY OF NORCROSS, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 0	$ 28,908
Equity in pooled cash	0	401,633
Accounts receivable (net)	314,026	295,445
Prepaid items	7,393	4,456
Inventories	70,221	63,884
Total current assets	391,640	794,326
Restricted assets		
Customer deposits		
Cash and cash equivalents	30,388	0
Equity in pooled cash	0	25,905
Total restricted assets	30,388	25,905
Capital assets		
Land	9,500	9,500
Water and sewer system	11,107,645	10,584,319
Vehicles and equipment	141,585	113,876
Construction in progress	47,686	0
Accumulated depreciation	(3,765,541)	(3,466,522)
Total capital assets (net of accumulated depreciation)	7,540,875	7,241,173
Total assets	7,962,903	8,061,404
LIABILITIES		
Current liabilities		
Payables		
Accounts	103,643	319,344
Intergovernmental	802,058	595,366
Accrued salaries	1,273	795
Compensated absences	3,028	1,728
Due to other funds	146,921	0
Total current liabilities	1,056,923	917,233
Current liabilities payable from restricted assets		
Customer deposits	46,245	25,905
Total liabilities	1,103,168	943,138
NET ASSETS		
Invested in capital assets	7,540,875	7,241,173
Unrestricted	(681,140)	(122,907)
Total net assets	$ 6,859,735	$ 7,118,266

CITY OF NORCROSS, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2006 and 2005

	2006	2005
OPERATING REVENUES		
Charges for sales and services		
Water sales	$ 1,443,288	$ 1,491,862
Sewer charges	942,947	850,560
Tap fees	84,500	96,640
Other	18,349	17,444
Total operating revenues	2,489,084	2,456,506
OPERATING EXPENSES		
Costs of sales and services	2,105,339	1,694,896
Personal services	422,746	471,530
Depreciation	299,019	222,820
Total operating expenses	2,827,104	2,389,246
Operating income (loss)	(338,020)	67,260
Non-operating revenues (expenses)		
Investment revenue	7,249	913
Income (loss) before capital contributions	(330,771)	68,173
Capital contributions		
Capital contributions	72,240	0
Change in net assets	(258,531)	68,173
Net assets, January 1 (restated)	7,118,266	7,050,093
Net assets, December 31	$ 6,859,735	$ 7,118,266

CITY OF NORCROSS, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from customers	$ 2,472,494	$ 2,422,722
Payments to suppliers	(2,082,788)	(1,185,936)
Payments to employees	(420,968)	(471,904)
Other receipts	18,349	17,444
Net cash provided (used) by operating activities	(12,913)	782,326
Cash flows from non-capital financing activities		
Receipts from other funds	146,921	0
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(567,315)	(354,788)
Cash flows from investing activities:		
Interest received	7,249	913
Net increase (decrease) in cash and cash equivalents	(426,058)	428,451
Cash and cash equivalents, January 1	456,446	27,995
Cash and cash equivalents, December 31	$ 30,388	$ 456,446
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (338,020)	$ 67,260
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	299,019	222,820
(Increase) decrease in accounts receivable	(18,581)	(19,905)
(Increase) decrease in prepaid items	(2,937)	8,944
(Increase) decrease in inventories	(6,337)	0
Increase (decrease) in accounts payable	(174,867)	312,264
Increase (decrease) in intergovernmental payables	206,692	187,752
Increase (decrease) in deposits payable	20,340	3,565
Increase (decrease) in accrued payroll liabilities	1,778	(374)
Total adjustments	325,107	715,066
Net cash provided (used) by operating activities	$ (12,913)	$ 782,326
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	$ 0	$ 28,908
Equity in pooled cash	0	401,633
Customer Deposits		
Cash and cash equivalents	30,388	0
Equity in pooled cash	0	25,905
Total cash and cash equivalents	$ 30,388	$ 456,446

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 266,014	$ 312,229
Certificates of deposit	1,068,309	2,073,112
Investments	1,054,024	775,652
Receivables		
Accounts	1,020,583	960,198
Interest	2,254	23,370
Prepaid items	18,509	15,004
Inventories	684,212	817,049
Total current assets	4,113,905	4,976,614
Restricted assets		
Customer Deposits		
Cash and cash equivalents	288,395	219,310
Capital assets		
Land	1,000	1,000
Electric system	5,034,842	4,672,309
Vehicles and equipment	586,698	503,981
Construction in progress	239,999	134,407
Accumulated depreciation	(1,640,770)	(1,496,638)
Total capital assets (net of accumulated depreciation)	4,221,769	3,815,059
Total assets	8,624,069	9,010,983
LIABILITIES		
Current liabilities		
Payables		
Accounts	17,795	100,838
Intergovernmental	623,725	603,853
Sales tax	38,279	30,347
Accrued salaries	1,478	1,247
Compensated absences	818	672
Due to other funds	9,356	349,619
Total current liabilities	691,451	1,086,576
Current liabilities payable from restricted assets		
Customer deposits	288,395	219,310
Total liabilities	979,846	1,305,886
NET ASSETS		
Invested in capital assets	4,221,769	3,815,059
Unrestricted	3,422,454	3,890,038
Total net assets	$ 7,644,223	$ 7,705,097

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2006 and 2005

	2006	2005
OPERATING REVENUES		
Charges for sales and services		
Electric sales	$ 8,574,209	$ 8,096,198
Other	64,444	62,671
Total operating revenues	8,638,653	8,158,869
OPERATING EXPENSES		
Costs of sales and services	8,298,217	7,568,960
Personal services	421,747	492,266
Depreciation	144,132	106,034
Total operating expenses	8,864,096	8,167,260
Operating income (loss)	(225,443)	(8,391)
Non-operating revenues (expenses)		
Investment revenue	164,569	57,436
Change in net assets	(60,874)	49,045
Net assets, January 1 (restated)	7,705,097	7,656,052
Net assets, December 31	$ 7,644,223	$ 7,705,097

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from customers	$ 8,582,910	$ 7,955,264
Payments to suppliers	(8,224,125)	(7,342,781)
Payments to employees	(421,370)	(493,845)
Other receipts	64,444	62,671
Net cash provided (used) by operating activities	1,859	181,309
Cash flows from non-capital financing activities		
Receipts from other funds	0	349,619
Payments to other funds	(340,263)	0
Net cash provided (used) by non-capital financing activities	(340,263)	349,619
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(550,842)	(200,166)
Cash flows from investing activities:		
Interest received	184,422	50,866
Proceeds from maturities of investments	2,073,112	2,025,000
Purchase of investments	(1,345,418)	(2,246,172)
Net cash provided (used) by investing activities	912,116	(170,306)
Net increase (decrease) in cash and cash equivalents	22,870	160,456
Cash and cash equivalents, January 1	531,539	371,083
Cash and cash equivalents, December 31	$ 554,409	$ 531,539
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (225,443)	$ (8,391)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	144,132	106,034
(Increase) decrease in accounts receivable	(60,384)	(141,639)
(Increase) decrease in prepaid items	(3,505)	6,577
(Increase) decrease in inventories	132,837	0
Increase (decrease) in accounts payable	(83,044)	(378,343)
Increase (decrease) in intergovernmental payables	19,872	594,791
Increase (decrease) in deposits payable	69,085	705
Increase (decrease) in sales tax payable	7,932	3,154
Increase (decrease) in accrued payroll liabilities	377	(1,579)
Total adjustments	227,302	189,700
Net cash provided (used) by operating activities	$ 1,859	$ 181,309
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	$ 266,014	$ 312,229
Customer Deposits		
Cash and cash equivalents	288,395	219,310
Total cash and cash equivalents	$ 554,409	$ 531,539

Noncash investing, capital, and financing activities:

Change in fair value on investments totaled $1,263 and $5,663 for 2006 and 2005, respectively.

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets		
Equity in pooled cash	$ 303,389	$ 140,390
Accounts receivable (net)	235,519	221,584
Prepaid items	2,059	2,632
Total current assets	540,967	364,606
Restricted assets		
Customer deposits		
Equity in pooled cash	94,494	77,519
Total assets	635,461	442,125
LIABILITIES		
Current liabilities		
Accounts payable	110,924	111,681
Current liabilities payable from restricted assets		
Customer deposits	94,494	77,519
Total liabilities	205,418	189,200
NET ASSETS		
Unrestricted	$ 430,043	$ 252,925

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2006 and 2005

	2006	2005
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	$ 1,911,017	$ 1,879,887
Other	13,766	12,169
Total operating revenues	1,924,783	1,892,056
OPERATING EXPENSES		
Costs of sales and services	1,592,091	1,393,694
Personal services	163,196	149,856
Total operating expenses	1,755,287	1,543,550
Operating income (loss)	169,496	348,506
Non-operating revenues (expenses)		
Investment revenue	7,622	0
Change in net assets	177,118	348,506
Net assets, January 1	252,925	(95,581)
Net assets, December 31	$ 430,043	$ 252,925

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from customers	$ 1,914,057	$ 1,842,114
Payments to suppliers	(1,592,275)	(1,601,676)
Payments to employees	(163,196)	(149,856)
Other receipts	13,766	12,169
Net cash provided (used) by operating activities	172,352	102,751
Cash flows from investing activities		
Interest received	7,622	0
Net increase (decrease) in cash and cash equivalents	179,974	102,751
Cash and cash equivalents, January 1	217,909	115,158
Cash and cash equivalents, December 31	$ 397,883	$ 217,909
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 169,496	$ 348,506
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(13,935)	(44,470)
(Increase) decrease in prepaid items	573	(2,632)
Increase (decrease) in accounts payable	(757)	(205,350)
Increase (decrease) in deposits payable	16,975	6,697
Total adjustments	2,856	(245,755)
Net cash provided by operating activities	$ 172,352	$ 102,751
Cash and cash equivalents reconciliation:		
Equity in pooled cash	$ 303,389	$ 140,390
Customer Deposits		
Equity in pooled cash	94,494	77,519
Total cash and cash equivalents	$ 397,883	$ 217,909

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
December 31, 2006 and 2005

	2006	2005
ASSETS		
Equity in pooled cash	$ 257,287	$ 153,508
Accounts receivable (net)	204,934	433,663
Total assets	$ 462,221	$ 587,171
LIABILITIES		
Liabilities		
Due to other agencies	$ 462,221	$ 587,171

CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2006

	Balance January 1	Additions	Deletions	Balance December 31
ASSETS				
Equity in pooled cash	$ 153,508	$ 1,865,176	$ (1,761,397)	$ 257,287
Accounts receivable	433,663	17,059	(245,788)	204,934
Total assets	$ 587,171	$ 1,882,235	$ (2,007,185)	$ 462,221
LIABILITIES				
Due to others agencies	$ 587,171	$ 1,882,235	$ (2,007,185)	$ 462,221

CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
COMPARATIVE SCHEDULES OF RECEIPTS AND DISBURSEMENTS
For the years ended December 31, 2006 and 2005

	2006	2005
RECEIPTS		
Fines, fees, and court costs	$ 1,865,176	$ 2,024,097
Total receipts	1,865,176	2,024,097
DISBURSEMENTS		
Georgia Clerks' Authority	267,327	307,232
Peace Officers' Retirement Fund	49,040	70,091
Gwinnett County, Georgia	129,495	122,339
Refunds and restitution	65,478	62,663
General Fund	1,250,057	1,308,264
Total disbursements	1,761,397	1,870,589
Excess of receipts over disbursements	103,779	153,508
Equity in pooled cash, January 1	153,508	0
Equity in pooled cash, December 31	$ 257,287	$ 153,508

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
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	$ 108,519	$ 119,939
Investments	300,000	0
Property held for resale	370,994	0
Receivables		
Interest	5,257	0
Notes	16,500	0
Total assets	$ 801,270	$ 119,939
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Deposits	$ 675	$ 0
Intergovernmental	5,360	0
Total liabilities	6,035	0
Fund balances		
Unreserved	795,235	119,939
Total liabilities and fund balances	$ 801,270	$ 119,939

CITY OF NORCROSS, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2006
(With comparative actual amounts for the year ended December 31, 2005)

	2006			2005
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 500,000	$ 500,000	$ 0	$ 0
Interest	0	11,156	11,156	0
Other	0	360	360	0
Total revenues	500,000	511,516	11,516	0
EXPENDITURES				
Current				
Housing and Development				
Contract services	240,000	85,525	154,475	1,200
Supplies and materials	15,000	1,070	13,930	91
Capital outlay	245,000	0	245,000	600,030
Payments to other agencies	0	7,625	(7,625)	7,365
Total expenditures	500,000	94,220	405,780	608,686
Excess (deficiency) of revenues over (under) expenditures	0	417,296	417,296	(608,686)
Other financing sources (uses)				
Proceeds from the sale of assets	0	0	0	640,000
Proceeds from notes payable	0	258,000	258,000	0
Total other financing sources (uses)	0	258,000	258,000	640,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	675,296	675,296	31,314
Fund balances, January 1	0	119,939	119,939	88,625
Fund balances, December 31	$ 0	$ 795,235	$ 795,235	$ 119,939

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OTHER REPORTING SECTION

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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 the basic financial statements of the City of Norcross, Georgia, as of and for the year ended December 31, 2006, and have issued our report thereon dated May 2, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Norcross, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Norcross' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We noted the following significant deficiencies in the internal control over financial reporting:

Comment 06-1

Condition: The proceeds from promissory note and related capital outlay for the purchase of the Community Center property were not recorded in the accounting records. The purchase of the property was recorded at the amount of cash paid to the seller. Also, the sale of the College Streets Lofts property from the City of Norcross to the Norcross Downtown Development Authority (DDA) was not recorded in the accounting records of the City or the DDA.

Criteria: Generally accepted accounting principals require that all transactions be properly recorded.

Effect: Failure to properly record all transactions may lead to material misstatements of the financial statements.

Recommendation: All financial transactions must be properly identified and recorded in the accounting records. Purchases of assets financed with debt must be recorded at the full purchase price.

Management Response: Management concurs with this finding. The Administrative Services Director and Financial Analyst will ensure that all transactions are identified and properly recorded. This action was taken immediately upon receipt of the comment from our auditors.

Comment 06-2

Condition: The Administrative Services Director is responsible for multiple financial responsibilities and has the control to make adjustments to the general ledger without approval. This is a repeat comment.

Criteria: Generally accepted accounting principles require adequate segregation of duties in control over adjustments to the general ledger.

Effect: Failure to maintain adequate separation of duties subjects the City to greater risk of loss due to fraud.

Recommendation: The City should create a form to record journal entries and the authorization of the transaction. The Financial Analyst should prepare all journal entries; if possible, another employee should record all journal entries. The journal entries should be approved before recording, and financial general ledger transactions should be reviewed monthly, by the Administrative Services Director.

Management Response: Management concurs with this finding. The City has hired a Financial Analyst to assist the Administrative Services Director. The Financial Analyst will be response for preparing and recording journal entries. The Administrative Services Director will approve all journal entries before they are recorded and review the general ledger transactions on a monthly basis. This action was taken on March 5, 2007.

Comment 06-3

Condition: City personnel in the Finance Department need additional training in the application of generally accepted and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, future changes to auditing standards could state that providing technical assistance would impair the independence of the external auditor.

Criteria: Effective internal control requires that employees possess the necessary qualifications and training to fulfill their assigned duties.

Effect: Failure to ensure that employees possess the necessary qualifications to perform their assigned duties may lead to financial statements that are materially misstated.

Recommendation: City personnel should receive additional training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements. However, this may be cost prohibitive.

Management Response: Management concurs with this finding. The City has hired a Financial Analyst to assist the Administrative Services Director. Management feels the Financial Analyst possesses the necessary training and experience to identify and properly apply generally accepted accounting principles, and to ensure that the City's financial statements are properly prepared. This action was taken on March 5, 2007.

Comment 06-4

Condition: The City does not have adequate written documentation of its internal control structure and systems.

Criteria: Generally accepted accounting principles require that all policies and procedures related to the internal control structure be proper documented.

Effect: Failure to properly document the internal control structure of the City may lead to failures in the operation of the internal controls.

Comment 06-4, continued

Recommendation: Management should create standard operating procedures manuals for all functions of the City. For example, the proper policies and procedures for adjusting utility customer accounts should be documented. Creation of SOP manuals will assist City employees in understanding and performing their duties.

Management Response: Management concurs with this finding. The Administrative Services Director and Financial Analyst will create standard operating procedures manuals and provide training to ensure that all employees perform their duties in accordance with the policies and procedures of the City. This action was taken immediately upon receipt of the comment from our auditors.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that Comment 06-1 listed above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Norcross, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City of Norcross, Georgia, in a separate letter dated May 2, 2007.

The City of Norcross, Georgia's, responses to the findings identified in our audit are described above. We did not audit the City of Norcross, Georgia's, responses and, accordingly, we express no opinion on them.

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

Certified Public Accountants

Gainesville, Georgia
May 2, 2007

CITY OF NORCROSS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended December 31, 2006

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2001 SPLOST Referendum					
Park Improvements	$ 605,791	$ 667,814	$ 258,436	$ 0	$ 258,436
Roads Improvements	605,791	667,813	0	0	0
Total	$ 1,211,582	$ 1,335,627	$ 258,436	$ 0	$ 258,436
2004 SPLOST Referendum					
Roads Improvements	$ 1,040,250	$ 1,040,250	$ 0	$ 0	$ 0
Recreational Facilities	5,000,500	5,000,500	449,348	2,028,020	2,477,368
Public Safety Facilities and Equipment	344,324	344,324	0	93,671	93,671
Total	$ 6,385,074	$ 6,385,074	$ 449,348	$ 2,121,691	$ 2,571,039

* 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.

Note: During 2005, the City purchased property which was intended for recreational purposes. During 2006, the City Council decided to use the land for other purposes, which were not in compliance with the 2004 SPLOST referendum. $253,545 was transferred from the General Fund to reimburse the SPLOST Fund for the property purchased. The amount reported as expenditures in prior years for the 2004 SPLOST referendum has been adjusted for this transaction.

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