CITY OF NORCROSS, GEORGIA

Annual Financial Report

For the Year Ended December 31, 2007

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CITY OF NORCROSS, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2007

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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, 2007, 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.

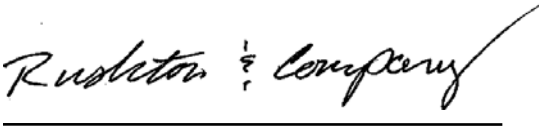
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2007, 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 October 7, 2008 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 22 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
October 7, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Norcross provides this Management's Discussion and Analysis for readers of the City's financial statements for the year ended December 31, 2007. The purpose of this narrative is to provide readers of these financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Norcross.

FINANCIAL HIGHLIGHTS

- The assets of the City of Norcross exceeded its liabilities at the close of the year by $72,252,003 (reported as "net assets"). Of this amount $14,051,782 is unrestricted, of which $10,605,590 is Governmental Activities and $ 3,446,192 is Business-Type Activities. These 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 $2,213,424

- The City's governmental funds reported combined ending fund balances of $14,163,291. Approximately 75 percent of this amount, $10,548,594, 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 $15,682,042 at year end, a increase of $643,750 as a result of the current year's operations and $104,291 as a prior period adjustment.

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 (pages 23-24), 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 25), 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 67.

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 and 2005 SPLOST Capital Projects Fund, which are considered major funds, the City of Norcross maintains two governmental funds types:

1. Special Revenue Funds
2. Capital Projects Funds

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

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

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

Proprietary funds

When the City charges customers for the full or partial cost of the services it provides (whether to outside customers or to other units of the City), these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net 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 31 - 34 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 35.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 - 66 of this report.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

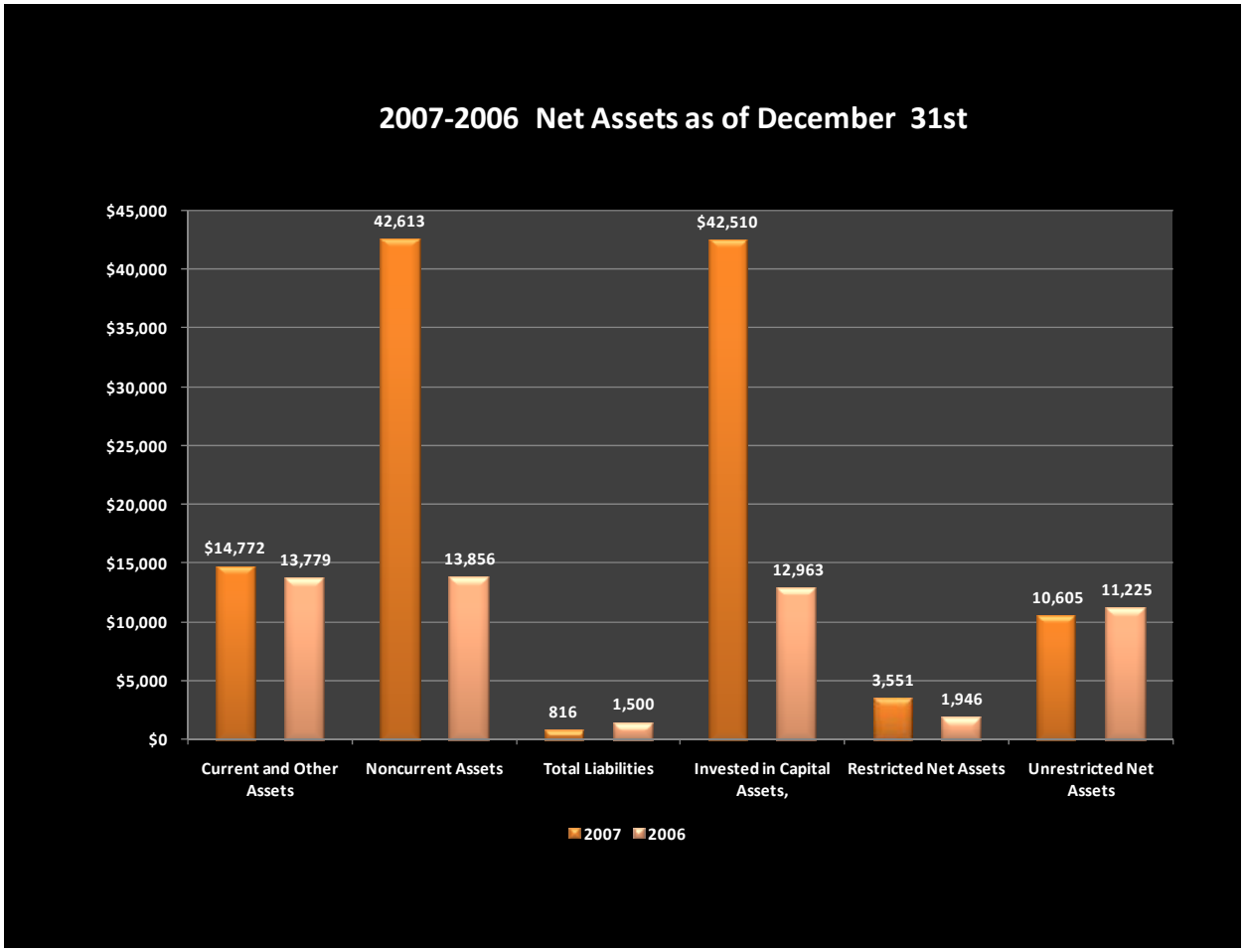
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Norcross, assets exceeded liabilities by $72,252,003 as of December 31, 2007. The following table provides a summary of the City's governmental and business-type net assets for the years ended December 31.

City of Norcross
Net Assets as of December 31, 2007 and 2006
(in Thousands)

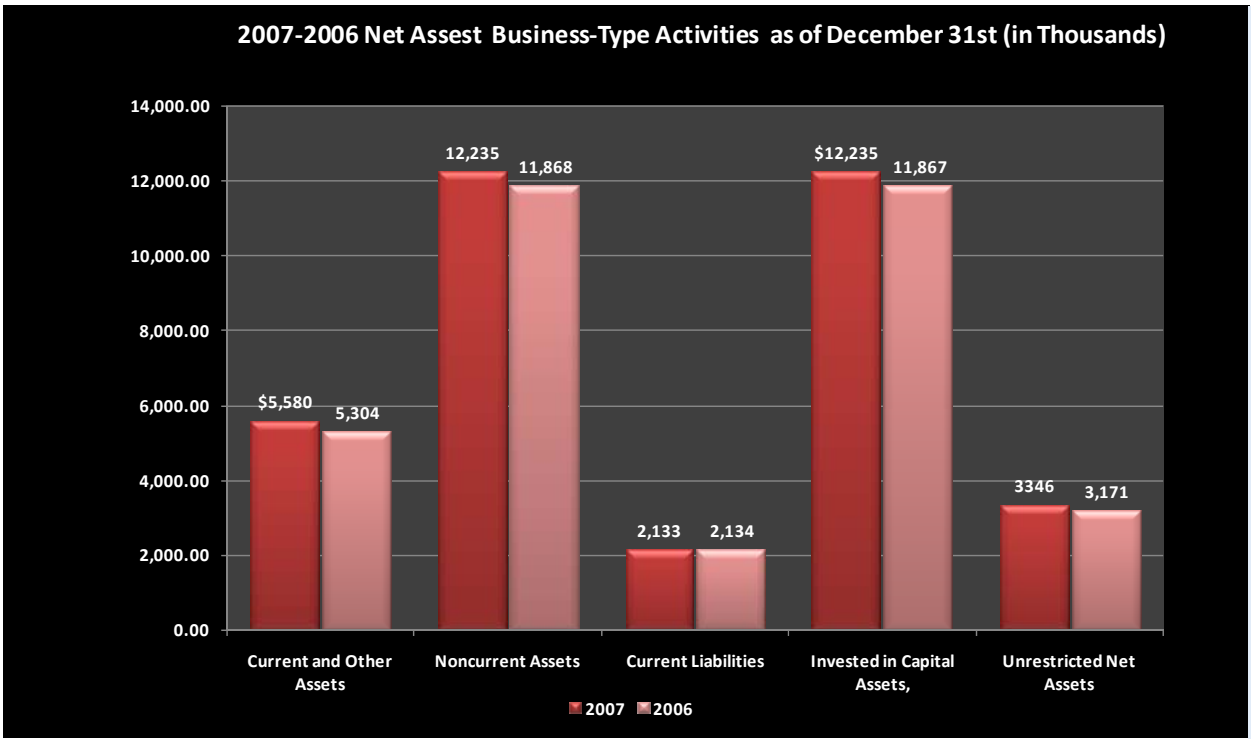
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	$14,772	$13,779	$5,580	$5,304	$20,352	$19,083
Noncurrent Assets	42,614	13,856	12,235	11,868	54,849	25,724
Total Assets	57,386	27,635	17,815	17,172	75,201	44,807
Current Liabilities	$686	$1,300	$2,133	$2,134	$2,819	$3,434
Long-term Liabilities	130	200	0	0	130	200
Total Liabilities	816	1,500	2,133	2,134	2,949	3,634
Investment Capital Assets	$42,414	$12,963	$12,236	$11,867	$54,650	$24,830
Restricted Net Assets	3,551	1,946	0	0	3,551	1,946
Unrestricted Net Assets	10,605	11,225	3,446	3,171	14,051	14,396
Total Net Assets	$56,570	$26,134	$15,682	$15,038	$72,252	$41,172

The largest portion of the City's net assets as of December 31, 2007 (76%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and streets and sidewalks). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Governmental Activities: Noncurrent Assets increased by 208% in 2007 due to GASB 34 which requires that infrastructures (Streets and Sidewalks) be valued and booked as fix asset. Investment in Capital Assets increased by 228% in 2007 also due to the GASB 34. Unrestricted net assets decreased in 2007 by 6%.



Business-Type: Noncurrent assets increase by 5%, Unrestricted net assets increased by 9%.



Restricted net assets totaling $3,086,645 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 $10,508,404 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 $3,446,192 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, 2007.

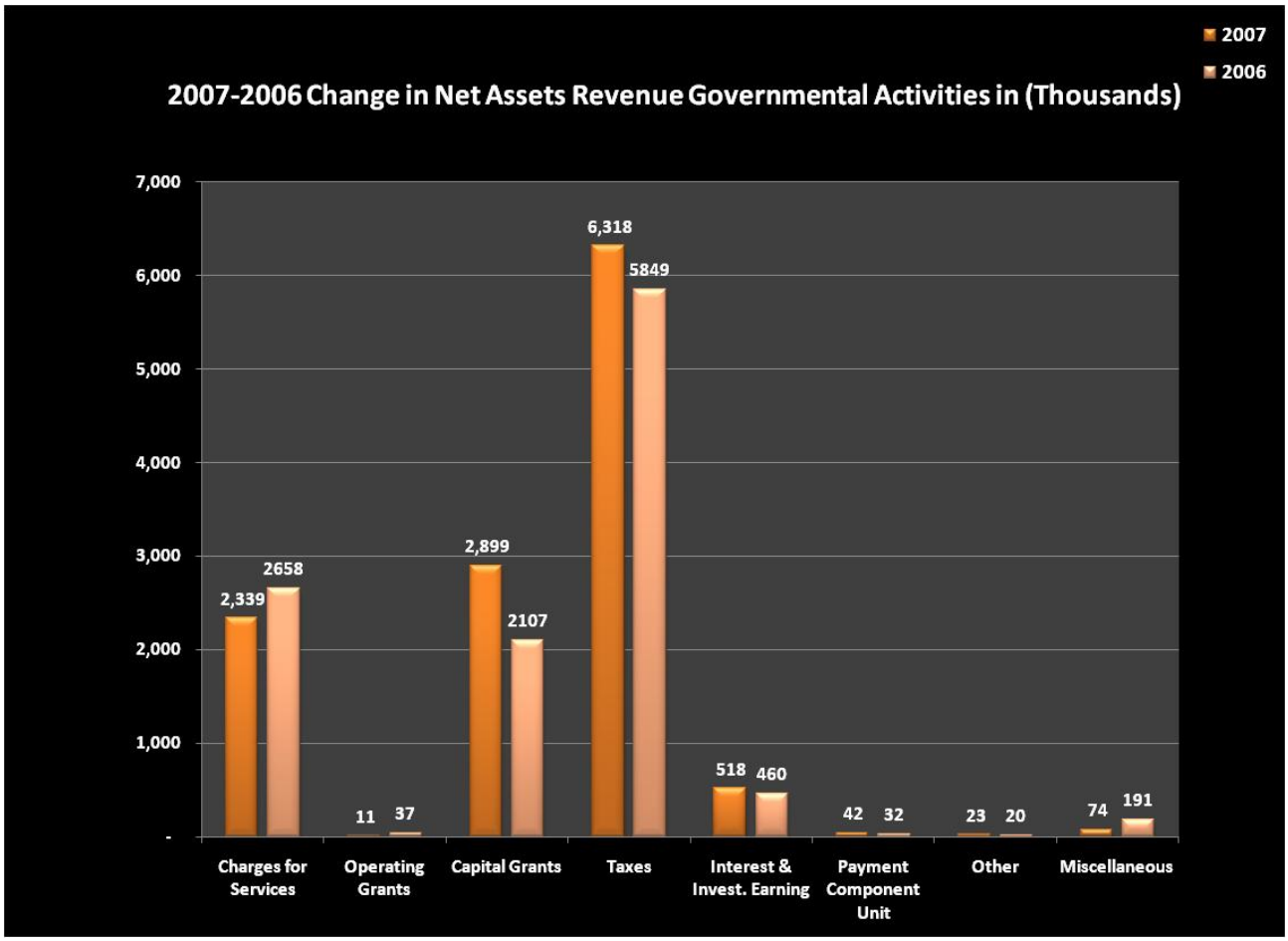
The City's net assets increased by $31,184,187 during the current year. Governmental activities resulted in an increase in net assets of $30,436,146, while business-type activities resulted in an increase of net assets of $748,041. The following table was derived from the government-wide Statement of 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, 2007 and 2006
(in Thousands)

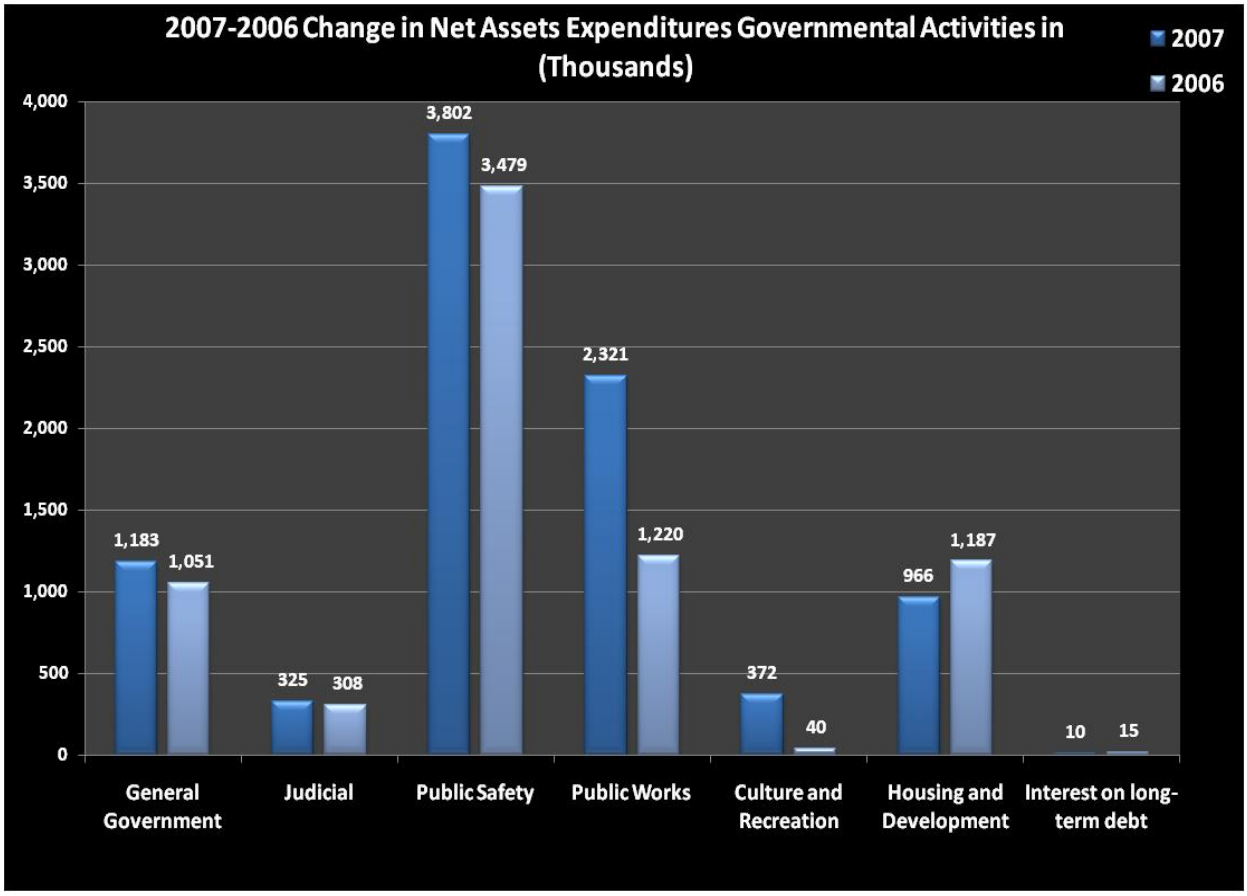
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	$2,339	$2,658	$13,497	$13,048	$15,836	$15,706
Operating Grants	11	37	0	0	11	37
Capital Grants	2,866	2,107	35	0	2,866	2,107
General Revenues:						
Taxes	6,318	5,849	0	0	6318	5,849
Interest and Investment Earnings	518	460	141	179	659	639
Payment component	42	32			42	032
Other	23	20			23	20
Miscellaneous	69	186	5	5	74	191
Transfers	(1,636)		1,636		0	
Total Revenues	**10,550**	**11,349**	**15,314**	**13,232**	**25,829**	**24,581**
Expenses:						
General Government	1,183	1,051	0	0	1,183	1,051
Judicial	325	308	0	0	325	308
Public Safety	3,802	3,479	0	0	3,802	3,479
Public Works	2,321	1,220	0	0	2,321	1,220
Culture and Recreation	372	40	0	0	372	40
Housing and Development	966	1,187	0	0	966	1,187
Interest on long-term debt	10	15	0	0	10	15
Water and Sewer	0	0	3,713	2,827	3,713	2,827
Electric	0	0	9,249	8,864	9,249	8,864
Solid Waste	0	0	1,708	1,755	1,708	1,755
Total Expenses	**8,979**	**7,300**	**14,670**	**13,446**	**23,649**	**17,919**
Change in Net Assets	1,570	4,029	644	(142)	2,214	3,887
Net Assets - January 1	26,134	22,105	14,934	15,866	41,068	37,971
Prior period adjustments	28,866	0	104	(790)	28,970	(790)
Dec. 31 Net Assets	**$56,570**	**$26,134**	**$15,682**	**$14,934**	**$72,252**	**$41,068**

Governmental Activities. Governmental Activities decreased the City's net assets by $1,569,675. Revenues for the City's governmental activities decreased by 19% ($1,193,011) over December 31, 2006. This decrease in revenue was the result of a decrease in operating grants and contributions and capital grants and contributions. Revenue is down by 19% and expenses are up by 23% over 2006.

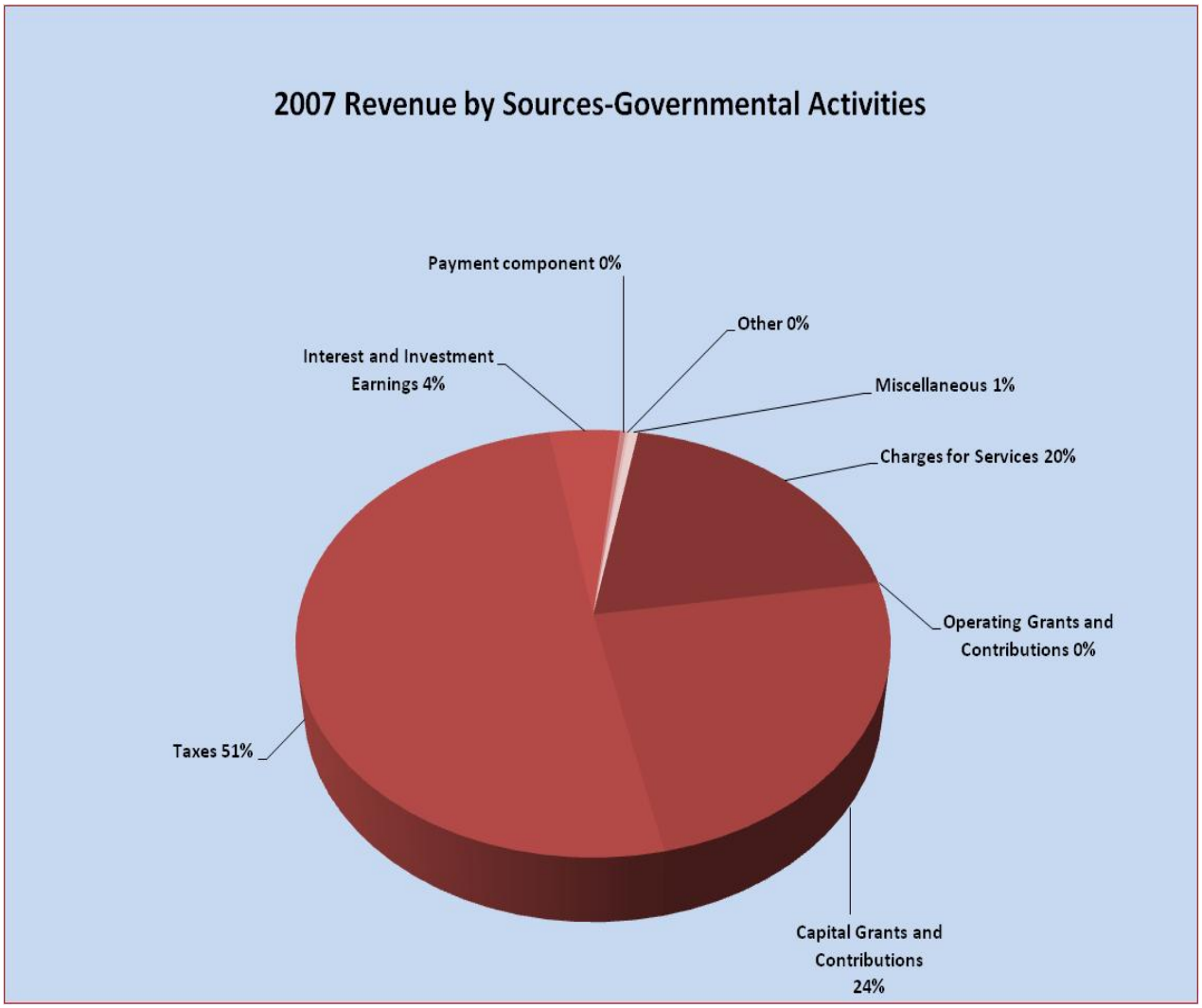
Charges for Services decreased (12%), Operating Grants and Contributions decreased (70%), Capital Grants and Contributions increased 38%, Taxes increased 9%, Interest and Investment Earnings 13% and Payment Component Unit increased 31%.



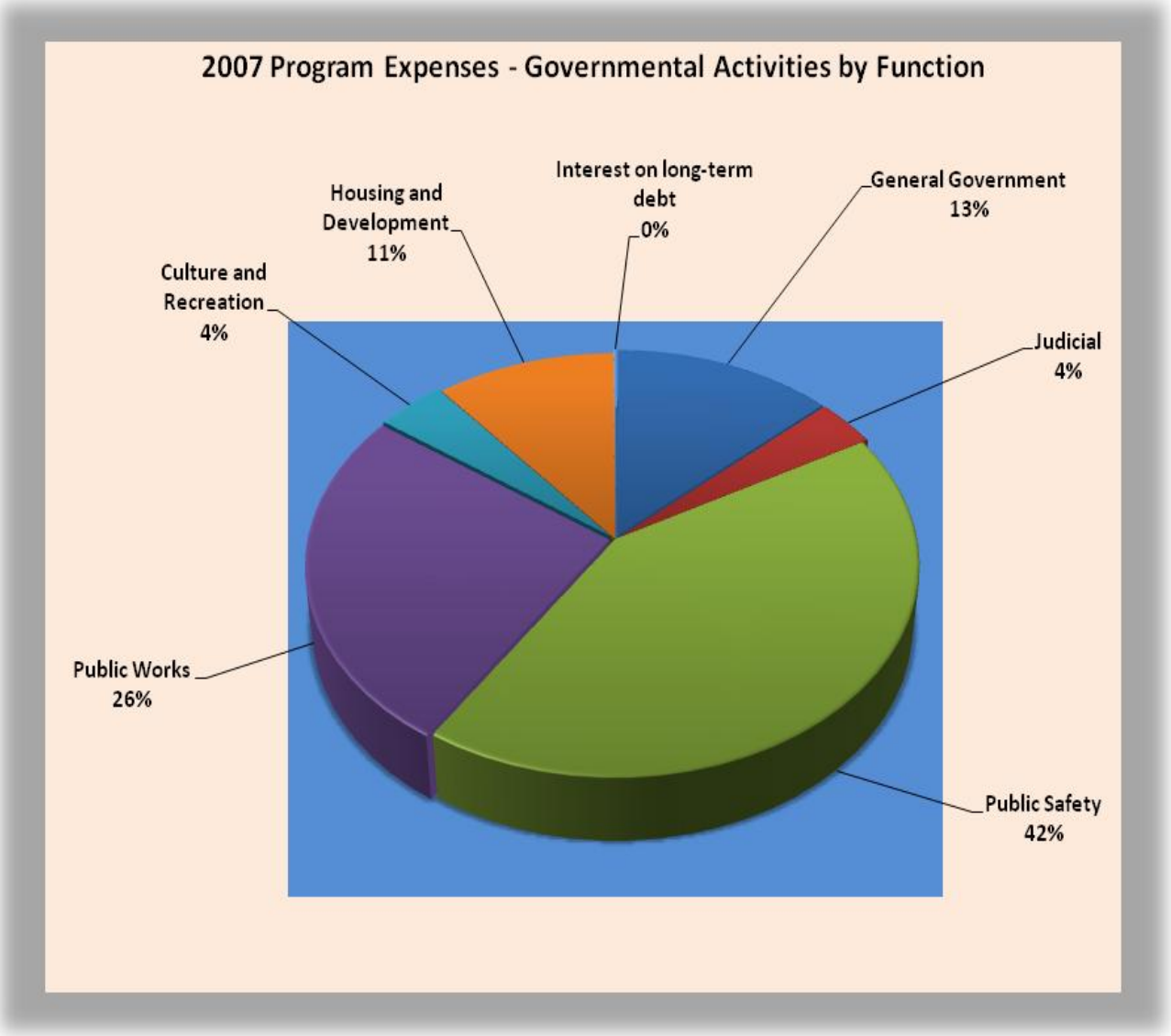
Governmental Activities: General Government expenses increased by 13%, Public Safety increased 9%, Judicial increased 6%, Culture and Recreation increased 830%, Housing and Development decreased (19%) and Interest on long term debt decreased (33%).



Revenue for governmental activities was $12.186 million. The major revenue sources were taxes (51%), charges for services (20%), capital grants and contributions (24%), investments (4%) and others (1%).

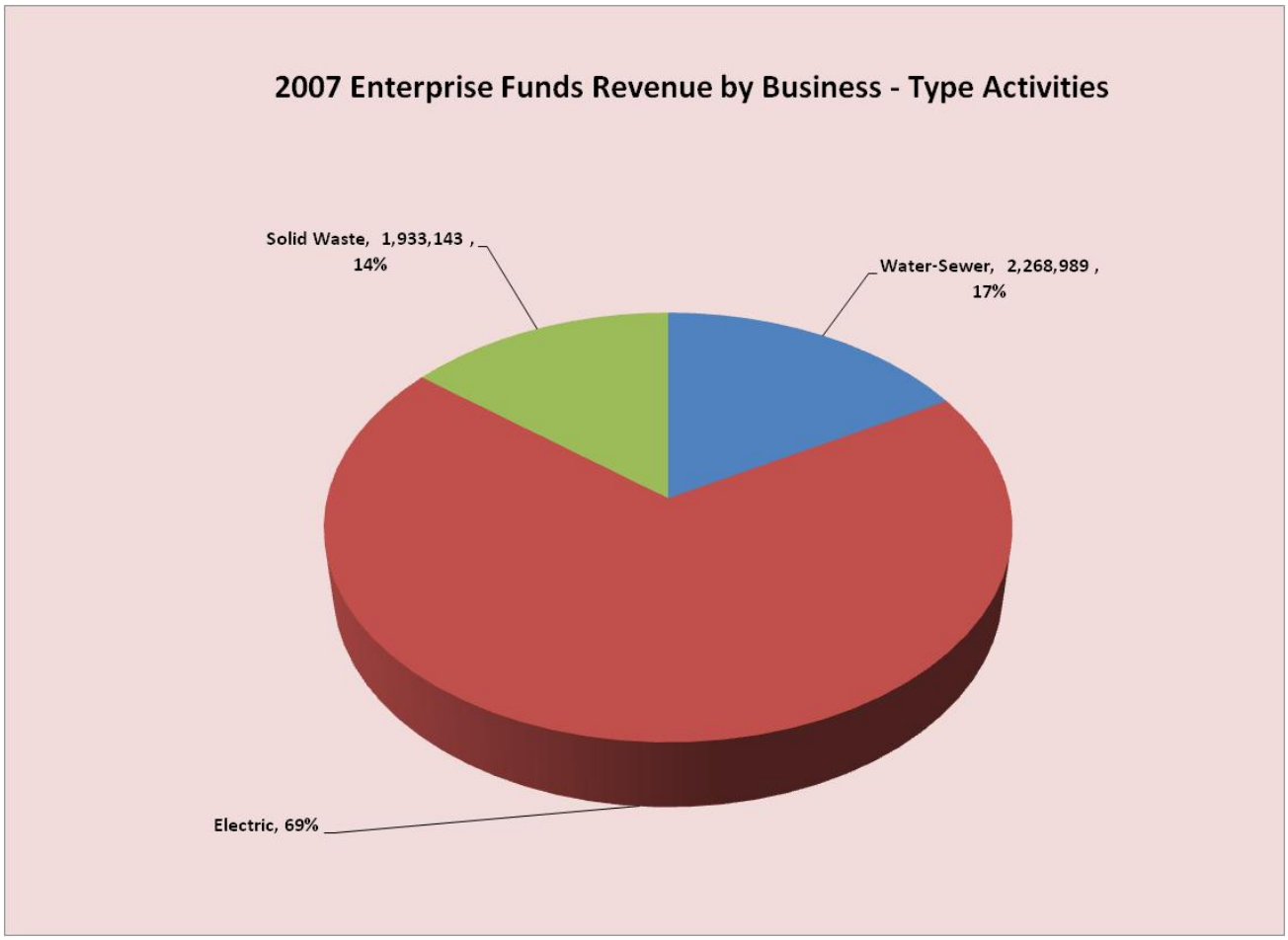


Expenditures were $8.9 million, of which Public Safety accounted for 42%, Public Works 26%, and General Government 13%, Culture and Recreation 4%, Housing and Development 11%,

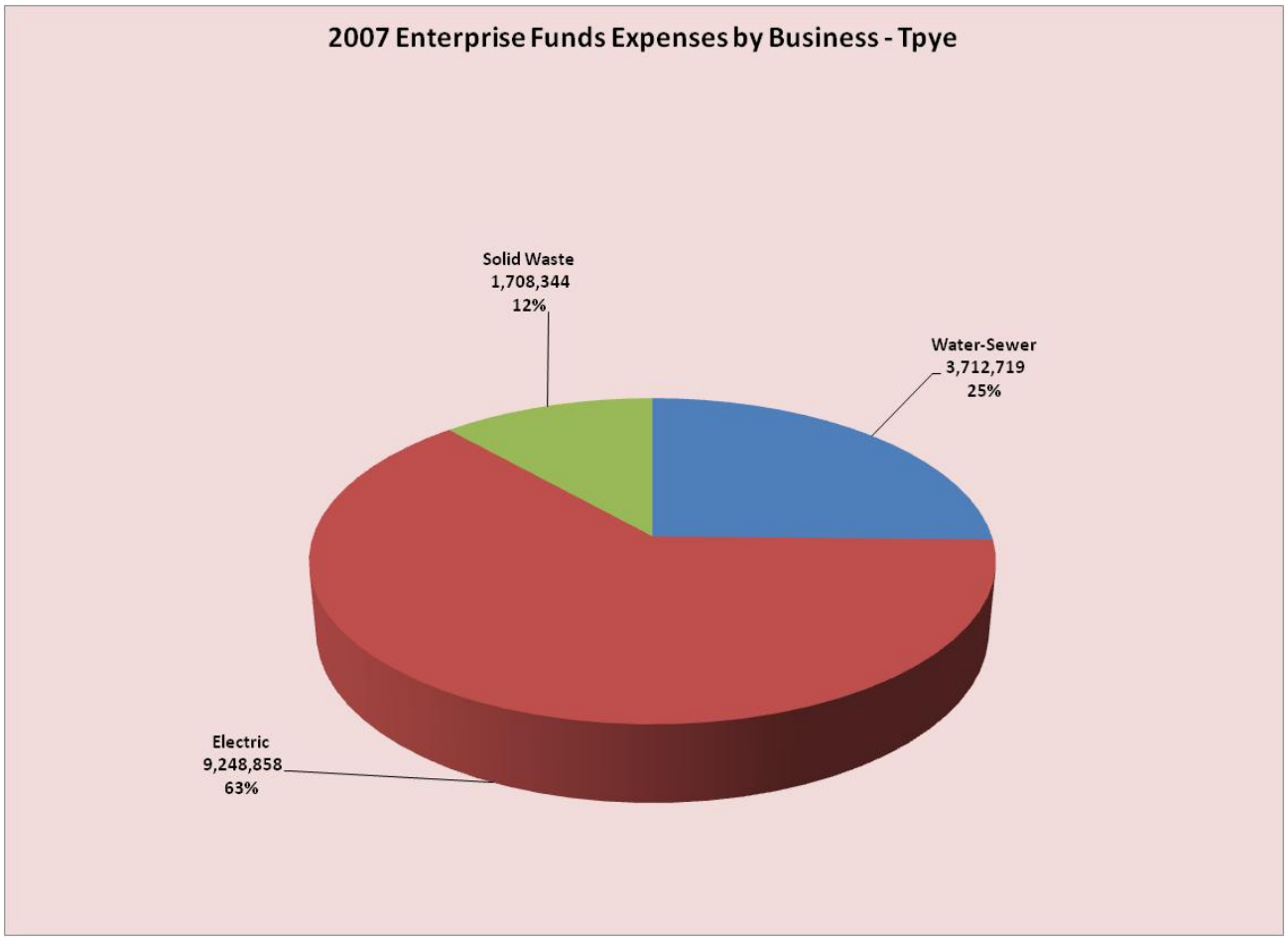


Business - type Activities. Business-type activities increased the City's net assets by $643,750. Key elements of this increase were as follows:

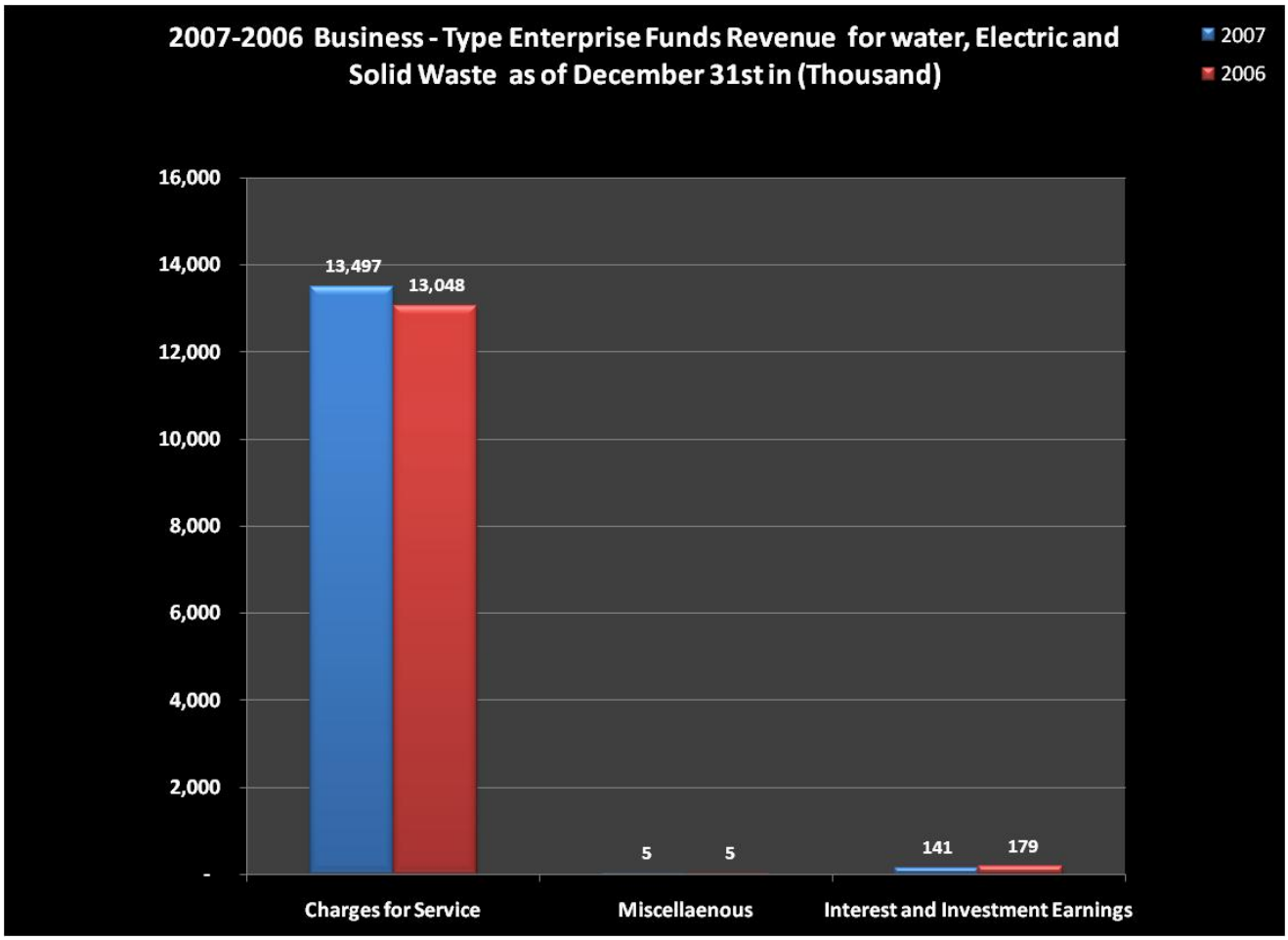
Sales for Business Type activities were $13,496,566 an increase of 3% over the prior year sales of $13,047,796.



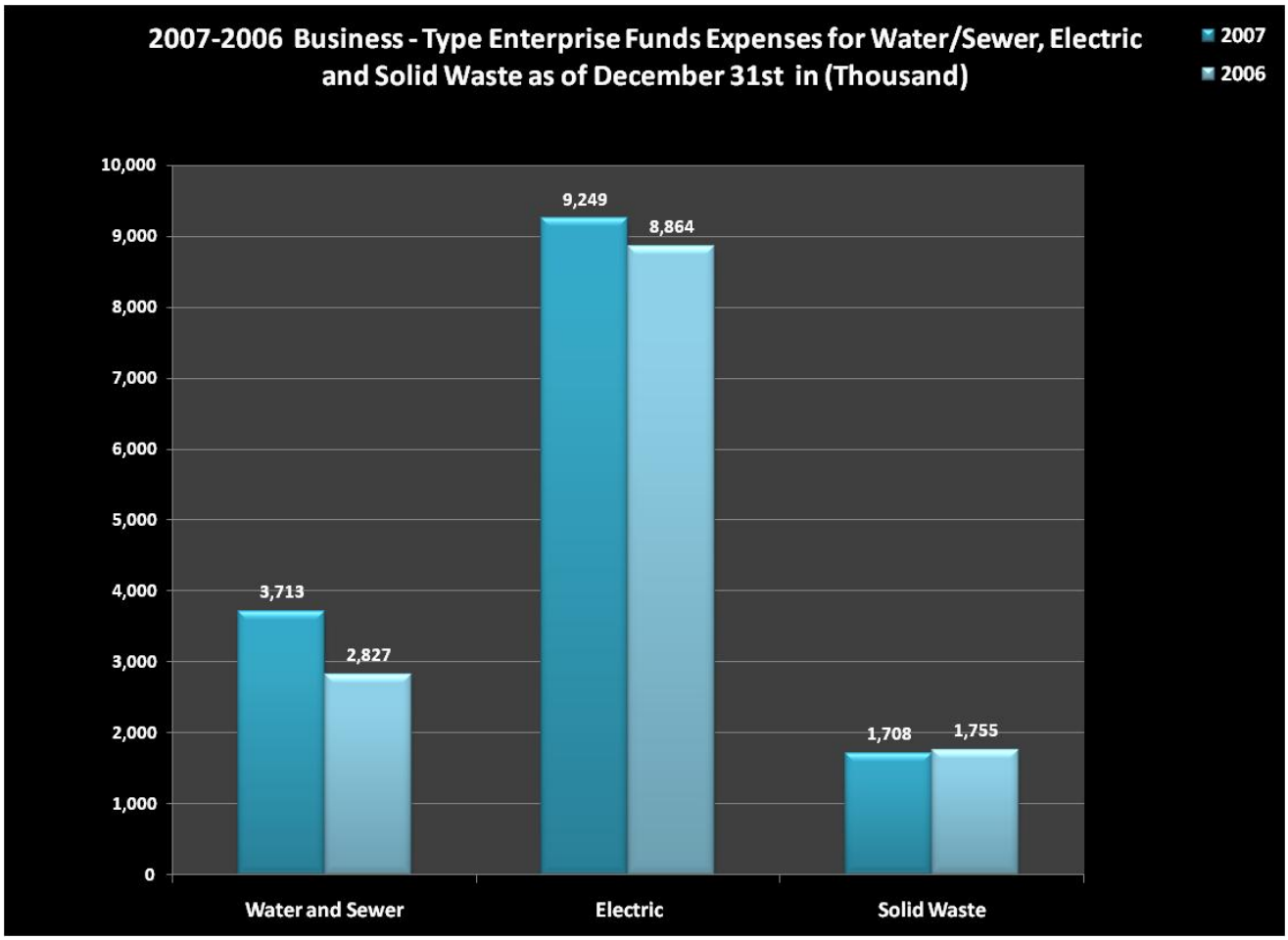
Expenditures were $14.7 million, of which Electric accounted for 63%, Water/Sewer 25% and Solid Waste 12%



Business – Type; Water/Sewer, Electric and Solid Waste, Charges for service increase 3%, Miscellaneous remained unchanged and Interest on Investment Earning decreased by (21%).



Business – Type: Water/Sewer expenses increased 31%, Electric increased 4% and Solid Waste decreased (2%).



The Water and Sewer Utility Enterprise Fund net assets increased by $228,155. The increase in net assets was due to the transfer from the General Fund of $1.6 million which was used to repair unexpected water lines.

The Electric Utility Enterprise Fund net assets increased $188,655. The increase in net asset was due to capital assets of electrical line system, vehicle purchase, and electrical projects in process.

The Solid Waste Utility Enterprise Fund net assets increased by $226,940. 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 88 - 96 (Exhibits 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 $10,612,230, an decrease of $342,419 or 3% in comparison with the prior year. Approximately 99% of this amount ($10,548,594) 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 75% (two third) of total general fund expenditures for the current year.

Key factors in the decrease of the General Fund's fund balance of $342,419 during the current year are:

- The General Fund's fund balance decreased by $342,419. This decrease is due to the General Fund subsidizing the Water/Sewer Fund which has a deficit of over 1.6 million dollars, without the transfer the General Fund revenue would be up by 14% over expenditures for the current year.

Below is a breakdown of 2007-2006 Revenues and Expenses comparison:

- 2007-2006 Revenues comparison: Revenues for 2007 is $9,207,018 and 2006 Revenues was $8,561,327. Revenues increased by $645,691 a 8% increase over 2006.

- 2007-2006 Expenses comparison: Expenses for 2007 is $7,913,274 and 2006 Expenses was $7,643,540. Expenses increased by $269,734 a 3% increase over 2006.

Below are several revenue line items that have an increase in revenue over 2006.

- Tax revenue increased by $801,018 (13%) as a result of additional revenues in various types of taxes.

- Investment earnings increase by $7,330 (2%) due to higher interest rates on investments. The increase was very minimum this year due to the market rate being very low.

- Licenses and permits increased by $63,517.

- Fine, fees and forfeitures increased by $188,527 a 13% over 2006.

Review pages 71 - 75 for information on the General Fund.

SPECIAL REVENUE FUNDS

- Confiscated Assets fund balance for 2006 was $14,105 and 2007 balance was $19,032. An increase of $4,927 35% over 2006.

- Hotel/Motel Tax fund balance for 2006 was $260,025 and 2007 balance was $251,097. A decrease of ($8,928) 3% over 2006.

- Federal Seized Drug fund balance 2006 $199,135 and 2007 balance $137,206. A decrease of $(61,929) 31% over 2006.

- Technology Surcharges had a zero fund balance (0) in 2006. 2007 fund balance is $57,081.

CAPITAL PROJECTS FUND

The City has Special Purpose Local Option Sale Tax funds for the purpose of funding capital projects that have been vote on by the citizens of Norcross.

- 2005 SPLOST fund balance for 2006 was $1,472,702 and 2007 balance is $1,934,409. An increase of $512,461,707 32% increase over 2006.

- 2001 Special Purpose Local Option Sale Tax was allocated from Gwinnett County to the City for capital projects. Gwinnett County allocated $1,152,236 which $482,000 is allocated for recreation and $670,236 is allocated for streets. During the 2007 year, none of these funds were expended.

PRIOPRIETARY FUNDS

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

2007 Net assets of the City's three proprietary funds are as follows:

Water and Sewer Utility	$ 7,159,932
Electric Utility	7,865,127
Solid Waste	656,983

The increase in net assets for the funds was $748,041 5% over 2006. 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 2007 adopted budget was $11,076,298. Final year end budget total was $11,346,544 The year end budget total exceed the original adopted budget by $270,246.

There were minimum budget amendments during the year which none had any significant impact on the general fund prior year reserve since revenue exceeded expenses for 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Governmental and Business-Type

The investment in capital assets for the City's Governmental and Business- type activities as of December 31, 2007, amounted to $54,849,414 (net of accumulated depreciation), a 115% increase over 2006. 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, 2007, the City invested $1,874,163 in new capital assets. Investment for business-type activities totaled $520,061 while $1,354,102 was for governmental activities. Major capital asset events during the current year included the following:

Governmental Activities : $1,354,102

- The city purchased computers in the amount of $51,915 for all department in the General Fund..
- There were six police cars purchased in the amount of $139,280.to replace vehicles that have over 100,000 miles.
- There was renovation work done in the police department in the amount of $168,113.
- The police department purchased a police K-9 Dog for $9,250.
- The police department purchased machinery and equipment in the amount of $56,340.
- The police department purchased radios in the amount of $158,745 to upgrade the patrolmen radios.
- The city spent $141,557 in the renovation of the Community Center.
.
- There was $110,254 spent in the installation of an elevator in the Community Center.
- There was $10,310 spent on the Livable Center Initiative (LCI) for design work.
- There was $80,814 spent on the TEE Grant D.O.T. for design work and right -away acquisitions.
- Public Works purchased a vehicle for street maintenance in the amount $17,805.
- The city completed its Way Finding Signage project in the amount of $124,157.
- Community Development purchased two vehicles for $28,252 for Code Enforcement.
- The City spent $35,322 in renovating the KUDZU Art building.
- The City spent $221,978 in the improvement of Lillian Webb Park.

Business-type Activities - $520,061

Water/Sewer.- The City renovated the following streets with water and sewer projects:

Valley Road utility rebuild project	58,721
Norcross Tucker Sewer Project	100,017
Summerour Gates Project	36,654
Hedgewood Project	2,955

Electric.- The City had several electric service extension projects:

Valley Road utility rebuilt Project	78,188
Amber Apartment reconduct project	43,950
Creekside Park project	76,777
Summerour Gates Project	326
Hedgewood Project	82,402
Carlyle Thrasher Tie-Line Project	191,288
Wingo Street Cottage Project	26,859

A truck was purchased in the electric department for the Electric Director in the amount of $20,270.

More information on capital assets may be found in the Notes to the Financial Statements, Exhibit A-12, on pages 52 - 53 of this report.

Debt Administration

General Fund:

At the end of the current year, the City had outstanding debt. The City purchase of 54 Jones Street has a balance of $200,253 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.

More information on long-term debt may be found in the Notes to the Financial Statements, Exhibit A-12, on pages 54 - 56 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, 2008. Budget calculations were based on, but not limited to, the following factors:

- Even with the water/sewer rates increased in 2005, the city will need to increased the rates again in order to fund capital projects (such as water and sewer line improvements). The rates were increased in 2007 but the increase did not realize enough revenue due to the fact that the city had to do major repairs to the water and sewer system without having capital fund set aside to fund the major projects.

- The Storm Water department has been established. The challenge is to make sure the rate is set to accommodate capital replacement and fund the operation of the department.

- 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 2008. The project has been delayed due to acquiring right-away property.

- Departmental expenditures were budgeted to conform with last year, with only small incremental increases except for the administrative department. The City will hire a receptionist for the second floor.

- Repair and resurface roads. There are several streets that need immediately resurfacing.

- The increase in gasoline cost for the City operations is a concern since we have no projection now on how high gas prices will escalate to.

- Increase in employees benefits. This is always a concern with health care insurance and cost of living raises.

- Maintenance and upgrade City park structures. The city is invested in their park which means that maintenance will be a factor to consider once the parks are renovated.

- Staffing the Community Center to accommodate all the city activities such as wedding , theaters, senior activities, education classes and etc. Since the demand for more city sponsored civic activities are requested that means the general fund will need to fund more staff and equipment.

- The economic conditions due to the economic downfall with revenue. The revenue projected could be lower than anticipated. Therefore; some projects might not be funded if revenue does not come in as projected.

- The possibility of selling the Water/Sewer System to Gwinnett County since the city has a deficit of 1.6 million dollars for 2007 year.

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, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,097,057	$ 303,553	$ 4,400,610	$ 52,138
Equity in pooled cash	1,747,618	772,526	2,520,144	0
Certificates of deposit	7,317,883	0	7,317,883	0
Investments	0	1,405,609	1,405,609	262,103
Property held for resale	0	0	0	370,994
Restricted assets				
Cash and cash equivalents	0	307,511	307,511	0
Equity in pooled cash	0	96,049	96,049	0
Receivables (net)				
Accounts	1,083	1,649,021	1,650,104	0
Taxes	827,334	0	827,334	0
Intergovernmental	437,439	0	437,439	0
Interest	22,430	0	22,430	4,515
Notes	258,000	0	258,000	613
Prepaid items	63,636	45,132	108,768	0
Inventories	0	1,000,708	1,000,708	0
Total current assets	14,772,480	5,580,109	20,352,589	690,363
Noncurrent assets				
Notes receivable	0	0	0	22,192
Capital assets				
Non-depreciable	15,181,551	508,533	15,690,084	320,578
Depreciable (net)	27,432,013	11,727,317	39,159,330	0
Total noncurrent assets	42,613,564	12,235,850	54,849,414	342,770
Total assets	57,386,044	17,815,959	75,202,003	1,033,133
LIABILITIES				
Current liabilities				
Payables				
Accounts	204,379	378,036	582,415	0
Retainages	11,496	0	11,496	0
Intergovernmental	8,452	1,284,989	1,293,441	0
Sales tax	0	40,685	40,685	0
Accrued salaries	46,099	4,724	50,823	0
Compensated absences	176,741	6,199	182,940	0
Other liabilities	168,663	0	168,663	675
Notes payable	70,105	0	70,105	2,850
Liabilities payable from restricted assets				
Customer deposits payable	0	419,284	419,284	0
Total current liabilities	685,935	2,133,917	2,819,852	3,525
Noncurrent assets				
Notes payable	130,148	0	130,148	311,633
Total liabilities	816,083	2,133,917	2,950,000	315,158

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
NET ASSETS				
Invested in capital assets, net of related debt	42,413,311	12,235,850	54,649,161	320,578
Restricted for:				
Public Safety	213,318	0	213,318	0
Housing and Development	251,097	0	251,097	0
Capital projects	3,086,645	0	3,086,645	0
Unrestricted	10,605,590	3,446,192	14,051,782	397,396
Total net assets	$ 56,569,961	$ 15,682,042	$ 72,252,003	$ 717,974

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2007

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	$ 1,183,008	$ 134,370	$ 0	$ 0	$ (1,048,638)
Judicial	325,243	0	0	0	(325,243)
Public Safety	3,802,125	1,926,767	3,122	96,665	(1,775,571)
Public Works	2,320,678	0	7,948	1,394,459	(918,271)
Culture and Recreation	371,989	0	0	1,366,204	994,215
Housing and Development	966,491	277,622	0	8,428	(680,441)
Interest on long-term debt	10,442	0	0	0	(10,442)
Total governmental activities	8,979,976	2,338,759	11,070	2,865,756	(3,764,391)
Business-type activities					
Water and Sewer Utility	3,712,719	2,267,878	0	35,100	(1,409,741)
Electric Utility	9,248,858	9,295,545	0	0	46,687
Solid Waste	1,708,344	1,933,143	0	0	224,799
Total business-type activities	14,669,921	13,496,566	0	35,100	(1,138,255)
Total primary government	23,649,897	15,835,325	11,070	2,900,856	(4,902,646)
Component Unit					
Downtown Development Authority					
Housing and Development	82,149	0	0	0	(82,149)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net assets				
Net (expense) revenue	$ (3,764,391)	$ (1,138,255)	$ (4,902,646)	$ (82,149)
General revenues				
Taxes				
Property	3,990,008	0	3,990,008	0
Franchise	1,116,734	0	1,116,734	0
Insurance premium	459,681	0	459,681	0
Intangibles	49,656	0	49,656	0
Occupational	312,437	0	312,437	0
Alcoholic beverage	190,775	0	190,775	0
Hotel/Motel	198,901	0	198,901	0
Other	22,986	0	22,986	0
Interest and investment earnings	518,299	140,946	659,245	18,121
Payment from City of Norcross	0	0	0	235,976
Payment from component unit	41,601	0	41,601	0
Miscellaneous	69,151	4,896	74,047	8,791
Transfers	(1,636,163)	1,636,163	0	0
Total general revenues and transfers	5,334,066	1,782,005	7,116,071	262,888
Change in net assets	1,569,675	643,750	2,213,425	180,739
Net assets - beginning (original)	26,133,815	14,934,001	41,067,816	537,235
Prior period adjustment	28,866,471	104,291	28,970,762	0
Net assets - beginning (restated)	55,000,286	15,038,292	70,038,578	537,235
Net assets - ending	$ 56,569,961	$ 15,682,042	$ 72,252,003	$ 717,974

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	General	2005 SPLOST	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 1,051,163	$ 1,737,420	$ 1,308,474	$ 4,097,057
Equity in pooled cash	1,460,045	0	287,573	1,747,618
Certificates of deposit	7,317,883	0	0	7,317,883
Receivables (net)				
Accounts	1,083	0	0	1,083
Taxes	796,711	0	30,623	827,334
Intergovernmental	157,558	279,881	0	437,439
Interest	22,430	0	0	22,430
Notes	258,000	0	0	258,000
Prepaid items	63,636	0	0	63,636
Due from other funds	32,711	0	0	32,711
Total assets	$ 11,161,220	$ 2,017,301	$ 1,626,670	$ 14,805,191
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables				
Accounts	$ 144,180	$ 50,181	$ 10,018	$ 204,379
Integovernmental	8,452	0	0	8,452
Retainages	11,496	0	0	11,496
Accrued salaries	46,099	0	0	46,099
Deferred revenue	170,100	0	0	170,100
Due to other funds	0	32,711	0	32,711
Other liabilities	168,663	0	0	168,663
Total liabilities	548,990	82,892	10,018	641,900
Fund balances				
Reserved for:				
Prepaid items	63,636	0	0	63,636
Unreserved	10,548,594	1,934,409	0	12,483,003
Special Revenue	0	0	464,416	464,416
Capital Projects	0	0	1,152,236	1,152,236
Total fund balances	10,612,230	1,934,409	1,616,652	14,163,291
Total liabilities and fund balances	$ 11,161,220	$ 2,017,301	$ 1,626,670	$ 14,805,191

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, 2007

Total fund balance - total governmental funds	$	14,163,291
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of $66,297,922, net of accumulated depreciation of ($23,684,358), are not financial resources and, therefore, are not reported in the funds.		42,613,564
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 $170,100.		170,100
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These notes payable of ($200,253) and compensated absences of ($176,741).		(376,994)
Net assets of governmental activities	$	56,569,961

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, 2007

	General	2005 SPLOST	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	$ 6,405,241	$ 0	$ 198,901	$ 6,604,142
Licenses and permits	344,759	0	0	344,759
Fines, fees and forfeitures	1,661,445	0	215,177	1,876,622
Charges for services	117,378	0	0	117,378
Intergovernmental	170,576	1,611,089	1,136,685	2,918,350
Interest	438,392	63,514	16,393	518,299
Contributions	77	0	0	77
Other	69,150	0	0	69,150
Total revenues	9,207,018	1,674,603	1,567,156	12,448,777
EXPENDITURES				
Current				
General Government	1,140,045	0	0	1,140,045
Judicial	326,036	0	495	326,531
Public Safety	3,696,883	0	214,694	3,911,577
Public Works	1,499,295	0	0	1,499,295
Culture and Recreation	272,453	0	0	272,453
Housing and Development	978,562	0	208,580	1,187,142
Capital outlay	0	1,212,896	0	1,212,896
Total expenditures	7,913,274	1,212,896	423,769	9,549,939
Excess (deficiency) of revenues over (under) expenditures	1,293,744	461,707	1,143,387	2,898,838
Other financing soures (uses)				
Transfers out	(1,636,163)	0	0	(1,636,163)
Net change in fund balance	(342,419)	461,707	1,143,387	1,262,675
Fund balances, January 1	10,954,649	1,472,702	473,265	11,050,186
Fund balances, December 31	$ 10,612,230	$ 1,934,409	$ 1,616,652	$ 14,163,291

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, 2007

Net change in fund balances - total governmental funds	$	1,262,675
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 depreciation of ($1,236,565) exceeded capital outlays of $1,132,121 in the current period.		(104,444)
Distributions of capital assets to component unit decrease net assets in the statement of activites, but do not appear in the governmental funds because they are not financial uses.		(4,000)
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.		(262,964)
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 repayments of $692,166 exceeded proceeds of ($0).		692,166
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 change in compensated absences.		(13,758)
Change in net assets of governmental activities	$	1,569,675

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, 2007

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 6,178,350	$ 6,178,350	$ 6,405,241	$ 226,891
Licenses and permits	263,000	263,000	344,759	81,759
Fines, fees and forfeitures	2,345,675	2,345,675	1,661,445	(684,230)
Charges for services	125,500	125,500	117,378	(8,122)
Intergovernmental	1,824,879	1,824,879	170,576	(1,654,303)
Interest	296,394	296,394	438,392	141,998
Contributions	0	0	77	77
Other	42,500	42,500	69,150	26,650
Total revenues	11,076,298	11,076,298	9,207,018	(1,869,280)
EXPENDITURES				
Current				
General Government				
Administration	454,969	484,654	438,500	46,154
City Clerk	296,432	304,181	252,372	51,809
Chief Executive	204,302	204,545	184,141	20,404
City-wide	585,796	585,796	265,032	320,764
Judicial				
Municipal Court	348,337	348,337	326,036	22,301
Public Safety				
Marshal	324,621	324,621	193,380	131,241
Police	3,720,927	3,751,740	3,503,503	248,237
Public Works				
Public Works Administration	545,816	740,680	429,633	311,047
Highways and Streets	1,126,073	1,129,273	1,069,662	59,611
Culture and Recreation				
Parks and Recreation	626,545	633,946	272,453	361,493
Housing and Development				
Community Development	2,395,707	2,493,986	978,562	1,515,424
Total expenditures	10,629,525	11,001,759	7,913,274	3,088,485
Excess (deficiency) of revenues over (under) expenditures	446,773	74,539	1,293,744	1,219,205
Other financing sources (uses)				
Transfers out	0	0	(1,636,163)	(1,636,163)
Contingency	(446,773)	(344,785)	0	344,785
Total other financing sources (uses)	(446,773)	(344,785)	(1,636,163)	(1,291,378)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(270,246)	(342,419)	(72,173)
Fund balances, January 1	0	270,246	10,954,649	10,684,403
Fund balances, December 31	$ 0	$ 0	$ 10,612,230	$ 10,612,230

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2007

	Business Type			
	Water and Sewer Utility	Electric Utility	Solid Waste	Totals
ASSETS				
Current assets				
Cash and cash equivalents	$ 0	$ 303,553	$ 0	$ 303,553
Equity in pooled cash	0	113,979	658,547	772,526
Investments	0	1,405,609	0	1,405,609
Restricted assets				
Cash and cash equivalents	31,986	275,525	0	307,511
Equity in pooled cash	0	0	96,049	96,049
Receivables (net)				
Accounts	280,333	1,129,580	239,108	1,649,021
Prepaid items	17,924	27,208	0	45,132
Inventories	104,435	896,273	0	1,000,708
Total current assets	434,678	4,151,727	993,704	5,580,109
Noncurrent assets				
Capital assets				
Non-depreciable	14,748	493,785	0	508,533
Depreciable (net)	7,566,045	4,161,272	0	11,727,317
Total noncurrent assets	7,580,793	4,655,057	0	12,235,850
Total assets	8,015,471	8,806,784	993,704	17,815,959
LIABILITIES				
Current liabilities				
Payables				
Accounts	122,555	14,809	240,672	378,036
Intergovernmental	678,740	606,249	0	1,284,989
Sales tax	0	40,685	0	40,685
Accrued salaries	2,135	2,589	0	4,724
Compensated absences	4,399	1,800	0	6,199
Liabilities payable from restricted assets				
Customer deposits payable	47,710	275,525	96,049	419,284
Total liabilities	855,539	941,657	336,721	2,133,917
NET ASSETS				
Invested in capital assets	7,580,793	4,655,057	0	12,235,850
Unrestricted	(420,861)	3,210,070	656,983	3,446,192
Total net assets	$ 7,159,932	$ 7,865,127	$ 656,983	$ 15,682,042

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, 2007

	Business Type			
	Water and Sewer Utility	Electric Utility	Solid Waste	Totals
OPERATING REVENUES				
Charges for sales and services	$ 2,247,536	$ 9,221,429	$ 1,918,720	$ 13,387,685
Other	20,477	78,806	14,494	113,777
Total operating revenues	2,268,013	9,300,235	1,933,214	13,501,462
OPERATING EXPENSES				
Costs of sales and services	2,861,788	8,570,335	1,522,667	12,954,790
Personal services	620,459	559,501	185,677	1,365,637
Depreciation	230,472	119,022	0	349,494
Total operating expenses	3,712,719	9,248,858	1,708,344	14,669,921
Operating income (loss)	(1,444,706)	51,377	224,870	(1,168,459)
Non-operating revenues (expenses)				
Investment revenue	1,598	137,278	2,070	140,946
Income (loss) before capital contributions and transfers	(1,443,108)	188,655	226,940	(1,027,513)
Capital contributions				
Capital contributions	35,100	0	0	35,100
Income (loss) before transfers	(1,408,008)	188,655	226,940	(992,413)
Transfers in (out)				
Transfers in	1,636,163	0	0	1,636,163
Change in net assets	228,155	188,655	226,940	643,750
Net assets, January 1 (original)	6,859,735	7,644,223	430,043	14,934,001
Prior period adjustment	72,042	32,249	0	104,291
Net assets, January 1 (restated)	6,931,777	7,676,472	430,043	15,038,292
Net assets, December 31	$ 7,159,932	$ 7,865,127	$ 656,983	$ 15,682,042

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2007

	Business Type			
	Water and Sewer Utility	Electric Utility	Solid Waste	Totals
Cash flows from operating activities:				
Receipts from customers	$ 2,282,694	$ 9,099,561	$ 1,916,686	$ 13,298,941
Payments to suppliers	(3,105,953)	(8,809,150)	(1,390,860)	(13,305,963)
Payments to employees	(618,226)	(557,408)	(185,677)	(1,361,311)
Other receipts (payments)	20,477	78,806	14,494	113,777
Net cash provided (used) by operating activities	(1,421,008)	(188,191)	354,643	(1,254,556)
Cash flows from non-capital financing activities:				
Receipts from other funds	1,489,242	0	0	1,489,242
Payments to other funds	0	(9,356)	0	(9,356)
Net cash provided (used) by non-capital financing activities	1,489,242	(9,356)	0	1,479,886
Cash flows from capital and related financing activities:				
Receipt of capital contributions	35,100	0	0	35,100
Acquisition of capital assets	(103,334)	(520,061)	0	(623,395)
Net cash provided (used) by capital and related financing activities	(68,234)	(520,061)	0	(588,295)
Cash flows from investing activities:				
Interest received	1,598	139,532	2,070	143,200
Proceeds from sale of investments	0	1,068,309	0	1,068,309
Purchase of investments	0	(351,585)	0	(351,585)
Net cash provided (used) by investing activities	1,598	856,256	2,070	859,924
Net increase (decrease) in cash and cash equivalents	1,598	138,648	356,713	496,959
Cash and cash equivalents, January 1	30,388	554,409	397,883	982,680
Cash and cash equivalents, December 31	$ 31,986	$ 693,057	$ 754,596	$ 1,479,639

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2007

	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)	$ (1,444,706)	$ 51,377	$ 224,870	$ (1,168,459)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	230,472	119,022	0	349,494
(Increase) decrease in accounts receivable	33,693	(108,998)	(3,589)	(78,894)
(Increase) decrease in prepaid items	(10,531)	(8,699)	2,059	(17,171)
(Increase) decrease in inventories	(34,214)	(212,061)	0	(246,275)
Increase (decrease) in accounts payable	(76,102)	(2,985)	129,748	50,661
Increase (decrease) in intergovernmental payable	(123,318)	(17,476)	0	(140,794)
Increase (decrease) in sales tax payable	0	2,406	0	2,406
Increase (decrease) in accrued payroll liabilities	2,233	2,093	0	4,326
Increase (decrease) in deposits payable	1,465	(12,870)	1,555	(9,850)
Total adjustments	23,698	(239,568)	129,773	(86,097)
Net cash provided (used) by operating activities	$ (1,421,008)	$ (188,191)	$ 354,643	$ (1,254,556)
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	$ 0	$ 303,553	$ 0	$ 303,553
Equity in pooled cash	0	113,979	658,547	772,526
Restricted assets				
Cash and cash equivalents	31,986	275,525	0	307,511
Equity in pooled cash	0	0	96,049	96,049
Total cash and cash equivalents	$ 31,986	$ 693,057	$ 754,596	$ 1,479,639

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2007

	Municipal Court Agency Fund
ASSETS	
Equity in pooled cash	$ 302,927
Accounts receivable (net)	230,404
Total assets	$ 533,331
LIABILITIES	
Due to other agencies	$ 533,331

See accompanying notes to the 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 funds:

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

2005 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, 2007 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 required the City to report and depreciate new infrastructure assets effective with the beginning of 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are among the largest asset class of the City. Neither their historical costs nor related depreciation have historically been reported in the financial statements. The City has implemented the requirements for retroactive reporting of major general infrastructure assets 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 capital 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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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 2006 amounts have been reclassified to conform with the 2007 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. At December 31, 2007, the City had uninsured, uncollaterialized deposits of $43,030.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

3. Deposit and Investment Risk (continued)

Foreign currency risk

The City has no investments denominated in a foreign currency.

The City is a participant in the Municipal Electric Authority of Georgia (MEAG). The MEAG board approves an annual system budget from which MEAG 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, 2007, the average weighted maturity of the fund was 1.8 months. At December 31, 2007, the City's balance in the Voluntary Flexible Operating Account was $1,405,609.

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, 2007 was 22 days. At December 31, 2007, the City's balance in Georgia Fund 1 was $45,362.

4. Accounts Receivable

Net accounts receivable at December 31, 2007 consist of the following:

Major Funds		
General Fund		$ 1,083
Enterprise Funds		
Water and Sewer Utility	281,285	
Less: Allowances for Uncollectibles	(952)	
Electric Utility	1,133,417	
Less: Allowances for Uncollectibles	(3,837)	
Solid Waste	239,920	
Less: Allowances for Uncollectibles	(812)	1,649,021
Total Primary Government		$ 1,650,104
Fiduciary Funds		
Agency Funds		
Municipal Court	$ 856,247	
Less: Allowances for Uncollectibles	(625,843)	$ 230,404

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2007 consist of the following:

Major Funds			
General			
State of Georgia	$ 82,078		
Gwinnett County, Georgia	75,480	$	157,558
2005 SPLOST Capital Projects			
Gwinnett County, Georgia			279,881
Total primary government		$	437,439

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2007 consist of property taxes for seven years as follows:

Year of Levy	Amount
2007	$ 183,713
2006	36,175
2005	45,682
2004	7,047
2003	3,798
2002	444
2001	515
	277,374
Less allowance for uncollectible	(64,146)
Total	$ 213,228

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 2007, based upon the assessments of January 1, 2007, were billed on September 20, 2007 and due on November 20, 2007. 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 2007 was levied on September 10, 2007.

Other Taxes

$570,595 of franchise taxes, $30,623 of hotel/motel taxes, and $12,888 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
	2005 SPLOST
Due to:	
Major Funds	
General	$ 32,711

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. This balance is 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
Transfers in:	
Major Funds	
Water and Sewer Utility	$ 1,636,163

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

8. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2007 was as follows:

	Balance 12/31/2006	Increases	Decreases	Balance 12/31/2007
Governmental activities				
Non-depreciable assets				
Land	$ 14,226,460	$ 0	$ (4,000)	$ 14,222,460
Construction in progress	464,902	583,233	(89,044)	959,091
Total nondepreciable assets	14,691,362	583,233	(93,044)	15,181,551
Depreciable assets				
Buildings	8,746,188	48,087	0	8,794,275
Infrastructure	39,947,024	76,278	0	40,023,302
Vehicles and equipment	1,563,327	418,779	(26,388)	1,955,718
Furniture and fixtures	248,288	94,788	0	343,076
Total depreciable assets	50,504,827	637,932	(26,388)	51,116,371
Accumulated depreciation				
Buildings	(1,122,945)	(175,485)	0	(1,298,430)
Infrastructure	(20,054,801)	(863,386)	0	(20,918,187)
Vehicles and equipment	(1,128,088)	(172,259)	26,388	(1,273,959)
Furniture and fixtures	(168,347)	(25,435)	0	(193,782)
Total accumulated depreciation	(22,474,181)	(1,236,565)	26,388	(23,684,358)
Total depreciable assets, net	28,030,646	(598,633)	0	27,432,013
Governmental activities capital assets, net	$ 42,722,008	$ (15,400)	$ (93,044)	$ 42,613,564
Business-type activities				
Non-depreciable assets				
Land	$ 10,500	$ 0	$ 0	$ 10,500
Construction in progress	287,685	303,504	(93,156)	498,033
Total non-depreciable assets	298,185	303,504	(93,156)	508,533
Depreciable assets				
Distribution system	16,142,487	487,791	0	16,630,278
Vehicles and equipment	728,283	20,270	0	748,553
Total depreciable assets	16,870,770	508,061	0	17,378,831
Accumulated depreciation				
Distribution system	(4,676,182)	(327,881)	0	(5,004,063)
Vehicles and equipment	(625,838)	(21,613)	0	(647,451)
Total accumulated depreciation	(5,302,020)	(349,494)	0	(5,651,514)
Total depreciable assets, net	11,568,750	158,567	0	11,727,317
Business-type activities capital assets, net	$ 11,866,935	$ 462,071	$ (93,156)	$ 12,235,850

8. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2007 was as follows:

	Balance 12/31/2006	Increases	Decreases	Balance 12/31/2007
Downtown Development Authority Component Unit				
Non-depreciable assets				
Land	$ 0	$ 4,000	$ 0	$ 4,000
Construction in progress	0	316,578	0	316,578
Downtown Development Authority Component Unit capital assets	0	320,578	0	320,578

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 151,026
Judicial	924
Public Safety	159,806
Public Works	892,901
Culture and Recreation	21,014
Housing and Development	10,894
Total depreciation expense for governmental activities	$ 1,236,565
Business-type activities	
Water and Sewer Utility	$ 230,472
Electric Utility	119,022
Total depreciation expense for business-type activities	$ 349,494

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, 2007, the balance of this note is $200,253. Quarterly installments of principal and interest are due through September 1, 2010; interest at 4.38%.

Annual debt service requirements for notes payable are as follows:

Year ending December 31,	Principal	Interest	Total
2008	$ 70,105	$ 7,502	$ 77,607
2009	73,174	4,434	77,608
2010	56,974	1,231	58,205
Totals	$ 200,253	$ 13,167	$ 213,420

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, 2007, 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.

10. Long-Term Debt (continued)

Downtown Development Authority Component Unit, continued

On August 15, 2007, the Downtown Development Authority entered into a lending agreement with the Georgia Department of Community Affairs for the purchase of real property in the original amount of $57,500. At December 31, 2007, the balance of this note is $56,483. Monthly installments of principal and interest are due through August 1, 2017, with unpaid principal and interest due September 1, 2017; interest at 3.00%.

Annual debt service requirements for note payables are as follows:

Year ending December 31,	Principal	Interest	Total
2008	$ 2,850	$ 1,518	$ 4,368
2009	261,200	1,565	262,765
2010	3,297	1,468	4,765
2011	3,397	1,368	4,765
2012	3,501	1,264	4,765
2013-2017	40,238	4,495	44,733
Totals	$ 314,483	$ 11,678	$ 326,161

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for year ended December 31, 2007:

	Balance 12/31/2006	Additions	Deductions	Balance 12/31/2007	Due Within One Year
Governmental activities					
Notes payable	$ 892,419	$ 0	$ 692,166	$ 200,253	$ 70,105
Compensated absences	162,983	176,741	162,983	176,741	176,741
Total governmental activities	$ 1,055,402	$ 176,741	855,149	$ 376,994	$ 246,846
Business-type activities					
Compensated absences	$ 3,846	$ 6,199	$ 3,846	$ 6,199	$ 6,199
Downtown Development Authority Component Unit					
Notes payable	$ 258,000	$ 57,500	$ 1,017	$ 314,483	$ 2,850

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 $63,636 has been reserved for prepaid items since this amount is not legally available for appropriation.

12. Changes in Beginning Balances

Governmental Activities

The beginning balance of the capital assets has been adjusted to reflect infrastructure assets placed into service after June 30, 1980; this retroactive reporting is required by GASB Statement No. 34. This adjustment increased beginning net assets by $28,769,285.

A prior period adjustment has been made to correct the beginning balance of accumulated depreciation; depreciation expense for 2006 was incorrectly calculated. This adjustment increased beginning net assets by $97,186.

The net effect of these adjustments increased beginning net assets in the Governmental Activities by $28,866,471.

Business-type Activities

Water and Sewer Utility Enterprise Fund - A prior period adjustment has been made to correct the beginning balance of accumulated depreciation; depreciation expense for 2006 was incorrectly calculated. The 2006 amounts for accumulated depreciation and net assets invested in capital assets were restated to reflect this adjustment. This adjustment increased beginning net assets by $72,042.

12. Changes in Beginning Balances (continued)

Business-type Activities, continued

Electric Utility Enterprise Fund - A prior period adjustment has been made to correct the beginning balance of accumulated depreciation; depreciation expense for 2006 was incorrectly calculated. The 2006 amounts for accumulated depreciation and net assets invested in capital assets were restated to reflect this adjustment. This adjustment increased beginning net assets by $32,249.

The net effect of these adjustments increased beginning net assets in the Business-type Activities by $104,291.

13. Intradepartmental Billings

Total operating revenues and total operating expenses in the Water and Sewer Utility, Electric Utility, and Solid Waste Enterprise Funds include $19,897, $118,024, and $21,324, 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.

14. Retirement Plans (continued)

Plan Description, continued

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.

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	16
Active participants	68
Total number of participants	101

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 10.25% 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, 2007 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 2007, the City's annual pension cost of $302,934 was equal to the City's recommended and actual contributions. The minimum contribution was $302,934. The recommended contribution (projected to March 1, 2007) was computed as part of an actuarial valuation as of March 1, 2007. 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
3/1/2002	$ 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
3/1/2007	302,934	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)
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%
2007	4,507,741	5,097,671	589,930	88.43%	2,956,003	19.96%

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 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 2007, the City contributed $65,709 to the plans based on covered salaries of $2,954,369. Plan members made voluntary contributions of $175,535 to the plans. Total payroll was $4,254,186.

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, 2007, there were 17 retirees eligible for the benefits. For 2007, the cost of providing these benefits totaled $187,270. Offsetting revenues of $1,942 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, 2007, follows:

Lodging Tax Receipts	$ 198,901	
Disbursements to promote trade and tourism	$ 208,580	105% of tax receipts

18. Joint Ventures

The City of Norcross participates with the Drug Enforcement Administration (DEA) to facilitate the investigation, arrest, prosecution and conviction of those residents and non-residents involved in the manufacture, use, distribution, and sale of illicit drugs. The City has no ongoing financial responsibility of funding for this unit. The DEA unit is funded primarily through grant monies and operates on a balanced budget determined by revenue. During 2007, the City of Norcross contributed the use of one police officer to the DEA for undercover work; the City paid $81,102 in personnel costs for the officer.

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, 2007, 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 2007. 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 capital assets. Management has used a conservative approach on these estimates.

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

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, 2007, 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 $8,165,317 from MEAG during the year ended December 31, 2007. 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, 2007, the balance in this account was $1,405,609. 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, 2007 were $3,918,635 and $3,950,508, respectively. Due to the restricted nature of these funds, neither is shown in the Electric Utility Fund.

21. Commitments and Contingencies (continued)

Commitments, continued

The City has several active construction projects as of December 31, 2007. At fiscal year end, the City's commitments with contractors are as follows:

Projects	Amount Expended Date	Remaining Commitment
Community Center Renovation	$ 268,020	$ 444,134
Police/Municipal Court Renovation	116,140	70,905
Total	$ 384,160	$ 515,039

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.

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

During the year ended December 31, 2007, the City incurred expenditures in the following Special Revenue Funds that were in materially in excess of the amounts appropriated:

Department	Budget	Actual	Variance
Confiscated Assets Fund	$ 9,540	$ 33,736	$ (24,196)
Hotel/Motel Tax Fund	170,000	208,580	(38,580)
Technology Surcharge Fund	90,675	94,359	(3,684)

Management concurs with these findings. The Administrative Services Director will be reviewing the comparative financial statements to budget and recommend any necessary budget revisions to the City Council.

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COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF NORCROSS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007

	Special Revenue	
	Confiscated Assets	**Hotel/Motel Tax**
ASSETS		
Cash and cash equivalents	$ 19,032	$ 0
Equity in pooled cash	0	230,492
Taxes receivable	0	30,623
Total assets	$ 19,032	$ 261,115
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 0	$ 10,018
Fund balances		
Unreserved	19,032	251,097
Total liabilities and fund balances	$ 19,032	$ 261,115

Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
Federal Seized Drug	Technology Surcharges	2001 SPLOST	
$ 137,206	$ 0	$ 1,152,236	$ 1,308,474
0	57,081	0	287,573
0	0	0	30,623
$ 137,206	$ 57,081	$ 1,152,236	$ 1,626,670
$ 0	$ 0	$ 0	$ 10,018
137,206	57,081	1,152,236	1,616,652
$ 137,206	$ 57,081	$ 1,152,236	$ 1,626,670

CITY OF NORCROSS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2007

	Special Revenue	
	Confiscated Assets	**Hotel/Motel Tax**
REVENUES		
Taxes	$ 0	$ 198,901
Fees, fines, and forfeitures	38,625	0
Intergovernmental	0	0
Interest	38	751
Total revenues	38,663	199,652
EXPENDITURES		
Current		
Judicial	0	0
Public Safety	33,736	0
Housing and Development	0	208,580
Total expenditures	33,736	208,580
Excess (deficiency) of revenues over (under) expenditures	4,927	(8,928)
Fund balances, January 1	14,105	260,025
Fund balances, December 31	$ 19,032	$ 251,097

Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
Federal Seized Drug	Technology Surcharges	2001 SPLOST	
$ 0	$ 0	$ 0	$ 198,901
25,165	151,387	0	215,177
0	0	1,136,685	1,136,685
0	53	15,551	16,393
25,165	151,440	1,152,236	1,567,156
0	495	0	495
87,094	93,864	0	214,694
0	0	0	208,580
87,094	94,359	0	423,769
(61,929)	57,081	1,152,236	1,143,387
199,135	0	0	473,265
$ 137,206	$ 57,081	$ 1,152,236	$ 1,616,652

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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, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 1,051,163	$ 1,512,660
Equity in pooled cash	1,460,045	1,187,773
Certificates of deposit	7,317,883	6,995,197
Investments	0	435,455
Receivables (net)		
Accounts	1,083	297
Taxes	796,711	1,131,645
Intergovernmental	157,558	0
Interest	22,430	21,044
Notes	258,000	258,000
Prepaid items	63,636	76,734
Inventories	0	23,968
Due from other funds	32,711	188,731
Total assets	$ 11,161,220	$ 11,831,504
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 144,180	$ 140,972
Intergovernmental	8,452	0
Retainages	11,496	0
Accrued salaries	46,099	28,771
Deferred revenue	170,100	433,064
Other liabilities	168,663	274,048
Total liabilities	548,990	876,855
Fund balances		
Reserved for prepaid items	63,636	76,734
Reserved for inventories	0	23,968
Unreserved	10,548,594	10,853,947
Total fund balances	10,612,230	10,954,649
Total liabilities and fund balances	$ 11,161,220	$ 11,831,504

CITY OF NORCROSS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2007 and 2006

	2007	2006
REVENUES		
Taxes	$ 6,405,241	$ 5,604,223
Licenses and permits	344,759	395,665
Fines, fees and forfeitures	1,661,445	1,472,918
Charges for services	117,378	123,536
Intergovernmental	170,576	162,817
Investment	438,392	431,062
Contributions	77	195,029
Other	69,150	176,077
Total revenues	9,207,018	8,561,327
EXPENDITURES		
Current		
General Government	1,140,045	858,962
Judicial	326,036	306,486
Public Safety	3,696,883	3,334,719
Public Works	1,499,295	1,590,535
Culture and Recreation	272,453	33,679
Housing and Development	978,562	1,519,159
Total expenditures	7,913,274	7,643,540
Excess (deficiency) of revenues over (under) expenditures	1,293,744	917,787
Other financing sources (uses)		
Transfers in (out)		
SPLOST Fund	0	(253,545)
Water and Sewer Utility Fund	(1,636,163)	0
Proceeds from the sale of capital assets	0	268,500
Total other financing sources (uses)	(1,636,163)	14,955
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(342,419)	932,742
Fund balances, January 1	10,954,649	10,021,907
Fund balances, December 31	$ 10,612,230	$ 10,954,649

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2007
(With comparative actual amounts for the year ended December 31, 2006)

	2007			2006
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 4,000,000	$ 4,031,775	$ 31,775	$ 3,479,667
Motor vehicle tax	175,000	173,130	(1,870)	172,717
Cost, penalties, and interest	23,000	48,067	25,067	33,343
Total general property taxes	4,198,000	4,252,972	54,972	3,685,727
Intangible tax	48,000	49,656	1,656	42,184
Real estate transfer tax	22,000	22,986	986	20,198
Franchise tax	1,000,000	1,116,734	116,734	938,441
Insurance premium tax	430,000	459,681	29,681	440,683
Occupational tax	291,350	312,437	21,087	285,922
Alcoholic beverage excise tax	189,000	190,775	1,775	191,068
Total taxes	6,178,350	6,405,241	226,891	5,604,223
Licenses and Permits				
Alcohol licenses	65,000	114,075	49,075	138,050
Building permits	145,000	203,141	58,141	226,917
Other permits	53,000	27,543	(25,457)	30,698
Total licenses and permits	263,000	344,759	81,759	395,665
Fines, fees and forfeitures	2,345,675	1,661,445	(684,230)	1,472,918
Charges for Services	125,500	117,378	(8,122)	123,536
Intergovernmental				
Grants	1,768,000	121,027	(1,646,973)	111,265
Other	56,879	49,549	(7,330)	51,552
Total intergovernmental	1,824,879	170,576	(1,654,303)	162,817
Investment	296,394	438,392	141,998	431,062
Contributions	0	77	77	195,029
Other	42,500	69,150	26,650	176,077
Total revenues	$ 11,076,298	$ 9,207,018	$ (1,869,280)	$ 8,561,327

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2007
(With comparative actual amounts for the year ended December 31, 2006)

	2007			2006
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
General Government				
Administration				
Personal services	$ 353,470	$ 355,315	$ (1,845)	$ 491,211
Contract services	97,373	56,930	40,443	98,898
Supplies and materials	18,311	21,867	(3,556)	17,391
Capital outlay	15,500	4,388	11,112	7,952
Total Administration	484,654	438,500	46,154	615,452
City Clerk				
Personal services	163,495	129,659	33,836	118,245
Contract services	96,836	87,032	9,804	57,141
Supplies and materials	8,462	6,831	1,631	3,013
Capital outlay	35,388	28,850	6,538	0
Total City Clerk	304,181	252,372	51,809	178,399
Chief Executive				
Personal services	182,608	168,695	13,913	60,668
Contract services	17,365	11,320	6,045	2,204
Supplies and materials	572	1,909	(1,337)	2,239
Capital outlay	4,000	2,217	1,783	0
Total Chief Executive	204,545	184,141	20,404	65,111
City-wide				
Personal services	330,388	187,270	143,118	0
Contract services	2,500	154	2,346	0
Capital outlay	175,000	0	175,000	0
Debt service	77,908	77,608	300	0
Total City-wide	585,796	265,032	320,764	0
Total General Government	1,579,176	1,140,045	439,131	858,962
Judicial				
Municipal Court				
Personal services	311,902	296,522	15,380	271,566
Contract services	29,035	23,090	5,945	26,011
Supplies and materials	4,400	6,424	(2,024)	8,909
Capital outlay	3,000	0	3,000	0
Total Judicial	348,337	326,036	22,301	306,486
Public Safety				
Marshal				
Personal services	217,084	125,326	91,758	158,211
Contract services	66,237	50,581	15,656	22,107
Supplies and materials	17,000	13,629	3,371	12,591
Capital outlay	24,300	3,844	20,456	0
Debt service	0	0	0	77,607
Total Marshal	324,621	193,380	131,241	270,516

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2007
(With comparative actual amounts for the year ended December 31, 2006)

	2007			2006
	Final Budget	Actual	Variance	Actual
Public Safety, continued				
Police				
Personal services	$ 2,774,742	$ 2,763,008	$ 11,734	$ 2,572,652
Contract services	556,012	428,217	127,795	296,779
Supplies and materials	167,756	164,014	3,742	121,980
Capital outlay	253,230	148,264	104,966	72,792
Total Police	3,751,740	3,503,503	248,237	3,064,203
Total Public Safety	4,076,361	3,696,883	379,478	3,334,719
Public Works				
Public Works Administration				
Personal services	84,098	55,383	28,715	219,930
Contract services	133,258	156,544	(23,286)	59,756
Supplies and materials	131,124	142,016	(10,892)	118,124
Capital outlay	392,200	75,690	316,510	40,047
Total Public Works Administration	740,680	429,633	311,047	437,857
Highways and Streets				
Personal services	370,602	342,736	27,866	314,367
Contract services	448,571	644,415	(195,844)	369,819
Supplies and materials	82,100	82,511	(411)	49,420
Capital outlay	228,000	0	228,000	419,072
Total Highways and Streets	1,129,273	1,069,662	59,611	1,152,678
Total Public Works	1,869,953	1,499,295	370,658	1,590,535
Culture and Recreation				
Parks and Recreation				
Personal services	57,544	68,725	(11,181)	4,233
Contract services	43,000	24,290	18,710	570
Supplies and materials	26,902	32,939	(6,037)	12,668
Capital outlay	506,500	146,499	360,001	16,208
Total Culture and Recreation	633,946	272,453	361,493	33,679
Housing and Development				
Community Development				
Personal services	459,342	350,218	109,124	152,608
Contract services	240,146	363,910	(123,764)	459,205
Supplies and materials	5,397	15,901	(10,504)	3,578
Capital outlay	1,789,101	243,533	1,545,568	403,768
Payments to others	0	5,000	(5,000)	0
Total Community Development	2,493,986	978,562	1,515,424	1,019,159
Agency allocations				
Downtown Development Authority	0	0	0	500,000
Total Housing and Development	2,493,986	978,562	1,515,424	1,519,159
Total expenditures	$ 11,001,759	$ 7,913,274	$ 3,088,485	$ 7,643,540

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, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 19,032	$ 14,105
LIABILITIES AND FUND BALANCES		
Fund balances		
Unreserved	$ 19,032	$ 14,105

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, 2007
(with comparative actual amounts for the year ended December 31, 2006)

	2007			2006
	Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	$ 9,540	$ 38,625	$ 29,085	$ 37,098
Interest	0	38	38	46
Total revenues	9,540	38,663	29,123	37,144
EXPENDITURES				
Current				
Public Safety				
Contract services	3,000	3,000	0	0
Supplies and materials	6,540	14,066	(7,526)	19,666
Capital outlay	0	16,670	(16,670)	9,250
Total expenditures	9,540	33,736	(24,196)	31,916
Excess (deficiency) of revenues over (under) expenditures	0	4,927	4,927	5,228
Fund balances, January 1	0	14,105	14,105	8,877
Fund balances, December 31	$ 0	$ 19,032	$ 19,032	$ 14,105

CITY OF NORCROSS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Equity in pooled cash	$ 230,492	$ 228,781
Taxes receivable	30,623	32,475
Total assets	$ 261,115	$ 261,256
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 10,018	$ 1,231
Fund balances		
Unreserved	251,097	260,025
Total liabilities and fund balances	$ 261,115	$ 261,256

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, 2007
(with comparative actual amounts for the year ended December 31, 2006)

	2007			2006
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	$ 170,000	$ 198,901	$ 28,901	$ 193,191
Interest	0	751	751	5,191
Total revenues	170,000	199,652	29,652	198,382
EXPENDITURES				
Current				
Housing and Development				
Contract services	161,800	208,580	(46,780)	59,587
Supplies and materials	1,000	0	1,000	8,000
Capital outlay	3,200	0	3,200	8,158
Contingency	4,000	0	4,000	0
Total expenditures	170,000	208,580	(38,580)	75,745
Excess (deficiency) of revenues over (under) expenditures	0	(8,928)	(8,928)	122,637
Fund balances, January 1	0	260,025	260,025	137,388
Fund balances, December 31	$ 0	$ 251,097	$ 251,097	$ 260,025

CITY OF NORCROSS, GEORGIA
FEDERAL SEIZED DRUG SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 137,206	$ 199,135
LIABILITIES AND FUND BALANCES		
Fund balances		
Unreserved	$ 137,206	$ 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, 2007
(with comparative actual amounts for the year ended December 31, 2006)

	2007			2006
	Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	$ 280,421	$ 25,165	$ (255,256)	$ 257,677
EXPENDITURES				
Current				
Public Safety				
Supplies and materials	0	41,474	(41,474)	40,232
Capital outlay	280,421	45,620	234,801	18,310
Total expenditures	280,421	87,094	193,327	58,542
Excess (deficiency) of revenues over (under) expenditures	0	(61,929)	(61,929)	199,135
Fund balances, January 1	0	199,135	199,135	0
Fund balances, December 31	$ 0	$ 137,206	$ 137,206	$ 199,135

CITY OF NORCROSS, GEORGIA
TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Equity in pooled cash	$ 57,081	$ 0
LIABILITIES AND FUND BALANCES		
Fund balances		
Unreserved	$ 57,081	$ 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, 2007
(with comparative actual amounts for the year ended December 31, 2006)

	2007			2006
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines and forfeitures	$ 90,675	$ 151,387	$ 60,712	$ 85,076
Interest	0	53	53	0
Total revenues	90,675	151,440	60,765	85,076
EXPENDITURES				
Current				
Judicial				
Contract services	0	495	(495)	0
Public Safety				
Contract services	0	21,930	(21,930)	5,200
Supplies and materials	0	19,961	(19,961)	79,876
Capital outlay	90,675	51,973	38,702	79,876
Total expenditures	90,675	94,359	(3,684)	85,076
Excess (deficiency) of revenues over (under) expenditures	0	57,081	57,081	0
Fund balances, January 1	0	0	0	0
Fund balances, December 31	$ 0	$ 57,081	$ 57,081	$ 0

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CAPITAL PROJECTS FUNDS

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

2005 Special Purpose Local Option Sales Tax Capital Projects Fund – This fund is used to account for long-term projects financed by the passage of the 2005 special purpose local option sales tax.

2001 Special Purpose Local Option Sales Tax Capital Projects Fund – This fund is used to account for long-term projects financed by the passage of the 2001 special purpose local option sales tax.

CITY OF NORCROSS, GEORGIA
2005 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 1,737,420	$ 1,100,540
Intergovernmental receivable	279,881	404,616
Total assets	$ 2,017,301	$ 1,505,156
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 50,181	$ 0
Due to other funds	32,711	32,454
Total liabilities	82,892	32,454
Fund balances		
Unreserved	1,934,409	1,472,702
Total liabilities and fund balances	$ 2,017,301	$ 1,505,156

CITY OF NORCROSS, GEORGIA
2005 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, 2007 and 2006

	2007	2006
REVENUES		
Intergovernmental	$ 1,611,089	$ 1,810,340
Interest	63,514	23,494
Total revenues	1,674,603	1,833,834
EXPENDITURES		
Public Safety		
Capital outlay	223,939	93,671
Culture and Recreation		
Contract services	1,345	10,077
Capital outlay	362,612	2,017,943
Debt service	625,000	600,000
Total expenditures	1,212,896	2,721,691
Excess (deficiency) of revenues over (under) expenditures	461,707	(887,857)
Other financing sources (uses)		
Transfers in (out)		
General fund	0	253,545
Proceeds from notes payable	0	1,225,000
Total other financing sources (uses)	0	1,478,545
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	461,707	590,688
Fund balances, January 1	1,472,702	882,014
Fund balances, December 31	$ 1,934,409	$ 1,472,702

CITY OF NORCROSS, GEORGIA
2001 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
BALANCE SHEET
December 31, 2007

ASSETS

Cash and cash equivalents	$ 1,152,236

LIABILITIES AND FUND BALANCES

Fund balances	
Unreserved	$ 1,152,236

CITY OF NORCROSS, GEORGIA
2001 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the year ended December 31, 2007

REVENUES	
Intergovernmental	$ 1,136,685
Interest	15,551
Total revenues	1,152,236
EXPENDITURES	
Total expenditures	0
Excess (deficiency) of revenues over (under) expenditures	1,152,236
Fund balances, January 1	0
Fund balances, December 31	$ 1,152,236

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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, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Accounts receivable (net)	$ 280,333	$ 314,026
Prepaid items	17,924	7,393
Inventories	104,435	70,221
Total current assets	402,692	391,640
Restricted assets		
Customer deposits		
Cash and cash equivalents	31,986	30,388
Capital assets		
Land	9,500	9,500
Water and sewer system	11,348,430	11,107,645
Vehicles and equipment	141,585	141,585
Construction in progress	5,248	47,686
Accumulated depreciation	(3,923,970)	(3,693,499)
Total capital assets (net of accumulated depreciation)	7,580,793	7,612,917
Total assets	8,015,471	8,034,945
LIABILITIES		
Current liabilities		
Payables		
Accounts	122,555	103,643
Intergovernmental	678,740	802,058
Accrued salaries	2,135	1,273
Compensated absences	4,399	3,028
Due to other funds	0	146,921
Total current liabilities	807,829	1,056,923
Current liabilities payable from restricted assets		
Customer deposits	47,710	46,245
Total liabilities	855,539	1,103,168
NET ASSETS		
Invested in capital assets	7,580,793	7,612,917
Unrestricted	(420,861)	(681,140)
Total net assets	$ 7,159,932	$ 6,931,777

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, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Charges for sales and services		
Water sales	$ 1,362,408	$ 1,443,288
Sewer charges	839,608	942,947
Tap fees	45,520	84,500
Other	20,477	18,349
Total operating revenues	2,268,013	2,489,084
OPERATING EXPENSES		
Costs of sales and services	2,861,788	2,105,339
Personal services	620,459	422,746
Depreciation	230,472	226,977
Total operating expenses	3,712,719	2,755,062
Operating income (loss)	(1,444,706)	(265,978)
Non-operating revenues (expenses)		
Investment revenue	1,598	7,249
Income (loss) before capital contributions and transfers	(1,443,108)	(258,729)
Capital contributions		
Capital contributions	35,100	72,240
Income (loss) before transfers	(1,408,008)	(186,489)
Transfers in (out)		
General Fund	1,636,163	0
Change in net assets	228,155	(186,489)
Net assets, January 1	6,931,777	7,118,266
Net assets, December 31	$ 7,159,932	$ 6,931,777

CITY OF NORCROSS, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Receipts from customers	$ 2,282,694	$ 2,472,494
Payments to suppliers	(3,105,953)	(2,082,788)
Payments to employees	(618,226)	(420,968)
Other receipts	20,477	18,349
Net cash provided (used) by operating activities	(1,421,008)	(12,913)
Cash flows from non-capital financing activities		
Receipts from other funds	1,489,242	146,921
Cash flows from capital and related financing activities:		
Receipt of capital contributions	35,100	0
Acquisition of capital assets	(103,334)	(567,315)
Net cash provided (used) by captial and related financing activities	(68,234)	(567,315)
Cash flows from investing activities:		
Interest received	1,598	7,249
Net increase (decrease) in cash and cash equivalents	1,598	(426,058)
Cash and cash equivalents, January 1	30,388	456,446
Cash and cash equivalents, December 31	$ 31,986	$ 30,388
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (1,444,706)	$ (265,978)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	230,472	226,977
(Increase) decrease in accounts receivable	33,693	(18,581)
(Increase) decrease in prepaid items	(10,531)	(2,937)
(Increase) decrease in inventories	(34,214)	(6,337)
Increase (decrease) in accounts payable	(76,102)	(174,867)
Increase (decrease) in intergovernmental payables	(123,318)	206,692
Increase (decrease) in deposits payable	1,465	20,340
Increase (decrease) in accrued payroll liabilities	2,233	1,778
Total adjustments	23,698	253,065
Net cash provided (used) by operating activities	$ (1,421,008)	$ (12,913)
Cash and cash equivalents reconciliation:		
Customer Deposits		
Cash and cash equivalents	$ 31,986	$ 30,388

Noncash investing, capital, and financing activities:
Contributions of capital assets from individuals totaled $72,240 for 2006.

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 303,553	$ 266,014
Equity in pooled cash	113,979	0
Certificates of deposit	0	1,068,309
Investments	1,405,609	1,054,024
Receivables		
Accounts	1,129,580	1,020,583
Interest	0	2,254
Prepaid items	27,208	18,509
Inventories	896,273	684,212
Total current assets	3,876,202	4,113,905
Restricted assets		
Customer Deposits		
Cash and cash equivalents	275,525	288,395
Capital assets		
Land	1,000	1,000
Electric system	5,281,847	5,034,842
Vehicles and equipment	606,968	586,698
Construction in progress	492,785	239,999
Accumulated depreciation	(1,727,543)	(1,608,521)
Total capital assets (net of accumulated depreciation)	4,655,057	4,254,018
Total assets	8,806,784	8,656,318
LIABILITIES		
Current liabilities		
Payables		
Accounts	14,809	17,795
Intergovernmental	606,249	623,725
Sales tax	40,685	38,279
Accrued salaries	2,589	1,478
Compensated absences	1,800	818
Due to other funds	0	9,356
Total current liabilities	666,132	691,451
Current liabilities payable from restricted assets		
Customer deposits	275,525	288,395
Total liabilities	941,657	979,846
NET ASSETS		
Invested in capital assets	4,655,057	4,254,018
Unrestricted	3,210,070	3,422,454
Total net assets	$ 7,865,127	$ 7,676,472

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Charges for sales and services		
Electric sales	$ 9,221,429	$ 8,574,209
Other	78,806	64,444
Total operating revenues	9,300,235	8,638,653
OPERATING EXPENSES		
Costs of sales and services	8,570,335	8,298,217
Personal services	559,501	421,747
Depreciation	119,022	111,883
Total operating expenses	9,248,858	8,831,847
Operating income (loss)	51,377	(193,194)
Non-operating revenues (expenses)		
Investment revenue	137,278	164,569
Change in net assets	188,655	(28,625)
Net assets, January 1	7,676,472	7,705,097
Net assets, December 31	$ 7,865,127	$ 7,676,472

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Receipts from customers	$ 9,099,561	$ 8,582,910
Payments to suppliers	(8,809,150)	(8,224,125)
Payments to employees	(557,408)	(421,370)
Other receipts	78,806	64,444
Net cash provided (used) by operating activities	(188,191)	1,859
Cash flows from non-capital financing activities		
Payments to other funds	(9,356)	(340,263)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(520,061)	(550,842)
Cash flows from investing activities:		
Interest received	139,532	184,422
Proceeds from maturities of investments	1,068,309	2,073,112
Purchase of investments	(351,585)	(1,345,418)
Net cash provided (used) by investing activities	856,256	912,116
Net increase (decrease) in cash and cash equivalents	138,648	22,870
Cash and cash equivalents, January 1	554,409	531,539
Cash and cash equivalents, December 31	$ 693,057	$ 554,409
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 51,377	$ (225,443)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	119,022	144,132
(Increase) decrease in accounts receivable	(108,998)	(60,384)
(Increase) decrease in prepaid items	(8,699)	(3,505)
(Increase) decrease in inventories	(212,061)	132,837
Increase (decrease) in accounts payable	(2,985)	(83,044)
Increase (decrease) in intergovernmental payables	(17,476)	19,872
Increase (decrease) in deposits payable	(12,870)	69,085
Increase (decrease) in sales tax payable	2,406	7,932
Increase (decrease) in accrued payroll liabilities	2,093	377
Total adjustments	(239,568)	227,302
Net cash provided (used) by operating activities	$ (188,191)	$ 1,859
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	$ 303,553	$ 266,014
Equity in pooled cash	113,979	0
Customer Deposits		
Cash and cash equivalents	275,525	288,395
Total cash and cash equivalents	$ 693,057	$ 554,409

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Equity in pooled cash	$ 658,547	$ 303,389
Accounts receivable (net)	239,108	235,519
Prepaid items	0	2,059
Total current assets	897,655	540,967
Restricted assets		
Customer deposits		
Equity in pooled cash	96,049	94,494
Total assets	993,704	635,461
LIABILITIES		
Current liabilities		
Accounts payable	240,672	110,924
Current liabilities payable from restricted assets		
Customer deposits	96,049	94,494
Total liabilities	336,721	205,418
NET ASSETS		
Unrestricted	$ 656,983	$ 430,043

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	$ 1,918,720	$ 1,911,017
Other	14,494	13,766
Total operating revenues	1,933,214	1,924,783
OPERATING EXPENSES		
Costs of sales and services	1,522,667	1,592,091
Personal services	185,677	163,196
Total operating expenses	1,708,344	1,755,287
Operating income (loss)	224,870	169,496
Non-operating revenues (expenses)		
Investment revenue	2,070	7,622
Change in net assets	226,940	177,118
Net assets, January 1	430,043	252,925
Net assets, December 31	$ 656,983	$ 430,043

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Receipts from customers	$ 1,916,686	$ 1,914,057
Payments to suppliers	(1,390,860)	(1,592,275)
Payments to employees	(185,677)	(163,196)
Other receipts	14,494	13,766
Net cash provided (used) by operating activities	354,643	172,352
Cash flows from investing activities		
Interest received	2,070	7,622
Net increase (decrease) in cash and cash equivalents	356,713	179,974
Cash and cash equivalents, January 1	397,883	217,909
Cash and cash equivalents, December 31	$ 754,596	$ 397,883
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 224,870	$ 169,496
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(3,589)	(13,935)
(Increase) decrease in prepaid items	2,059	573
Increase (decrease) in accounts payable	129,748	(757)
Increase (decrease) in deposits payable	1,555	16,975
Total adjustments	129,773	2,856
Net cash provided by operating activities	$ 354,643	$ 172,352
Cash and cash equivalents reconciliation:		
Equity in pooled cash	$ 658,547	$ 303,389
Customer Deposits		
Equity in pooled cash	96,049	94,494
Total cash and cash equivalents	$ 754,596	$ 397,883

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, 2007 and 2006

	2007	2006
ASSETS		
Equity in pooled cash	$ 302,927	$ 257,287
Accounts receivable (net)	230,404	204,934
Total assets	$ 533,331	$ 462,221
LIABILITIES		
Liabilities		
Due to other agencies	$ 533,331	$ 462,221

CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2007

	Balance January 1	Additions	Deletions	Balance December 31
ASSETS				
Equity in pooled cash	$ 257,287	$ 2,596,073	$ (2,550,433)	$ 302,927
Accounts receivable	204,934	707,207	(681,737)	230,404
Total assets	$ 462,221	$ 3,303,280	$ (3,232,170)	$ 533,331
LIABILITIES				
Due to others agencies	$ 462,221	$ 3,303,280	$ (3,232,170)	$ 533,331

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COMPONENT UNIT

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

CITY OF NORCROSS, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 52,138	$ 108,519
Investments	262,103	300,000
Property held for resale	370,994	370,994
Receivables		
Interest	4,514	5,257
Notes	22,805	16,500
Total assets	$ 712,554	$ 801,270
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Deposits	$ 675	$ 675
Intergovernmental	0	5,360
Total liabilities	675	6,035
Fund balances		
Unreserved	711,879	795,235
Total liabilities and fund balances	$ 712,554	$ 801,270

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, 2007
(With comparative actual amounts for the year ended December 31, 2006)

	2007			2006
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 189,500	$ 9,998	$ (179,502)	$ 500,000
Interest	0	18,121	18,121	11,156
Rent	0	8,340	8,340	0
Other	0	451	451	360
Total revenues	189,500	36,910	(152,590)	511,516
EXPENDITURES				
Current				
Housing and Development				
Contract services	174,500	76,912	97,588	85,525
Supplies and materials	15,000	4,589	10,411	1,070
Capital outlay	0	94,600	(94,600)	0
Debt service	0	1,665	(1,665)	0
Payments to other agencies	0	0	0	7,625
Total expenditures	189,500	177,766	11,734	94,220
Excess (deficiency) of revenues over (under) expenditures	0	(140,856)	(140,856)	417,296
Other financing sources (uses)				
Proceeds from notes payable	0	57,500	57,500	258,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(83,356)	(83,356)	675,296
Fund balances, January 1	0	795,235	795,235	119,939
Fund balances, December 31	$ 0	$ 711,879	$ 711,879	$ 795,235

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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, 2007, and have issued our report thereon dated October 7, 2008. 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 07-1

Condition: 2001 SPLOST funds received from Gwinnett County in August 2007 were not recorded in the general ledger at year-end.

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.

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 07-2

Condition: During audit procedures on journal entries, we noted 10 of the 25 journal entries test did not have proper authorization.

Criteria: Generally accepted accounting principles require proper authorization in control over adjustments to the general ledger.

Effect: Failure to properly authorize al adjustments to the general ledger subjects the City to greater risk of loss due to fraud**.**

Recommendation: 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 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 immediately upon receipt of the comment from our auditors.

Comment 07-3

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.

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 07-1 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 October 7, 2008.

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.

Rushton & Company

Certified Public Accountants

Gainesville, Georgia
October 7, 2008

CITY OF NORCROSS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended December 31, 2007

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	2,477,368	363,957	2,841,325
Public Safety Facilities and Equipment	344,324	344,324	93,671	223,939	317,610
Total	$ 6,385,074	$ 6,385,074	$ 2,571,039	$ 587,896	$ 3,158,935

* 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.

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