CITY OF NORCROSS, GEORGIA

Annual Financial Report

For the year ended December 31, 2008

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CITY OF NORCROSS, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2008

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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, 2008, 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, 2008, 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.

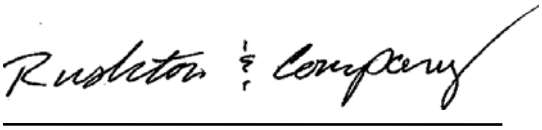
As describe in Note 16 to the financial statements, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*, in 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009, 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.

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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
June 26, 2009

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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, 2008. The purpose of this narrative is to provide readers of these financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Norcross. This narrative overview of the City's financial activities should be read in conjunction with the information presented in the letter of transmittal found at the front of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Norcross exceeded its liabilities at the close of the year by $72,282,966 (reported as "net assets"). Of this amount $10,917,375 is unrestricted, of which $7,392,605 is Governmental Activities and $3,524,770 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 $576,963.

- The City's governmental funds reported combined ending fund balances of $10,312,814. Approximately 78 percent of this amount, $8,112,389, 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 $17,395,588 at year end, an increase of $1.713,546 as a result of the current year's operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the City of Norcross. The financial statements of the City of Norcross comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data is presented when available.

Government-wide financial statements.

The focus of the government-wide financial statements is on the overall financial position and activities of the City of Norcross. The government-wide financial statements include the statement of net assets and the statement of activities. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses is taken into account regardless of when cash is received or paid.

Statement of Net Assets

The statement of net assets (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 72.

Governmental funds

Most of the City's basic governmental activities reported in the government-wide statements are accounted for in governmental funds, which focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation beside the fund financial statements.

In addition to the General Fund, which is considered a major fund, the City of Norcross maintains two governmental funds types:

1. Special Revenue Funds
2. Capital Projects Funds

The 2005 Special Purpose Local Option Sales Tax (SPLOST) Capital Projects Fund is considered a major Governmental fund.

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

The City's basic governmental fund financial statements can be found on pages 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, Storm Water Utility and Solid Waste Enterprise Funds are considered major funds.

Fiduciary funds

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

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

The City's fiduciary fund Statement of Assets and Liabilities is presented on page 35.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-71 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

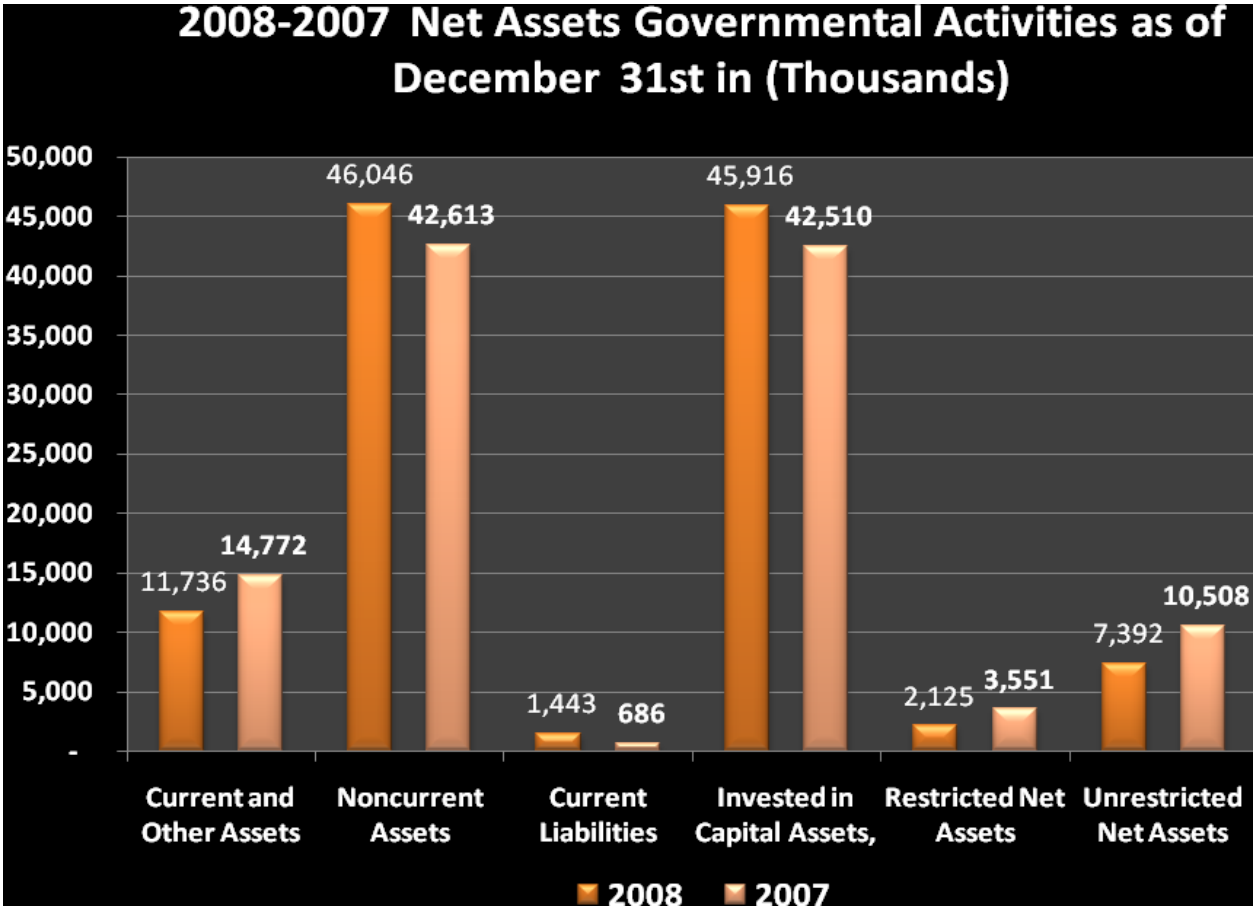
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Norcross, assets exceeded liabilities by $72,828,966 as of December 31, 2008. The following table provides a summary of the City's governmental and business-type net assets for the years ended December 31.

City of Norcross
Net Assets as of December 31, 2008 and 2007
(in Thousands)

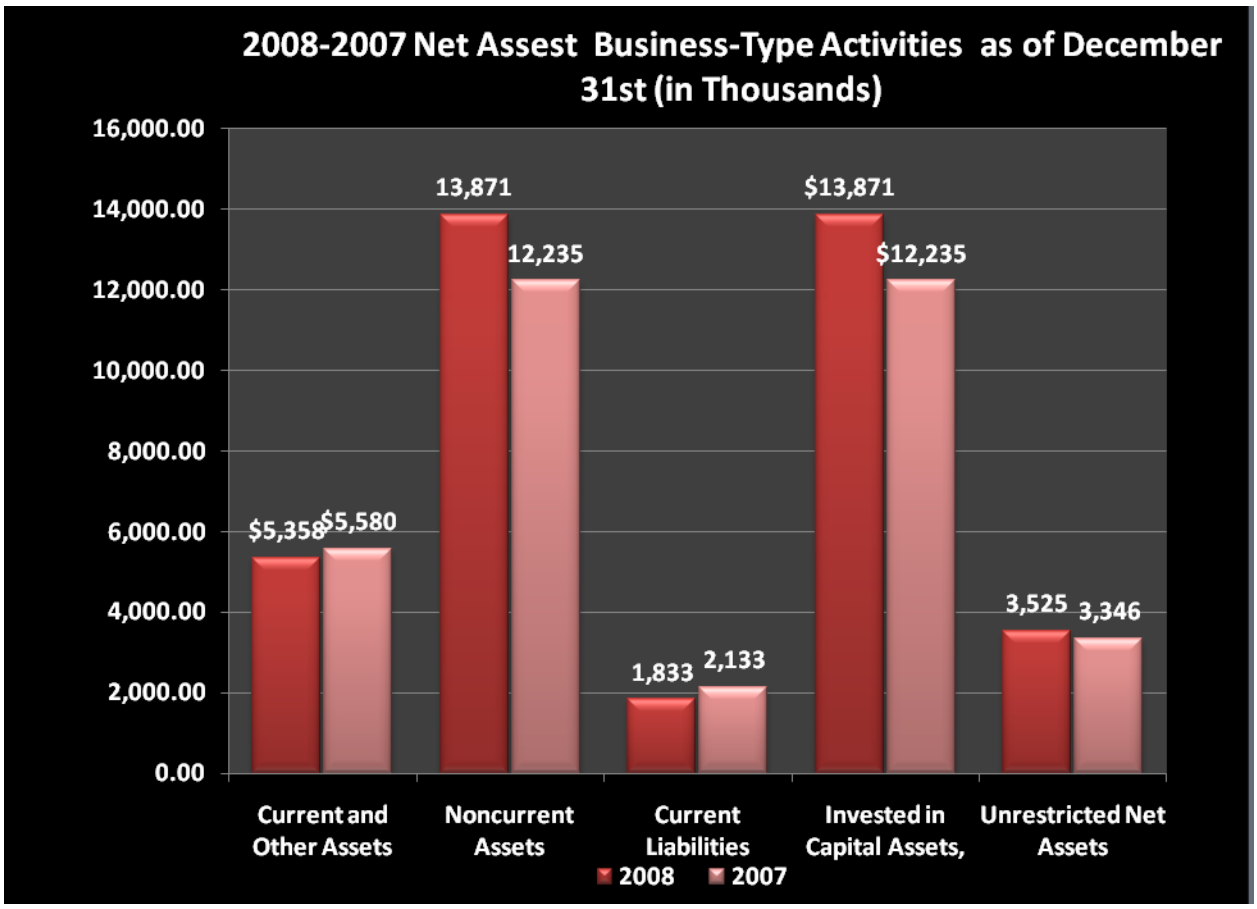
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current Assets	$11,736	$14,772	$5,358	$5,580	$17,094	$20,352
Capital Assets	46,046	42,613	13,871	12,235	59,917	54,848
Total Assets	57,782	57,385	19,229	17,815	77,011	75,200
Current Liabilities	$1,443	$686	$1,833	$2,133	$3,276	$2,819
Long-term Liabilities	906	130	0	0	906	130
Total Liabilities	2,349	816	1,833	2,133	4,182	2,949
Investment Capital Assets	$45,916	$42,510	$13,871	$12,236	$59,787	$54,745
Restricted Net Assets	2,125	3,551	0	0	2,125	3,551
Unrestricted Net Assets	7,392	10,508	3,525	3,446	10,917	13,954
Total Net Assets	$55,433	$56,569	$17,396	$15,682	$72,829	$72,250

The largest portion of the City's net assets as of December 31, 2008 (82%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and the Street and sidewalks). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Governmental Activities: unrestricted net assets decreased in 2008 by 29%. Capital assets increased by 8% over 2007.



Business-Type: noncurrent assets increased by 13%, Unrestricted Assets increased by 2% and current assets decreased by 3%.



Restricted net assets totaling $2,125,066 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 $10,917,375 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 $3,524,770 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, 2008.

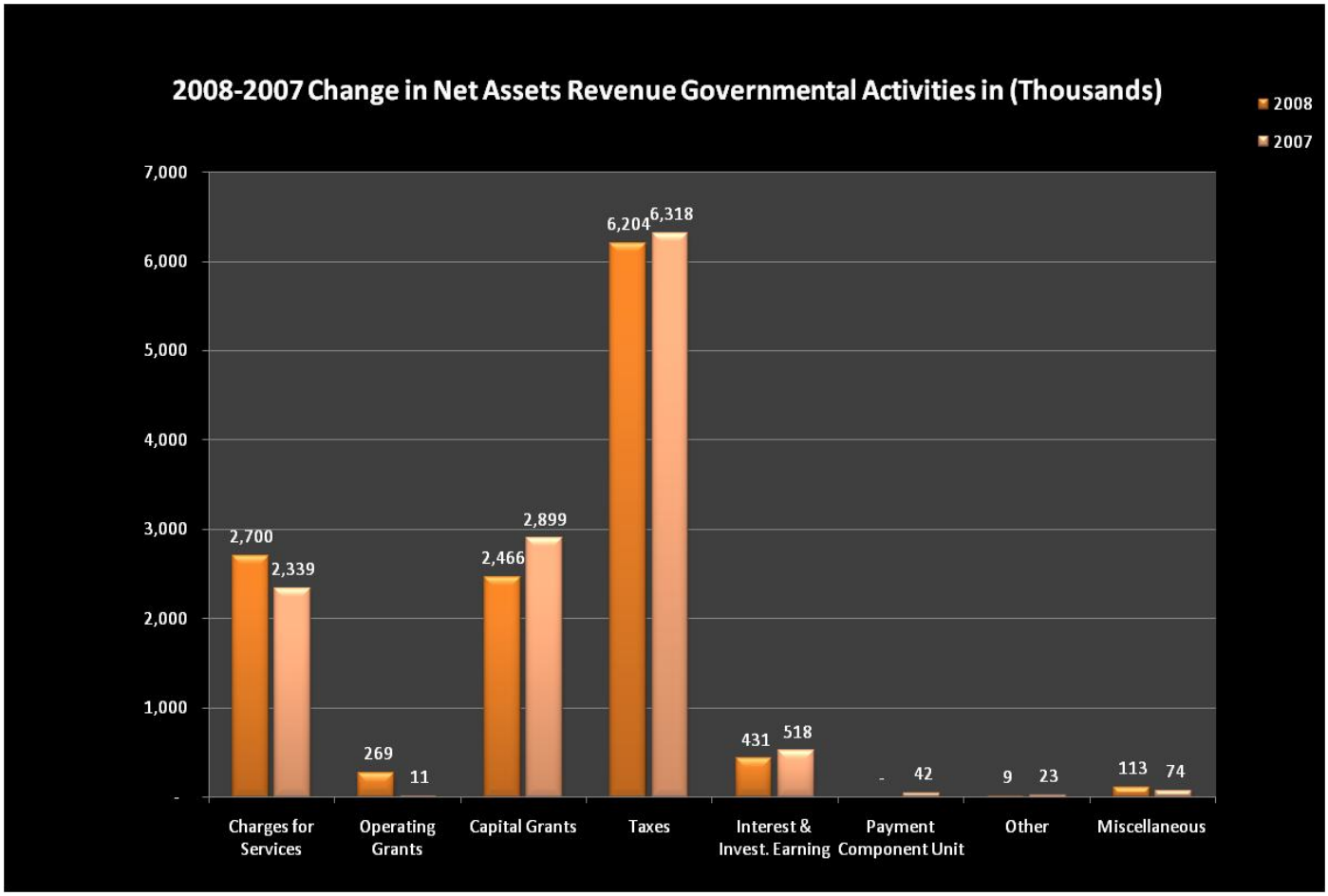
The City's net assets increased by $576,963 during the current year. Governmental activities resulted in a decrease in net assets of $1,136,583, while business-type activities resulted in an increase of net assets of $1,713,546. The following table was derived from the government-wide Statement of Activities 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, 2008 and 2007
(in Thousands)

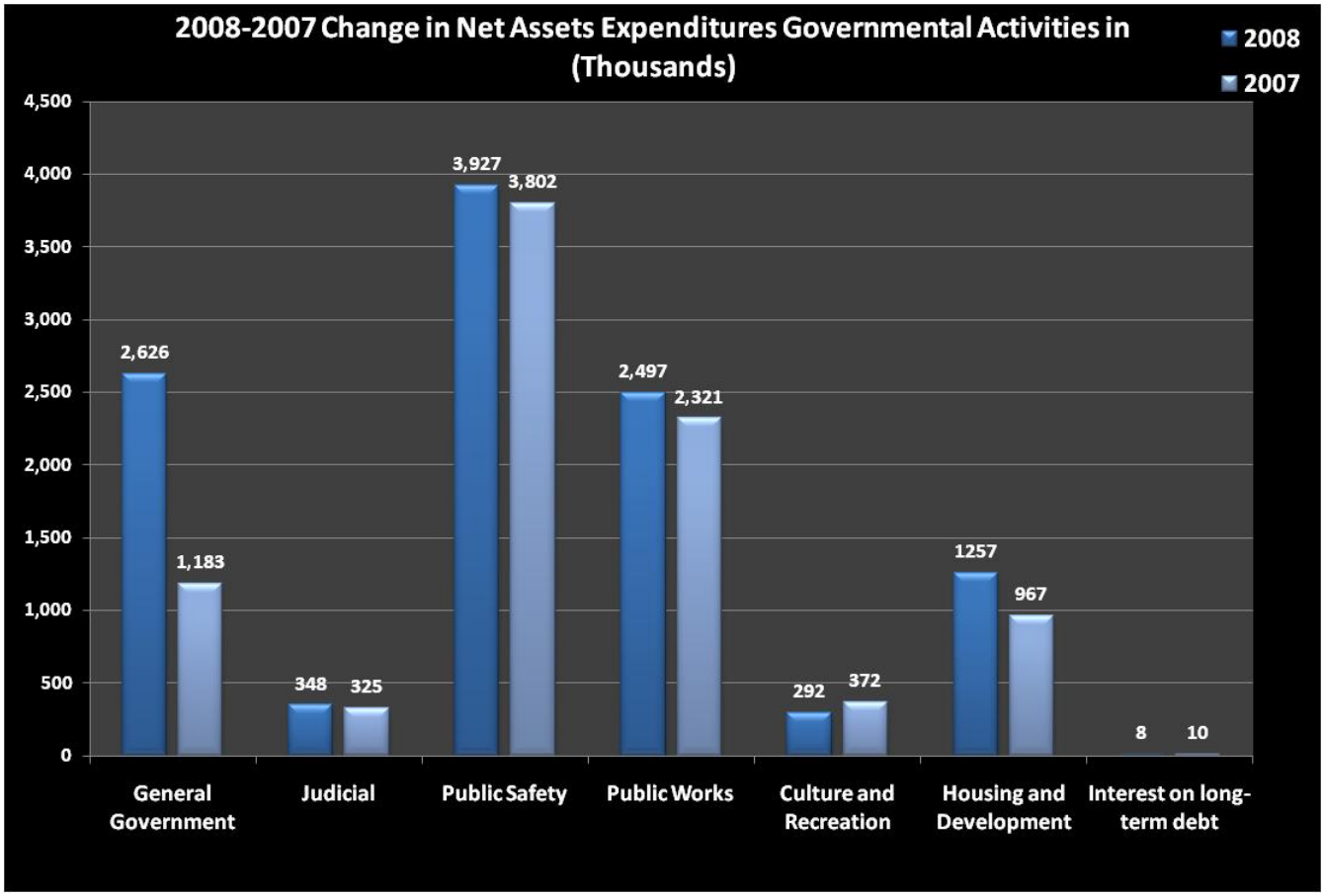
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	$2,700	$2,339	$14,586	$13,497	$17,286	$15,836
Operating Grants	269	11	0	0	269	11
Capital Grants	2,466	2,866	0	35	2,466	2,901
General Revenues:						
Taxes	6,204	6,318	0	0	6,204	6,318
Interest and Investment Earnings	431	518	102	141	533	659
Payment component	0	42	0	0	0	42
Other	9	23	0	0	9	23
Miscellaneous	113	69	11	5	124	74
Total Revenues	**12,192**	**12,186**	**14,699**	**13,678**	**26,891**	**25,864**
Expenses:						
General Government	2,626	1,183	0	0	2,626	1,183
Judicial	348	325	0	0	348	325
Public Safety	3,927	3,802	0	0	3,927	3,802
Public Works	2,497	2,321	0	0	2,497	2,321
Culture and Recreation	292	372	0	0	292	372
Housing and Development	1,257	967	0	0	1,257	966
Interest on long-term debt	8	10	0	0	8	10
Water and Sewer	0	0	3,730	3,713	3,730	3,713
Electric	0	0	9,797	9,249	9,797	9,249
Solid Waste	0	0	1,488	1,708	1,488	1,708
Storm Water	0	0	344	0	344	0
Total Expenses	**10,955**	**8,980**	**15,359**	**14,670**	**26,314**	**23,650**
Increase in net assets before transfers	**1,237**	**3,206**	**(660)**	**(992)**	**577**	**2,214**
Transfers	(2,373)	(1,636)	2,373	1,636	0	0
Change in Net Assets	**(1,136)**	**1,570**	**1,713**	**644**	**577**	**2,214**
Net Assets - January 1	56,570	26,134	15,682	14,934	72,252	41,068
Prior period adjustments	0	28,866	0	104	0	28,970
Dec. 31 Net Assets	**$55,434**	**$56,570**	**$17,395**	**$15,682**	**$72,829**	**$72,252**

Governmental Activities. Governmental Activities decreased the City's net assets by $1,136,583. Revenues for the City's governmental activities decreased by 18% ($950,713) over December 31, 2007. This decrease in revenue was the result of a decrease in interest and investment earnings, and capital grants and contributions. Revenue is down by 18% and expenses are up by 22% over 2007.

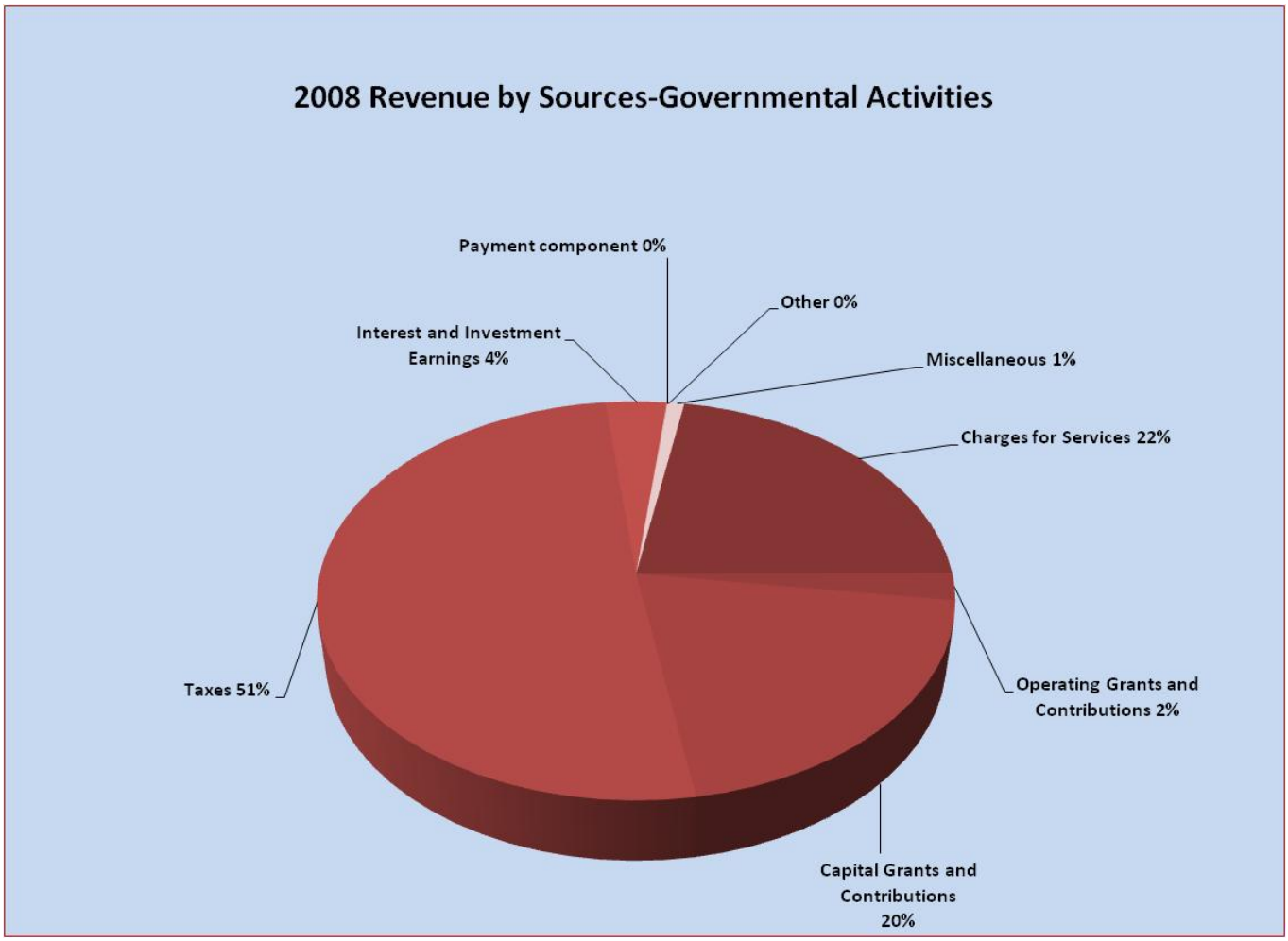
Charges for Services increased 15%, Operating Grants and Contributions increased 2,335%, Capital Grants and Contributions decreased 14%, Taxes decreased 2%, Interest and Investment Earnings decreased 17%.



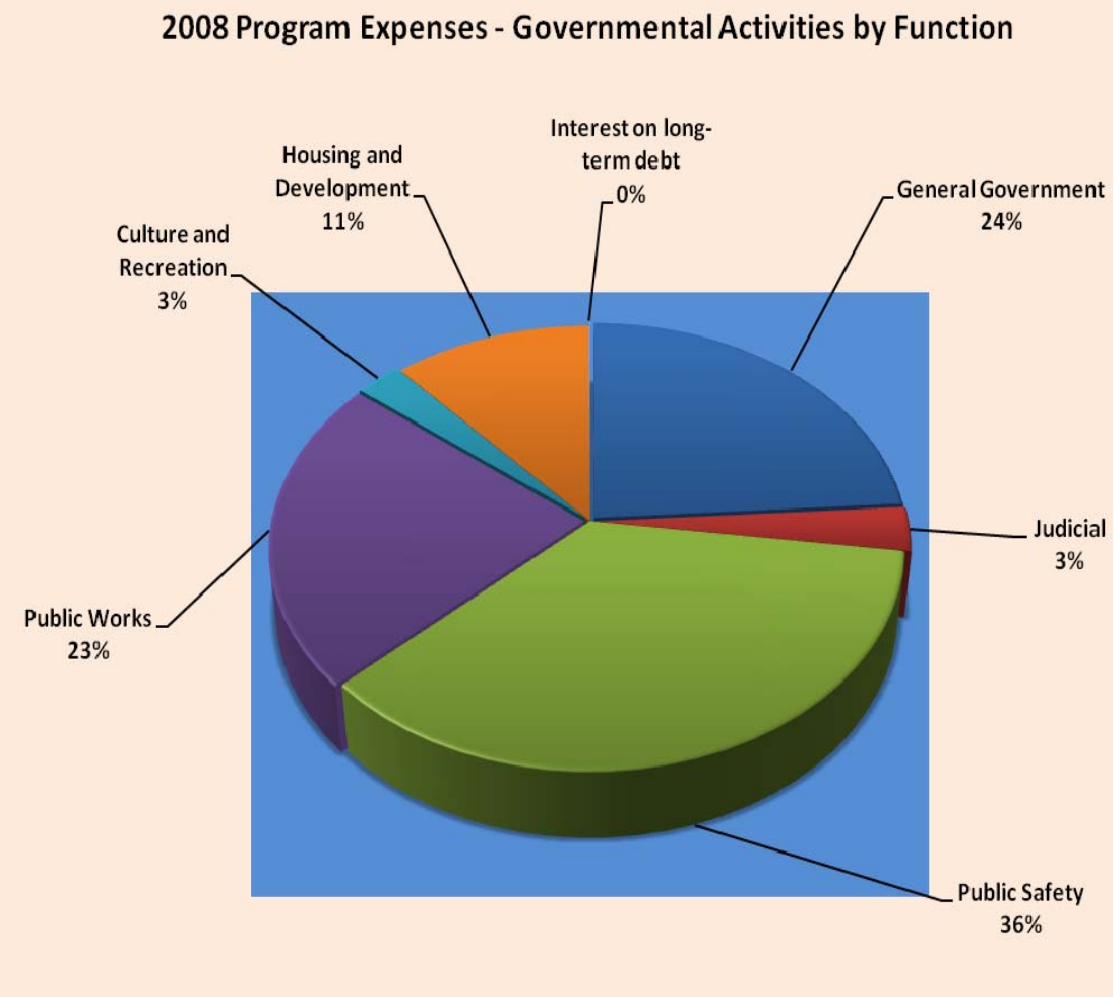
Governmental Activities: General Government expenses increased by 122%, Public Safety increased 3%, Judicial increased 7%, Culture Art decreased (21%), Public Works increase 8%. Housing and Development increased 30% and Interest on long term debt decreased (28%).



Revenue for governmental activities was $9,819 million. The major revenue sources were taxes (63%), charges for services (27%), capital grants and contributions (25%), Investments (4%) and others (<1%).

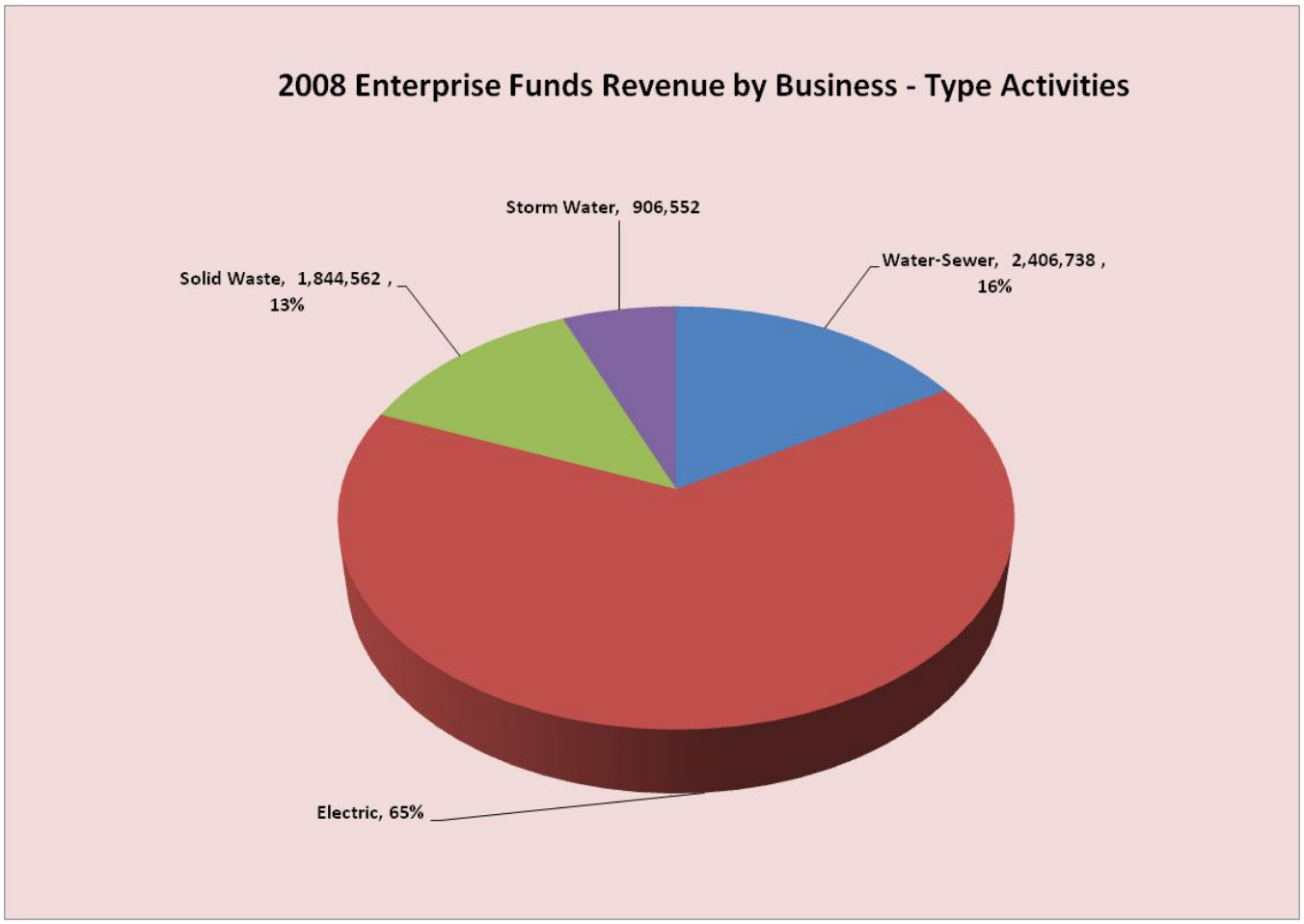


Expenditures were $10.9 million, of which Public Safety accounted for 35%, Public Works 22%, General Government 23%, Culture and Recreation 2%, Judicial 3%, and Housing and Development 11%,

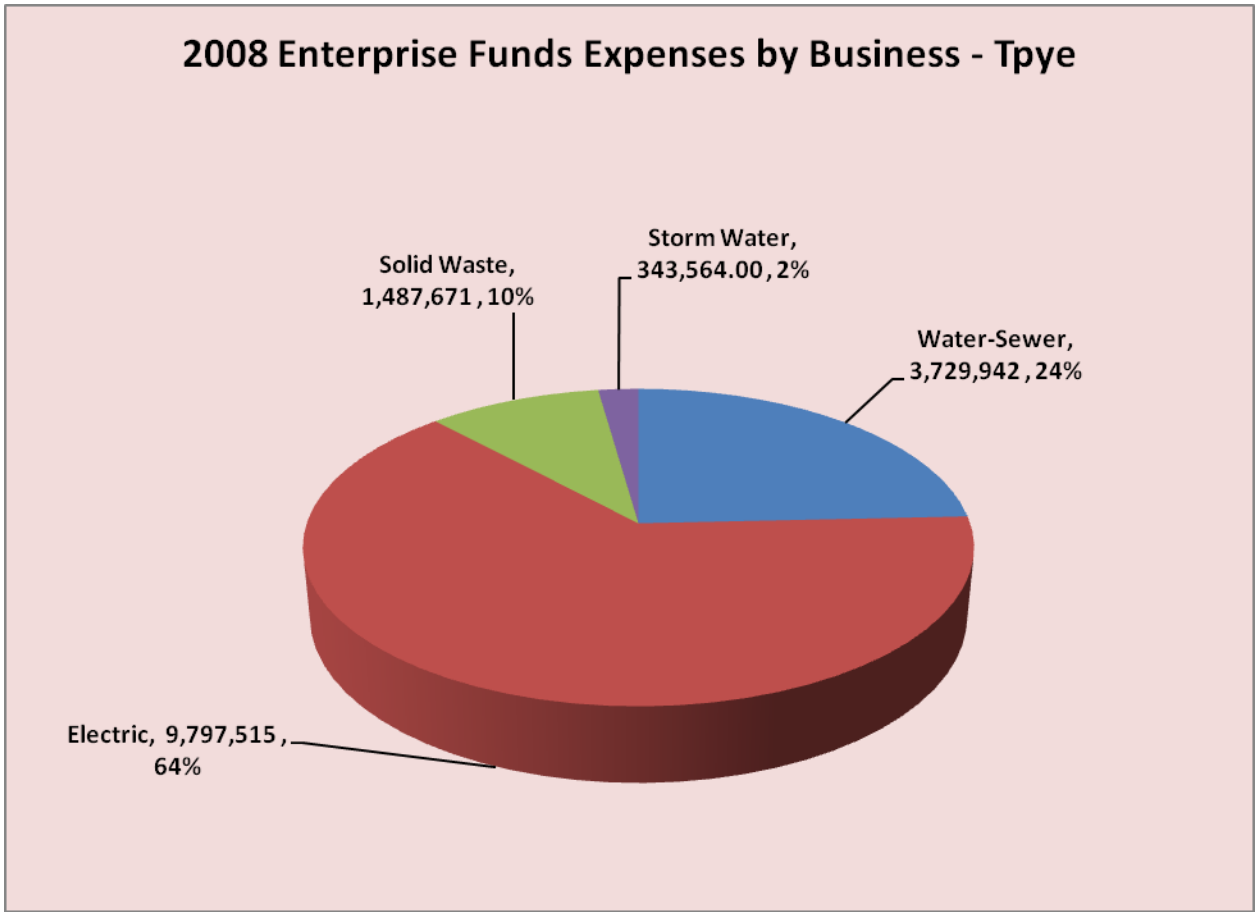


Business - type Activities. Business-type activities increased the City's net assets by $1,713,546. Key elements of this increase were as follows:

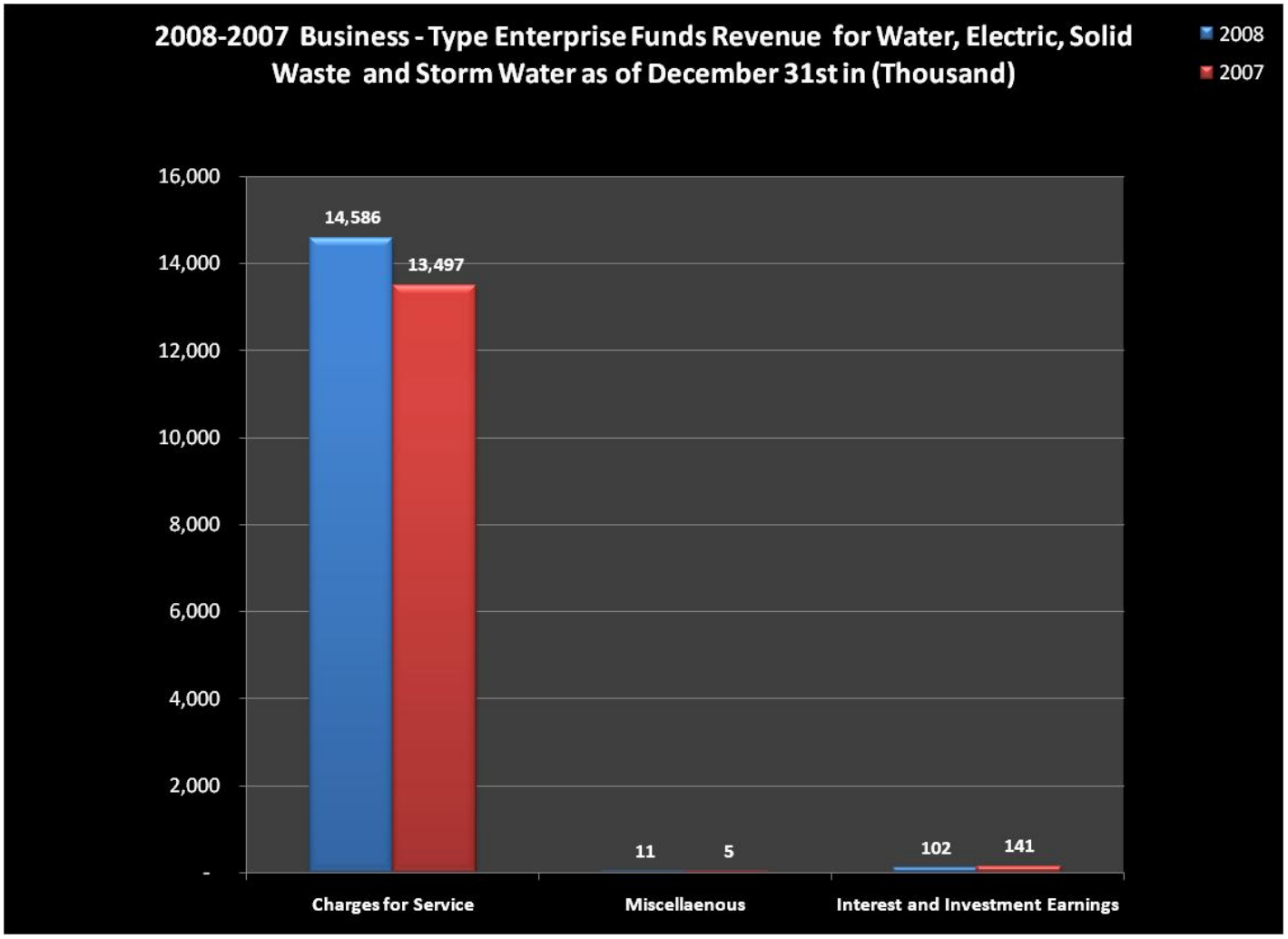
Sales for Business Type activities were $14,586,081 an increase of 8% over the prior year sales of $13,496,566.



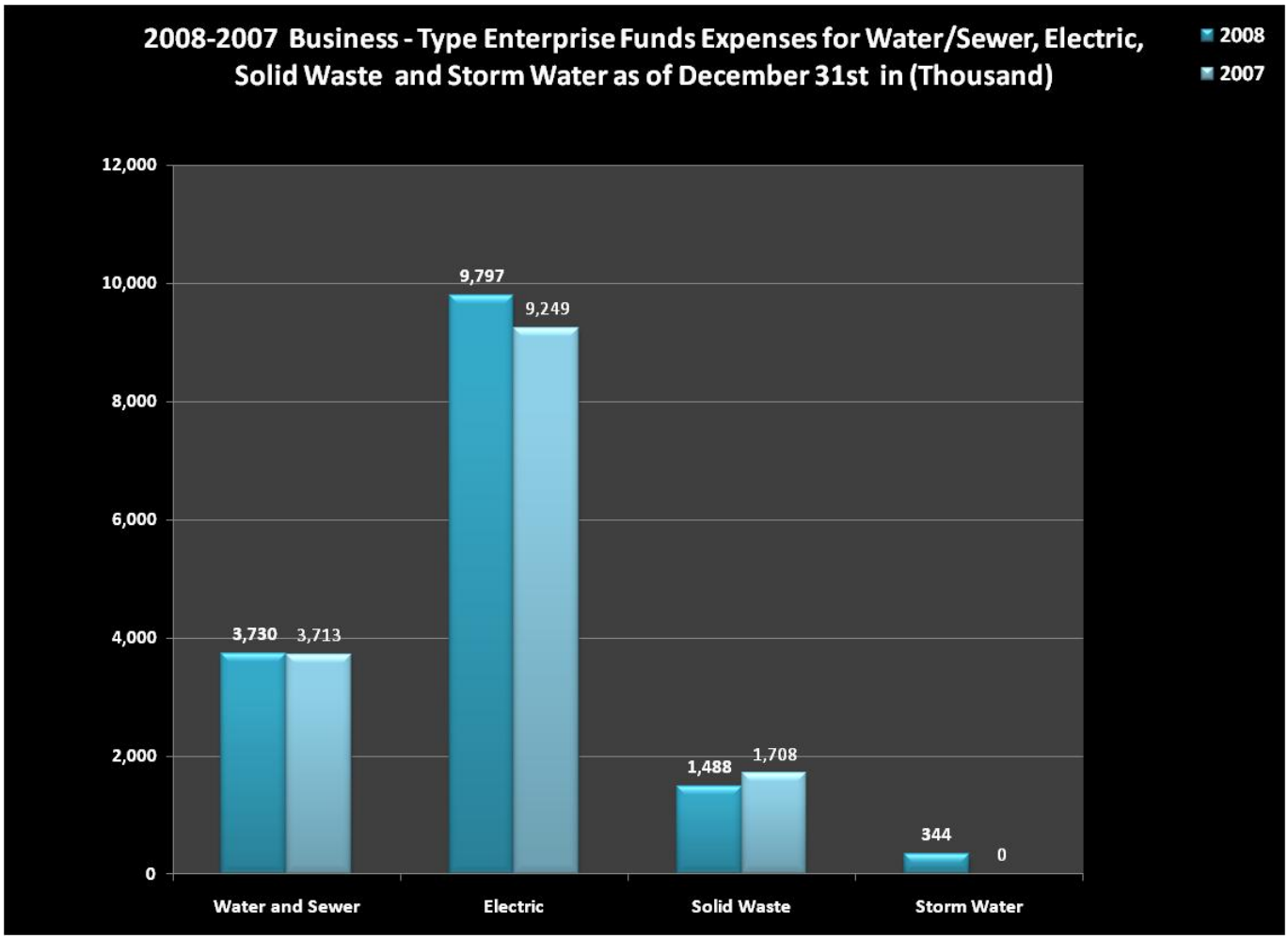
Expenditures were $15.4 million, of which Electric accounted for 64%, Water/Sewer 24%, Solid Waste 10% and Storm Water 2%.



Business – Type; Water/Sewer, Electric and Solid Waste charges for services increased 8%, The Storm Water Utility Fund was created in 2008 and therefore, there is no comparative data for 2007 Miscellaneous increased 115% and Interest on Investment Earning decreased by (27%).



Business – Type: Water/Sewer expenses increased less than 1%, Electric increased 5% and Solid Waste decreased (12%). The Storm Water Utility Fund was created in 2008 and therefore, there is no comparative data for 2007



The Water and Sewer Utility Enterprise Fund net assets increased by $1,150,778. The increase in net assets was due to the transfer from the General Fund of $2.4 million which was used to repair unexpected water lines.

The Electric Utility Enterprise Fund net assets decreased $286,578. The decrease in net asset was due to several equity calls by MEAG for Plant Vogtle Development during 2008 and electrical projects in process.

The Solid Waste Utility Enterprise Fund net assets increased by $382,923. 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.

The Storm Water Utility Fund was created in 2008 and therefore, there is no comparative data for 2007

Review pages 94-105 (Exhibit F-1 thru F-12) 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 $8,187,748, a decrease of $2,424,482 or (23%) in comparison with the prior year. Approximately 99% of this amount ($8,112,389) 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 85% of total general fund expenditures for the current year.

Key factors in the decrease of the General Fund's fund balance of $2,424,482 during the current year are:

- This decrease is due to the General Fund subsidizing the Water/Sewer Fund which has a deficit of over 2.5 million dollars**,.**

Below is a breakdown of 2008-2007 Revenues and Expenses comparison:

- 2008-2007 Revenues comparison: Revenues for 2008 are $9,229,104 and 2007 revenues were $9,207,018. Revenues increased by $22,086, which is an increase of <1% over 2007.

- 2008-2007 Expenditures comparison: Expenditures for 2008 are $9,285,041 and 2007 expenditures were $7,913,274. Expenditures increased by $1,371,767, a 17% increase over 2007.

Below are several revenue line items that have an increase (decrease) in revenue over 2007.

- Tax revenue decreased by $434,543 (7%) as a result of lost revenues in various types of taxes.

- Investment earnings decreased by $88,767 (20%) due to lower interest rates on investments. The decrease this year was due to the market rate being very low.

- Licenses and permits decreased by $16,976.

- Fine, fees and forfeitures increased by $43,579 (3%) over 2006.

- Intergovernmental increased by $478,164 (280%)

- Other increased by $39,286 (57%)

Review pages 76-81 for information on the General Fund.

SPECIAL REVENUE FUNDS

- Confiscated Assets Fund: The fund balance for 2007 was $19,032 and for 2008 is $60,157. This is an increase of $41,125, which is a 216% increase over 2007.

- Hotel/Motel Tax Fund: The fund balance for 2007 was $251,097 and for 2008 is $55,044. This is a decrease of ($196,053), which is a (78%) decrease under 2007.

- Federal Seized Drug Fund: The fund balance for 2007 was $137,206 and for 2008 is $190,964. This is an increase of $53,758, which is a 39% increase over 2007.

- Technology Surcharges Fund: The fund balance for 2007 was $57,081 and for 2008 is $64,809. This is an increase of $7,728, which is a 14% increase over 2007.

CAPITAL PROJECTS FUND

The City has two Special Purpose Local Option Sale Tax funds for the purpose of funding capital projects These funds were voted on and approved by the citizens of Norcross by referendum in an election.

- 2005 Special Purpose Local Option Sales Tax Fund: The fund balance for 2007 was $1,934,409 and for 2008 is $1,495,141. This is a decrease of ($439,268), which is a (23%) decrease over 2007.

- 2001 Special Purpose Local Option Sales Tax Fund: These monies were allocated to the City from Gwinnett County specifically for capital projects. Gwinnett County allocated $1,152,236, of which $482,000 is allocated for recreation and $670,236 is allocated for streets. The fund balance for 2008 is $258,951. During the 2008 year, revenues from interest earned were $20,817. Expenditures for streets were $638,795 and for recreation were $275,307.

PRIOPRIETARY FUNDS

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

2008 Net assets of the City's four proprietary funds are as follows:

Water and Sewer Utility	$ 8,310,710
Electric Utility	7,578,549
Solid Waste Utility	1,039,906
Storm Water Utility	466,423

The increase in net assets for the funds was $1,713,546, which is a 10% increase over 2007. The Storm Water Utility Fund was created in 2008 and therefore, there is no comparative data for 2007. 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 2008 adopted budget was $12,119,972. Final year end budget total was $12,119,972. There was a $352,275 re-appropriation of funds to cover 2007 prior year expenditures.

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, 2008, amounted to $59,786,525 (net of accumulated depreciation), which is a 9% increase over 2007. 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, 2008, the City invested $2,292,042 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 land in the amount of $1,085,766 (Arick Property)
- The city purchased computers in the amount of $48,801 for all department in the General Fund.
- There were eight police cars purchased in the amount of $211,766 to replace vehicles that have over 100,000 miles.
- The city spent $115,327 in the renovation of space for Code Enforcement.
  .
- There was $12,438 spent in the renovation of Public Works Admin Building.
- There was $30,727 spent on the purchase of a Public Works Vehicle.
- There was $6,959 spent on the Community Center Renovations.
- There was $385,086 spent on the Community Center Elevator.
- The city spent $42,650 in office build out/municipal data center renovations.
- There was $24,239 spent on the Financial Management Software.
- The City spent $73,891 on Way Finding Signage.
- There were three vehicles purchased in the amount of $56,271 for Code Enforcement.
- The City spent $105,871 on the T.E.A. Grant D.O.T.
- The City spent $2,160,063 in the improvement of Lillian Webb Park.

Component Unit 2007 Comparative Balance Sheet shows net assets of $712,554 and 2008 Comparative Balance Sheet shows net assets of $650,057. Downtown Development Authority 2008 Fund Balance Unreserved shows a balance of $646,094 which is a decrease of 9% 0ver 2007.

2008 net assets is a 9% decrease over 2007.

Additional information reference 2008-2007 Comparative Balance Sheet (page 108, Exhibit H-1) and Change in Fund Balance (page 109, Exhibit H-2).

Business-type Activities - $2,046,650

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

Sheffield Forest Water System	12,221
South Peachtree Water Service Line	5,766

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

Buford Hwy project	14,689
Cater Crossing project	6,052
Creekside Park project	5,650
Fire Station project	3,474
Garner Street project	7,708
Holcomb Bridge project	7,352
Huddersfield project	7,133
N. Peachtree Light project	15,511
Norcross 1st Baptist Church	26,826
North Peachtree project	18,069
Rakestraw Junction project	15,729
Verizon project	79,4234
Wingo Street Cottages project	11,963

More information on capital assets may be found in the Notes to the Financial Statements, Exhibit A-12, on pages 54-55 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 $148,435.07 with an interest rate of 4.00%. Quarterly payments of principal and interest in the amount of $19,402 are due through December 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 56-58 of this report.

Component Unit:

At the end of the current year, the Downtown Development Authority had outstanding debt. The Downtown Development Authority purchased real property in the original amount of $57,5000, and as of December 31, 2008 the balance of the noted is $52,311.25. Monthly installments of principle and interest are due through August 1, 2017, with unpaid interest due September 1, 2017: interest at 3.00%.

More information on long-term debt may be found in the Notes to the Financial Statements, Exhibit A-12, on pages 56-58 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 Strom 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 $110,000. 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 not be recognized during 2009. The project has been delayed due to acquiring right-away property.

- Departmental expenditures were budgeted to account for the economic downturn of 2008, with only small incremental increase for the administrative departments. The City will not hire a City Planner or Public Utilities Director.

- 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 the parks which means that maintenance will be a factor to consider once the parks are renovated.

- 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 1.3 million dollars for 2008 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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 2,690,761	$ 0	$ 2,690,761	$ 161,489
Equity in pooled cash	697,804	745,359	1,443,163	0
Certificates of deposit	4,657,770	591,536	5,249,306	0
Investments	0	1,106,255	1,106,255	100,663
Property held for resale	1,085,766	0	1,085,766	383,800
Restricted assets				
Cash and cash equivalents	0	32,796	32,796	0
Equity in pooled cash	0	95,044	95,044	0
Investments	0	310,993	310,993	0
Receivables (net)				
Accounts	56,453	1,859,216	1,915,669	0
Taxes	1,254,555	0	1,254,555	0
Intergovernmental	297,434	0	297,434	0
Notes	258,000	0	258,000	4,105
Internal balances	662,492	(662,492)	0	0
Prepaid items	75,359	396,153	471,512	0
Inventories	0	883,476	883,476	0
Total current assets	11,736,394	5,358,336	17,094,730	650,057
Noncurrent assets				
Capital assets				
Non-depreciable	17,662,648	667,509	18,330,157	4,000
Depreciable (net)	28,383,207	13,203,309	41,586,516	0
Total noncurrent assets	46,045,855	13,870,818	59,916,673	4,000
Total assets	57,782,249	19,229,154	77,011,403	654,057
LIABILITIES				
Current liabilities				
Payables				
Accounts	802,951	416,374	1,219,325	3,288
Retainages	201,728	0	201,728	0
Intergovernmental	6,825	903,199	910,024	0
Sales tax	0	41,090	41,090	0
Compensated absences	177,098	7,781	184,879	0
Unearned revenue	1,710	0	1,710	0
Other liabilities	179,366	0	179,366	675
Notes payable	73,174	0	73,174	261,208
Liabilities payable from restricted assets				
Customer deposits payable	0	465,122	465,122	0
Total current liabilities	1,442,852	1,833,566	3,276,418	265,171
Noncurrent assets				
Notes payable	56,974	0	56,974	50,162
Net OPEB obligation	849,045	0	849,045	0
Total noncurrent liabilities	906,019	0	906,019	50,162
Total liabilities	2,348,871	1,833,566	4,182,437	315,333

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
NET ASSETS				
Invested in capital assets, net of related debt	45,915,707	13,870,818	59,786,525	4,000
Restricted for:				
Public Safety	315,930	0	315,930	0
Housing and Development	55,044	0	55,044	0
Capital projects	1,754,092	0	1,754,092	0
Unrestricted	7,392,605	3,524,770	10,917,375	334,724
Total net assets	$ 55,433,378	$ 17,395,588	$ 72,828,966	$ 338,724

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2008

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	$ 2,625,704	$ 112,275	$ 3,290	$ 0	$ (2,510,139)
Judicial	347,726	0	0	0	(347,726)
Public Safety	3,927,471	2,322,938	171,108	0	(1,433,425)
Public Works	2,497,335	0	0	302,103	(2,195,232)
Culture and Recreation	292,482	0	12,187	2,149,680	1,869,385
Housing and Development	1,257,283	264,534	82,952	14,500	(895,297)
Interest on long-term debt	7,502	0	0	0	(7,502)
Total governmental activities	10,955,503	2,699,747	269,537	2,466,283	(5,519,936)
Business-type activities					
Water and Sewer Utility	3,729,942	2,405,078	0	0	(1,324,864)
Electric Utility	9,797,515	9,429,889	0	0	(367,626)
Solid Waste	1,487,671	1,844,562	0	0	356,891
Storm Water Utility	343,564	906,552	0	0	562,988
Total business-type activities	15,358,692	14,586,081	0	0	(772,611)
Total primary government	26,314,195	17,285,828	269,537	2,466,283	(6,292,547)
Component Unit					
Downtown Development Authority					
Housing and Development	393,914	0	0	0	(393,914)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net assets				
Net (expense) revenue	$ (5,519,936)	$ (772,611)	$ (6,292,547)	$ (393,914)
General revenues				
Taxes				
Property	3,926,849	0	3,926,849	0
Franchise	1,119,199	0	1,119,199	0
Insurance premium	470,693	0	470,693	0
Intangibles	25,692	0	25,692	0
Occupational	297,068	0	297,068	0
Alcoholic beverage	183,111	0	183,111	0
Hotel/Motel	180,988	0	180,988	0
Other	8,986	0	8,986	0
Interest and investment earnings	430,876	102,427	533,303	6,149
Payment from City of Norcross	0	0	0	175
Miscellaneous	113,063	10,558	123,621	8,340
Transfers	(2,373,172)	2,373,172	0	0
Total general revenues and transfers	4,383,353	2,486,157	6,869,510	14,664
Change in net assets	(1,136,583)	1,713,546	576,963	(379,250)
Net assets - beginning	56,569,961	15,682,042	72,252,003	717,974
Net assets - ending	$ 55,433,378	$ 17,395,588	$ 72,828,966	$ 338,724

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General	2005 SPLOST	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 742,413	$ 1,398,085	$ 550,263	$ 2,690,761
Equity in pooled cash	498,526	0	199,278	697,804
Certificates of deposit	4,147,839	509,931	0	4,657,770
Receivables (net)				
Accounts	56,453	0	0	56,453
Taxes	1,222,764	0	31,791	1,254,555
Intergovernmental	23,200	274,234	0	297,434
Notes	258,000	0	0	258,000
Prepaid items	75,359	0	0	75,359
Due from other funds	695,203	0	0	695,203
Property held for resale	1,085,766	0	0	1,085,766
Total assets	$ 8,805,523	$ 2,182,250	$ 781,332	$ 11,769,105
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables				
Accounts	$ 212,092	$ 452,670	$ 138,189	$ 802,951
Integovernmental	6,825	0	0	6,825
Retainages	0	201,728	0	201,728
Deferred revenue	232,710	0	0	232,710
Due to other funds	0	32,711	0	32,711
Other liabilities	166,148	0	13,218	179,366
Total liabilities	617,775	687,109	151,407	1,456,291
Fund balances				
Reserved for:				
Prepaid items	75,359	0	0	75,359
Unreserved	8,112,389	1,495,141	0	9,607,530
Special Revenue	0	0	370,974	370,974
Capital Projects	0	0	258,951	258,951
Total fund balances	8,187,748	1,495,141	629,925	10,312,814
Total liabilities and fund balances	$ 8,805,523	$ 2,182,250	$ 781,332	$ 11,769,105

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, 2008

Total fund balance - total governmental funds	$	10,312,814
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of $70,905,847, net of accumulated depreciation of ($24,859,992), are not financial resources and, therefore, are not reported in the funds.		46,045,855
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 $310,692.		231,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These notes payable of ($130,148), compensated absences of ($177,098) and net OPEB obligations of ($849,045).		(1,156,291)
Net assets of governmental activities	$	55,433,378

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, 2008

	General	2005 SPLOST	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	$ 5,970,698	$ 0	$ 180,988	$ 6,151,686
Licenses and permits	327,783	0	0	327,783
Fines, fees and forfeitures	1,705,024	0	548,155	2,253,179
Charges for services	118,785	0	0	118,785
Intergovernmental	648,740	1,770,489	0	2,419,229
Interest	349,625	52,441	28,810	430,876
Contributions	13	0	0	13
Other	108,436	0	0	108,436
Total revenues	9,229,104	1,822,930	757,953	11,809,987
EXPENDITURES				
Current				
General Government	2,093,650	0	117,491	2,211,141
Judicial	348,788	0	0	348,788
Public Safety	3,843,621	0	331,680	4,175,301
Public Works	1,156,937	0	0	1,156,937
Culture and Recreation	697,626	0	0	697,626
Housing and Development	1,144,419	0	381,407	1,525,826
Capital outlay	0	2,262,198	914,102	3,176,300
Total expenditures	9,285,041	2,262,198	1,744,680	13,291,919
Excess (deficiency) of revenues over (under) expenditures	(55,937)	(439,268)	(986,727)	(1,481,932)
Other financing soures (uses)				
Transfers in	100,000	0	0	100,000
Transfers out	(2,473,172)	0	0	(2,473,172)
Proceeds from sale of capital assets	4,627	0	0	4,627
Total other financing sources (uses)	(2,368,545)	0	0	(2,368,545)
Net change in fund balance	(2,424,482)	(439,268)	(986,727)	(3,850,477)
Fund balances, January 1	10,612,230	1,934,409	1,616,652	14,163,291
Fund balances, December 31	$ 8,187,748	$ 1,495,141	$ 629,925	$ 10,312,814

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, 2008

Net change in fund balances - total governmental funds	$ (3,850,477)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $4,410,767 exceeded depreciation of ($1,295,054) in the current period.	3,115,713
Contributions of capital assets from component unit increase net assets in the statement of activites, but do not appear in the governmental funds because they are not financial sources.	316,578
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.	60,900
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 $70,105 exceeded proceeds of ($0).	70,105
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 net OPEB obligations of ($849,045) and compensated absences of ($357).	(849,402)
Change in net assets of governmental activities	$ (1,136,583)

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, 2008

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 6,112,722	$ 6,112,722	$ 5,970,698	$ (142,024)
Licenses and permits	360,000	360,000	327,783	(32,217)
Fines, fees and forfeitures	2,490,600	2,490,600	1,705,024	(785,576)
Charges for services	114,200	114,200	118,785	4,585
Intergovernmental	2,579,450	1,909,450	648,740	(1,260,710)
Interest	300,000	300,000	349,625	49,625
Contributions	7,500	7,500	13	(7,487)
Other	55,500	54,500	108,436	53,936
Total revenues	12,019,972	11,348,972	9,229,104	(2,119,868)
EXPENDITURES				
Current				
General Government				
Administration	589,324	580,724	526,358	54,366
City Clerk	315,915	338,515	340,711	(2,196)
Chief Executive	158,278	260,278	236,251	24,027
City-wide	453,808	1,639,808	615,605	1,024,203
Information Technology	930,873	930,873	374,725	556,148
Judicial				
Municipal Court	377,321	377,321	348,788	28,533
Public Safety				
Police	3,994,912	3,994,912	3,843,621	151,291
Public Works				
Public Works Administration	2,034,395	1,385,182	1,156,937	228,245
Culture and Recreation				
Parks and Recreation	656,442	778,172	697,626	80,546
Housing and Development				
Community Development	2,608,704	2,627,204	1,144,419	1,482,785
Total expenditures	12,119,972	12,912,989	9,285,041	3,627,948
Excess (deficiency) of revenues over (under) expenditures	(100,000)	(1,564,017)	(55,937)	1,508,080
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	0
Transfers out	0	0	(2,473,172)	(2,473,172)
Proceeds from sale of capital assets	0	0	4,627	4,627
Contingency	0	(79,213)	0	79,213
Total other financing sources (uses)	100,000	20,787	(2,368,545)	(2,389,332)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(1,543,230)	(2,424,482)	(881,252)
Fund balances, January 1	0	1,543,230	10,612,230	9,069,000
Fund balances, December 31	$ 0	$ 0	$ 8,187,748	$ 8,187,748

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

	Business Type				
	Water and Sewer Utility	Electric Utility	Solid Waste	Storm Water Utility	Totals
ASSETS					
Current assets					
Equity in pooled cash	$ 0	$ 0	$ 501,144	$ 244,215	$ 745,359
Certificates of deposit	0	591,536	0	0	591,536
Investments	0	1,106,255	0	0	1,106,255
Restricted assets					
Cash and cash equivalents	32,796	0	0	0	32,796
Equity in pooled cash	0	0	95,044	0	95,044
Investments	0	310,993			310,993
Accounts receivable (net)	289,844	1,167,900	247,219	154,253	1,859,216
Prepaid items	17,080	379,073	0	0	396,153
Inventories	59,075	824,401	0	0	883,476
Due from other funds	0	0	500,000	0	500,000
Total current assets	398,795	4,380,158	1,343,407	398,468	6,520,828
Noncurrent assets					
Capital assets					
Non-depreciable	14,748	652,761	0	0	667,509
Depreciable (net)	8,128,600	4,998,302	0	76,407	13,203,309
Total noncurrent assets	8,143,348	5,651,063	0	76,407	13,870,818
Total assets	8,542,143	10,031,221	1,343,407	474,875	20,391,646
LIABILITIES					
Current liabilities					
Payables					
Accounts	16,729	183,209	208,457	7,979	416,374
Intergovernmental	151,031	752,168	0	0	903,199
Sales tax	0	41,090	0	0	41,090
Compensated absences	4,588	2,720	0	473	7,781
Due to other funds	0	1,162,492	0	0	1,162,492
Liabilities payable from restricted assets					
Customer deposits payable	59,085	310,993	95,044	0	465,122
Total liabilities	231,433	2,452,672	303,501	8,452	2,996,058
NET ASSETS					
Invested in capital assets	8,143,348	5,651,063	0	76,407	13,870,818
Unrestricted	167,362	1,927,486	1,039,906	390,016	3,524,770
Total net assets	$ 8,310,710	$ 7,578,549	$ 1,039,906	$ 466,423	$ 17,395,588

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, 2008

	Business Type				
	Water and Sewer Utility	Electric Utility	Solid Waste	Storm Water Utility	Totals
OPERATING REVENUES					
Charges for sales and services	$ 2,387,817	$ 9,360,336	$ 1,829,838	$ 906,552	$ 14,484,543
Other	18,921	78,451	14,724	0	112,096
Total operating revenues	2,406,738	9,438,787	1,844,562	906,552	14,596,639
OPERATING EXPENSES					
Costs of sales and services	2,954,848	8,898,292	1,382,849	165,106	13,401,095
Personal services	539,430	766,751	104,822	169,866	1,580,869
Depreciation	235,664	132,472	0	8,592	376,728
Total operating expenses	3,729,942	9,797,515	1,487,671	343,564	15,358,692
Operating income (loss)	(1,323,204)	(358,728)	356,891	562,988	(762,053)
Non-operating revenues (expenses)					
Investment revenue	810	72,150	26,032	3,435	102,427
Income (loss) before transfers	(1,322,394)	(286,578)	382,923	566,423	(659,626)
Transfers in (out)					
Transfers in	2,473,172	0	0	0	2,473,172
Transfers out	0	0	0	(100,000)	(100,000)
Total transfers	2,473,172	0	0	(100,000)	2,373,172
Change in net assets	1,150,778	(286,578)	382,923	466,423	1,713,546
Net assets, January 1	7,159,932	7,865,127	656,983	0	15,682,042
Net assets, December 31	$ 8,310,710	$ 7,578,549	$ 1,039,906	$ 466,423	$ 17,395,588

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2008

	Business Type				
	Water and Sewer Utility	Electric Utility	Solid Waste	Storm Water Utility	Totals
Cash flows from operating activities:					
Receipts from customers	$ 2,389,681	$ 9,357,484	$ 1,820,721	$ 752,299	$ 14,320,185
Payments to suppliers	(3,422,226)	(8,863,561)	(1,415,063)	(116,958)	(13,817,808)
Payments to employees	(541,376)	(768,420)	(104,822)	(209,562)	(1,624,180)
Other receipts	18,921	78,451	14,724	0	112,096
Net cash provided (used) by operating activities	(1,555,000)	(196,046)	315,560	425,779	(1,009,707)
Cash flows from non-capital financing activities:					
Receipts from other funds	2,473,172	1,162,492	0	0	3,635,664
Payments to other funds	0	0	(500,000)	(100,000)	(600,000)
Net cash provided (used) by non-capital financing activities	2,473,172	1,162,492	(500,000)	(100,000)	3,035,664
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(918,172)	(1,128,478)	0	(84,999)	(2,131,649)
Cash flows from investing activities:					
Interest received	810	72,150	26,032	3,435	102,427
Proceeds from sale of investments	0	381,087	0	0	381,087
Purchase of investments	0	(984,262)	0	0	(984,262)
Net cash provided (used) by investing activities	810	(531,025)	26,032	3,435	(500,748)
Net increase (decrease) in cash and cash equivalents	810	(693,057)	(158,408)	244,215	(606,440)
Cash and cash equivalents, January 1	31,986	693,057	754,596	0	1,479,639
Cash and cash equivalents, December 31	$ 32,796	$ 0	$ 596,188	$ 244,215	$ 873,199

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2008

	Business Type				
	Water and Sewer Utility	Electric Utility	Solid Waste	Storm Water Utility	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ (1,323,204)	$ (358,728)	$ 356,891	$ 562,988	$ (762,053)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	235,664	132,472	0	8,592	376,728
(Increase) decrease in accounts receivable	(9,511)	(38,320)	(8,111)	(154,253)	(210,195)
(Increase) decrease in prepaid items	844	(351,865)	0	0	(351,021)
(Increase) decrease in inventories	45,360	71,872	0	0	117,232
Increase (decrease) in accounts payable	14,127	168,400	(32,215)	7,979	158,291
Increase (decrease) in intergovernmental payable	(527,709)	145,919	0	0	(381,790)
Increase (decrease) in sales tax payable	0	405	0	0	405
Increase (decrease) in accrued payroll liabilities	(1,946)	(1,669)	0	473	(3,142)
Increase (decrease) in deposits payable	11,375	35,468	(1,005)	0	45,838
Total adjustments	(231,796)	162,682	(41,331)	(137,209)	(247,654)
Net cash provided (used) by	$ (1,555,000)	$ (196,046)	$ 315,560	$ 425,779	$ (1,009,707)
Cash and cash equivalents reconciliation:					
Equity in pooled cash	$ 0	$ 0	$ 501,144	$ 244,215	$ 745,359
Restricted assets					
Cash and cash equivalents	32,796	0	0	0	32,796
Equity in pooled cash	0	0	95,044	0	95,044
Total cash and cash equivalents	$ 32,796	$ 0	$ 596,188	$ 244,215	$ 873,199

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2008

	Municipal Court Agency Fund
ASSETS	
Equity in pooled cash	$ 277,933
Accounts receivable (net)	328,155
Total assets	606,088
LIABILITIES	
Due to other agencies	$ 606,088

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 and city manager form of government and provides the following services: public safety, highways and streets, culture and recreation, public improvements and general and administrative services. In addition, the City operates public utilities for water and sewerage, and electric, as well as sanitation and storm water for the incorporated and immediate surrounding areas.

The City is governed by an elected mayor and five-member council.

2. Summary of Significant Accounting Policies

A. 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.

The Norcross Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the City Council. The Development Authority provides for the development and promotion of trade, commerce, industry, and employment opportunities in the City of Norcross. The was no activity for the Development Authority in 2008.

C. Government-wide and Fund Financial Statements

The Governmental Accounting Standards Board (GASB) Statement No. 34 establishes financial reporting requirements for state and local governments throughout the United States.

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 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.

2. Summary of Significant Accounting Policies (continued)

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

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.

Electric Utility Fund – This fund is used to account for activities connected with the development, operation and maintenance of electric services in the City of Norcross.

Solid Waste Fund – This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Norcross.

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

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditures for specific purposes.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by the proprietary funds).

Fiduciary Fund Types

Agency Funds - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. The City has the Municipal Court Agency Fund.

2. Summary of Significant Accounting Policies (continued)

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

Component Units

The Norcross Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

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.

2. Summary of Significant Accounting Policies (continued)

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

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 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.

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.

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting, continued

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.

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.

2. Summary of Significant Accounting Policies (continued)

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, 2008 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

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the beginning of 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are among the largest asset class of the City. Neither their historical costs nor related depreciation have historically been reported in the financial statements. The City implemented the requirements for retroactive reporting of major general infrastructure assets in the year ended December 31, 2007. The City elected to report general infrastructure assets placed into service prior to July 1, 1980.

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

2. Summary of Significant Accounting Policies (continued)

J. Capital Assets, continued

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
Storm water system	50	$ 20,000
Equipment	7-10	$ 2,000
Vehicles	5	$ 2,000
Furniture and fixtures	7-10	$ 2,000
Land improvements	25-50	$ 2,000

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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 2007 amounts have been reclassified to conform with the 2008 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, 2008, the City had uninsured, uncollaterialized deposits of $55,091.

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.

Foreign currency risk

The City has no investments denominated in a foreign currency.

3. Deposit and Investment Risk (continued)

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, 2008, the average weighted maturity of the fund was 5.6 months. At December 31, 2008, the City's balance in the Voluntary Flexible Operating Account was $941,560.

As authorized by a contract between MEAG and the City dated June 1, 2006, regarding the Plant Vogtle Development Agreement, MEAG has elected to issue equity calls to fund the Plant Vogtle Additional Units project. The contract commits the City, to the extent call upon by MEAG at its discretion, for the purpose of funding the cost of construction, including carrying costs, for the Plant Vogtle Additional Units in the amount of $2,519,430. These equity calls were made through withdrawals from the Voluntary Flexible Operating Account; as of December 31, 2008, these equity calls totaled $475,688 and are reported as investments in the Electric Utility Enterprise Fund. The equity calls are expected to be reimbursed to the City within the next twelve months; reimbursements will include carrying costs at 11.25% of the equity amounts contributed.

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.

3. Deposit and Investment Risk (continued)

Georgia Fund 1 is rated AAAm by Standard & Poor's. The weighted average maturity at December 31, 2008 was 46 days. At December 31, 2008, the City's balance in Georgia Fund 1 was $46,511.

4. Accounts Receivable

Net accounts receivable at December 31, 2008 consist of the following:

Major Funds		
General Fund		$ 56,453
Enterprise Funds		
Water and Sewer Utility	292,017	
Less: Allowances for Uncollectibles	(2,173)	
Electric Utility	1,176,657	
Less: Allowances for Uncollectibles	(8,757)	
Solid Waste	249,074	
Less: Allowances for Uncollectibles	(1,855)	
Storm Water Utility	155,812	
Less: Allowances for Uncollectibles	(1,559)	1,859,216
Total Primary Government		$ 1,915,669
Fiduciary Funds		
Agency Funds		
Municipal Court	$ 1,063,244	
Less: Allowances for Uncollectibles	(735,089)	$ 328,155

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2008 consist of the following:

Major Funds	
General	
Atlanta Regional Commission	$ 23,200
2005 SPLOST Capital Projects	
Gwinnett County, Georgia	274,234
Total primary government	$ 297,434

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2008 consist of property taxes for seven years as follows:

Year of Levy	Amount
2008	$ 706,892
2007	45,015
2006	22,886
2005	43,795
2004	6,540
2003	3,688
2002	417
	829,233
Less allowance for uncollectible	(156,244)
Total	$ 672,989

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 2008, based upon the assessments of January 1, 2008, were billed on September 25, 2008 and due on November 25, 2008. Tax liens are issued 90 days after the due date. The tax rate of 6.027 mills for 2008 was levied on September 8, 2008.

Other Taxes

$535,157 of franchise taxes, $31,791 of hotel/motel taxes, and $14,618 of alcohol excise taxes are also included in taxes receivable.

7. Interfund Receivables and Payables

A summary of interfund receivables and payables is as follows:

	Due from: Major Funds		
	2005 SPLOST	Electric Utility	Total
Due to: Major Funds			
General	$ 32,711	$ 662,492	$ 695,203
Solid Waste	0	500,000	500,000
	$ 32,711	$ 1,162,492	$ 1,195,203

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. The balances reported in the General Fund and Solid Waste Fund as due from the Electric Utility Fund resulted from transactions to alleviate an equity in pooled cash deficit at year-end. These balances are expected to be paid back within the next year.

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

8. Interfund Transfers

A summary of interfund transfers is as follows:

	Transfers out: Major Funds		
	General	Storm Water Utility	Total
Transfers in:			
Major Funds			
General	$ 0	$ 100,000	$ 100,000
Water and Sewer Utility	2,473,172	0	2,473,172
Total	$ 2,473,172	$ 100,000	$ 2,573,172

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.

9. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2008 was as follows:

	Balance 12/31/2007	Increases	Decreases	Balance 12/31/2008
Governmental activities				
Non-depreciable assets				
Land	$ 14,222,460	$ 300,000	$ 0	$ 14,522,460
Construction in progress	959,091	2,689,415	(508,318)	3,140,188
Total nondepreciable assets	15,181,551	2,989,415	(508,318)	17,662,648
Depreciable assets				
Buildings	8,794,275	1,193,239	0	9,987,514
Infrastructure	40,023,302	159,863	0	40,183,165
Vehicles and equipment	1,955,718	355,586	(119,420)	2,191,884
Furniture and fixtures	343,076	412,560	0	755,636
Intangible assets	0	125,000	0	125,000
Total depreciable assets	51,116,371	2,246,248	(119,420)	53,243,199
Accumulated depreciation				
Buildings	(1,298,430)	(189,171)	0	(1,487,601)
Infrastructure	(20,918,187)	(809,953)	0	(21,728,140)
Vehicles and equipment	(1,273,959)	(216,153)	119,420	(1,370,692)
Furniture and fixtures	(193,782)	(79,083)	0	(272,865)
Intangible assets	0	(694)		(694)
Total accumulated depreciation	(23,684,358)	(1,295,054)	119,420	(24,859,992)
Total depreciable assets, net	27,432,013	951,194	0	28,383,207
Governmental activities capital assets, net	$ 42,613,564	$ 3,940,609	$ (508,318)	$ 46,045,855
Business-type activities				
Non-depreciable assets				
Land	$ 10,500	$ 0	$ 0	$ 10,500
Construction in progress	498,033	377,123	(218,147)	657,009
Total non-depreciable assets	508,533	377,123	(218,147)	667,509
Depreciable assets				
Distribution system	16,630,278	1,787,742	0	18,418,020
Vehicles and equipment	748,553	64,978	0	813,531
Total depreciable assets	17,378,831	1,852,720	0	19,231,551
Accumulated depreciation				
Distribution system	(5,004,063)	(346,329)	0	(5,350,392)
Vehicles and equipment	(647,451)	(30,399)	0	(677,850)
Total accumulated depreciation	(5,651,514)	(376,728)	0	(6,028,242)
Total depreciable assets, net	11,727,317	1,475,992	0	13,203,309
Business-type activities capital assets, net	$ 12,235,850	$ 1,853,115	$ (218,147)	$ 13,870,818

The storm water drainage system is reported as infrastructure in the Governmental activities. This system will be transferred to the Storm Water Utility Enterprise Fund in the future.

9. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2008 was as follows:

	Balance 12/31/2007	Increases	Decreases	Balance 12/31/2008
Downtown Development Authority Component Unit				
Non-depreciable assets				
Land	$ 4,000	$ 0	$ 0	$ 4,000
Construction in progress	316,578	0	(316,578)	0
Downtown Development Authority Component Unit capital assets	320,578	0	(316,578)	4,000

The project reported as construction in progress at December 31, 2007, was transferred to the governmental activities for completion.

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 158,657
Judicial	11,012
Public Safety	223,232
Public Works	838,955
Culture and Recreation	34,277
Housing and Development	28,921
Total depreciation expense for governmental activities	$ 1,295,054
Business-type activities	
Water and Sewer Utility	$ 235,664
Electric Utility	132,472
Storm Water Utility	8,592
Total depreciation expense for business-type activities	$ 376,728

10. Property held for Resale

The City has purchased property in conjunction with the Lillian Webb Park project to attract business to the Downtown Norcross area. The City will develop the property and expects to sale lots to businesses. The City has no plans to use the property. The Downtown Development Authority Component Unit has also purchased property in conjunction with the Lillian Webb Park project. The total investment in property held for resale is $1,085,766 and $383,800 for the primary government and the DDA, respectively.

11. Operating Lease Agreements

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

12. 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, 2008, the balance of this note is $130,148. Quarterly installments of principal and interest are due through September 1, 2010; interest at 4.38%.

12. Long-Term Debt (continued)

Notes Payable, continued

Governmental Activities (continued)

Annual debt service requirements for notes payable are as follows:

Year ending December 31,	Principal	Interest	Total
2009	$ 73,174	$ 4,434	$ 77,608
2010	56,974	1,231	58,205
Totals	$ 130,148	$ 5,665	$ 135,813

Downtown Development Authority Component Unit

On August 15, 2007, the Downtown Development Authority entered into a lending agreement with the Georgia Department of Community Affairs for the purchase of real property in the original amount of $57,500. At December 31, 2008, the balance of this note is $53,370. 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%.

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, 2008, 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.

12. Long-Term Debt (continued)

Notes Payable, continued

Downtown Development Authority Component Unit (continued)

Annual debt service requirements for note payables are as follows:

Year ending December 31,	Principal	Interest	Total
2009	$ 261,208	$ 1,557	$ 262,765
2010	3,305	1,460	4,765
2011	3,406	1,359	4,765
2012	3,509	1,256	4,765
2013	3,616	1,149	4,765
2014-2017	36,326	3,245	39,571
Totals	$ 311,370	$ 10,026	$ 321,396

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for year ended December 31, 2008:

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008	Due Within One Year
Governmental activities					
Notes payable	$ 200,253	$ 0	$ 70,105	$ 130,148	$ 73,174
Compensated absences	176,741	177,098	176,741	177,098	177,098
Total governmental activities	$ 376,994	$ 177,098	246,846	$ 307,246	$ 250,272
Business-type activities					
Compensated absences	$ 6,199	$ 7,781	$ 6,199	$ 7,781	$ 7,781
Downtown Development Authority Component Unit					
Notes payable	$ 314,483	$ 0	$ 3,113	$ 311,370	$ 261,208

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.

13. Reserved Equity Balances

General Fund

Reserved for prepaid items - An amount of $75,359 has been reserved for prepaid items since this amount is not legally available for appropriation.

14. Intradepartmental Billings

Total operating revenues and total operating expenses in the Water and Sewer Utility, Electric Utility, and Solid Waste Enterprise Funds include $25,007, $145,404, and $29,836, respectively, of intra departmental billings for water and sewer, electricity, and sanitation usage.

15. 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.

15. 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	23
Terminated vested participants entitled to but not yet receiving benefits	18
Active participants	76
Total number of participants	117

15. 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 9.96% 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, 2008 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. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Annual Pension Cost

For 2008, the City's annual pension cost of $339,565 was equal to the City's recommended and actual contributions. The minimum contribution was $339,565. The recommended contribution (projected to March 1, 2009) was computed as part of an actuarial valuation as of March 1, 2008. 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.

15. Retirement Plans (continued)

Historical Trend Information

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

Schedule of Employer Contributions

Funding Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
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
3/1/2008	339,565	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)
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%
2008	4,986,333	5,768,966	782,633	86.43%	3,408,725	22.96%

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.

16. 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 2008, the City contributed $73,204 to the plans based on covered salaries of $3,319,880. Plan members made voluntary contributions of $192,979 to the plans. Total payroll was $4,911,809.

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.

17. Post Employment Health Care Benefits

Plan Description

The City of Norcross provides post employment health care benefits as a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit other post employment benefit (OPEB) plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of March 1, 2007, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 – Summary of Significant Accounting Policies for reporting of investments.

City employees who retired prior to January 1, 1999 with 10 years of service and employees who retired after January 1, 1999 with 20 years of service are eligible to participate in the Plan.

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

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	17
Terminated vested participants entitled to but not yet receiving benefits	0
Active participants	68
Total number of participants	85

17. Post Employment Health Care Benefits (continued)

Funding Policy

The funding policy for the plan is to contribute an amount equal to the benefit and administrative costs paid on behalf of retirees and their dependents (ie, pay-as-you-go basis). Plan members receiving benefits contributed $2,506, through their required contributions of $18.40, $7.44, and $0.92 per month for family health coverage without Medicare, family health coverage with Medicare, and family dental coverage, respectively. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in GASB Statement No. 45. These contributions are determined under the unit credit actuarial cost method and the market value of assets for developing the actuarial value of assets. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2008 is 30 years. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

17. Post Employment Health Care Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

For 2008, the City's annual OPEB cost of $1,077,330 was equal to the City's recommended contribution, as calculated on the pay-as-you go basis. The recommended contribution was computed as part of an actuarial valuation as of 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 4 percent per year compounded annually, (b) a rate of inflation of 3 percent, (c) no post-retirement benefit increases, (d) a medical and drug cost trend rate of 9.5 percent, graded to 5 percent over 9 years, and (e) dental cost trend rate of 5 percent.

Annual required contribution	$ 1,077,330
Interest on net OPEB obligation	0
Adjustment to ARC	0
Annual OPEB cost	1,077,330
Contributions made	228,285
Increase (decrease) in net OPEB obligation	849,045
Net OPEB obligation - beginning of year	0
Net OPEB obligation - end of year	$ 849,045

Historical Trend Information

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

Schedule of Employer Contributions

Fiscal Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
12/31/2008	$ 1,077,330	22%	$ 849,045

Schedule of Funding Progress

Actuarial Valuation Date March 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2007	$ 0	$ 7,924,626	$ 7,924,626	0.00%	$ 2,956,003	268.09%

18. Hotel/Motel Lodging Tax

The City has levied a 3% lodging tax. A summary of the transactions for the year ending December 31, 2008, follows:

Lodging Tax Receipts	$ 180,988	
Disbursements to promote trade and tourism	$ 381,407	211% of tax receipts

19. 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 2008, the City of Norcross contributed the use of one police officer to the DEA for undercover work; the City paid $86,896 in personnel costs for the officer.

Under Georgia law, the City, in conjunction with other cities and counties in the Greater Atlanta Metropolitan area, is a member of the Atlanta Regional Commission (ARC). During its year ended December 31, 2008, 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.

20. 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 2008. Separate financial statements may be obtained from Housing Authority of the City of Norcross, 19 Garner Street, Norcross, GA 30071.

21. Risk Management

Material estimates have been made by management about the life of depreciated capital assets. Management has used a conservative approach on these estimates.

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

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

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

21. Risk Management (continued)

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

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2008, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

22. 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 $8,588,405 from MEAG during the year ended December 31, 2008. 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, 2008, the balance in this account was $941,560. This amount is included in investments in the Electric Utility Fund.

22. Commitments and Contingencies (continued)

Commitments, continued

The two additional accounts created were the credit support operating and the reserve funded debt account. The funds in the credit support operating account are restricted for use to offset rate increases exceeding certain criteria and for loans for capital improvements that will reduce future operating costs. The funds in the reserve funded debt account can only be applied to charges related to MEAG's bond obligations. The balances of these accounts at December 31, 2008 were $4,477,120 and $4,138,526, respectively. Due to the restricted nature of these funds, neither is shown in the Electric Utility Fund.

The City has several active construction projects as of December 31, 2008. At year-end, the City's commitments with contractors are as follows:

Projects	Amount Expended Date	Remaining Commitment
Lillian Webb Park improvements	$ 2,409,597	$ 2,280,302
InCode Accounting Software	32,977	223,618
Total	$ 2,442,574	$ 2,503,920

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.

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

During the year ended December 31, 2008, 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	$ 16,475	$ 73,545	$ (57,070)
Hotel/Motel Tax Fund	170,000	381,407	(211,407)
Federal Seized Drug Fund	212,500	252,618	(40,118)
Technology Surcharge Fund	90,000	123,008	(33,008)

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.

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF NORCROSS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008

	Special Revenue	
	Confiscated Assets	**Hotel/Motel Tax**
ASSETS		
Cash and cash equivalents	$ 73,375	$ 0
Equity in pooled cash	0	79,902
Taxes receivable	0	31,791
Total assets	$ 73,375	$ 111,693
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 0	$ 56,649
Other liabilities	13,218	0
Total liabilities	13,218	56,649
Fund balances		
Unreserved	60,157	55,044
Total liabilities and fund balances	$ 73,375	$ 111,693

Special Revenue		Capital Projects	Total Nonmajor
Federal Seized Drug	Technology Surcharges	2001 SPLOST	Governmental Funds
$ 190,964	$ 0	$ 285,924	$ 550,263
0	119,376	0	199,278
0	0	0	31,791
$ 190,964	$ 119,376	$ 285,924	$ 781,332
$ 0	$ 54,567	$ 26,973	$ 138,189
0	0	0	13,218
0	54,567	26,973	151,407
190,964	64,809	258,951	629,925
$ 190,964	$ 119,376	$ 285,924	$ 781,332

CITY OF NORCROSS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2008

	Special Revenue	
	Confiscated Assets	**Hotel/Motel Tax**
REVENUES		
Taxes	$ 0	$ 180,988
Fees, fines, and forfeitures	114,152	0
Interest	518	4,366
Total revenues	114,670	185,354
EXPENDITURES		
Current		
General Government	0	0
Public Safety	73,545	0
Housing and Development	0	381,407
Capital outlay	0	0
Total expenditures	73,545	381,407
Excess (deficiency) of revenues over (under) expenditures	41,125	(196,053)
Fund balances, January 1	19,032	251,097
Fund balances, December 31	$ 60,157	$ 55,044

Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
Federal Seized Drug	Technology Surcharges	2001 SPLOST	
$ 0	$ 0	$ 0	$ 180,988
305,749	128,254	0	548,155
627	2,482	20,817	28,810
306,376	130,736	20,817	757,953
0	117,491	0	117,491
252,618	5,517	0	331,680
0	0	0	381,407
0	0	914,102	914,102
252,618	123,008	914,102	1,744,680
53,758	7,728	(893,285)	(986,727)
137,206	57,081	1,152,236	1,616,652
$ 190,964	$ 64,809	$ 258,951	$ 629,925

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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, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 742,413	$ 1,051,163
Equity in pooled cash	498,526	1,460,045
Certificates of deposit	4,147,839	7,317,883
Receivables (net)		
Accounts	56,453	1,083
Taxes	1,222,764	796,711
Intergovernmental	23,200	157,558
Interest	0	22,430
Notes	258,000	258,000
Prepaid items	75,359	63,636
Due from other funds	695,203	32,711
Property held for resale	1,085,766	0
Total assets	$ 8,805,523	$ 11,161,220
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 212,092	$ 144,180
Intergovernmental	6,825	8,452
Retainages	0	11,496
Accrued salaries	0	46,099
Deferred revenue	232,710	170,100
Other liabilities	166,148	168,663
Total liabilities	617,775	548,990
Fund balances		
Reserved for prepaid items	75,359	63,636
Unreserved	8,112,389	10,548,594
Total fund balances	8,187,748	10,612,230
Total liabilities and fund balances	$ 8,805,523	$ 11,161,220

CITY OF NORCROSS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2008 and 2007

	2008	2007
REVENUES		
Taxes	$ 5,970,698	$ 6,405,241
Licenses and permits	327,783	344,759
Fines, fees and forfeitures	1,705,024	1,661,445
Charges for services	118,785	117,378
Intergovernmental	648,740	170,576
Interest	349,625	438,392
Contributions	13	77
Other	108,436	69,150
Total revenues	9,229,104	9,207,018
EXPENDITURES		
Current		
General Government	2,093,650	1,140,045
Judicial	348,788	326,036
Public Safety	3,843,621	3,696,883
Public Works	1,156,937	1,499,295
Culture and Recreation	697,626	272,453
Housing and Development	1,144,419	978,562
Total expenditures	9,285,041	7,913,274
Excess (deficiency) of revenues over (under) expenditures	(55,937)	1,293,744
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Utility Fund	(2,473,172)	(1,636,163)
Storm Water Utility Fund	100,000	0
Proceeds from the sale of capital assets	4,627	0
Total other financing sources (uses)	(2,368,545)	(1,636,163)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,424,482)	(342,419)
Fund balances, January 1	10,612,230	10,954,649
Fund balances, December 31	$ 8,187,748	$ 10,612,230

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 3,900,000	$ 3,662,646	$ (237,354)	$ 4,031,775
Motor vehicle tax	176,000	161,415	(14,585)	173,130
Cost, penalties, and interest	20,000	41,888	21,888	48,067
Total general property taxes	4,096,000	3,865,949	(230,051)	4,252,972
Intangible tax	45,000	25,692	(19,308)	49,656
Real estate transfer tax	25,000	8,986	(16,014)	22,986
Franchise tax	1,025,000	1,119,199	94,199	1,116,734
Insurance premium tax	440,000	470,693	30,693	459,681
Occupational tax	285,500	297,068	11,568	312,437
Alcoholic beverage excise tax	196,222	183,111	(13,111)	190,775
Total taxes	6,112,722	5,970,698	(142,024)	6,405,241
Licenses and Permits				
Alcohol licenses	125,000	101,850	(23,150)	114,075
Building permits	200,000	209,562	9,562	203,141
Other permits	35,000	16,371	(18,629)	27,543
Total licenses and permits	360,000	327,783	(32,217)	344,759
Fines, fees and forfeitures	2,490,600	1,705,024	(785,576)	1,661,445
Charges for Services	114,200	118,785	4,585	117,378
Intergovernmental				
Grants	1,890,000	633,263	(1,256,737)	121,027
Other	19,450	15,477	(3,973)	49,549
Total intergovernmental	1,909,450	648,740	(1,260,710)	170,576
Interest	300,000	349,625	49,625	438,392
Contributions	7,500	13	(7,487)	77
Other	54,500	108,436	53,936	69,150
Total revenues	$ 11,348,972	$ 9,229,104	$ (2,119,868)	$ 9,207,018

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
General Government				
Administration				
Personal services	$ 365,524	$ 357,350	$ 8,174	$ 355,315
Contract services	165,500	140,668	24,832	56,930
Supplies and materials	19,700	25,595	(5,895)	21,867
Capital outlay	30,000	2,745	27,255	4,388
Total Administration	580,724	526,358	54,366	438,500
City Clerk				
Personal services	163,645	143,410	20,235	129,659
Contract services	156,970	184,668	(27,698)	87,032
Supplies and materials	10,400	9,183	1,217	6,831
Capital outlay	7,500	3,450	4,050	28,850
Total City Clerk	338,515	340,711	(2,196)	252,372
Chief Executive				
Personal services	220,878	184,923	35,955	168,695
Contract services	38,700	50,718	(12,018)	11,320
Supplies and materials	700	610	90	1,909
Capital outlay	0	0	0	2,217
Total Chief Executive	260,278	236,251	24,027	184,141
City-wide				
Personal services	165,400	228,285	(62,885)	187,270
Contract services	303,500	6,423	297,077	154
Supplies and materials	7,000	3,290	3,710	0
Capital outlay	1,086,000	300,000	786,000	0
Debt service	77,908	77,607	301	77,608
Total City-wide	1,639,808	615,605	1,024,203	265,032
Information Technology				
Personal services	172,094	117,526	54,568	0
Contract services	110,737	71,651	39,086	0
Supplies and materials	21,750	67,512	(45,762)	0
Capital outlay	626,292	118,036	508,256	0
Total Information Technology	930,873	374,725	556,148	0
Total General Government	3,750,198	2,093,650	1,656,548	1,140,045

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
Judicial				
Municipal Court				
Personal services	$ 335,000	$ 316,221	$ 18,779	$ 296,522
Contract services	36,621	27,917	8,704	23,090
Supplies and materials	5,700	4,650	1,050	6,424
Total Judicial	377,321	348,788	28,533	326,036
Public Safety				
Marshal				
Personal services	0	0	0	125,326
Contract services	0	0	0	50,581
Supplies and materials	0	0	0	13,629
Capital outlay	0	0	0	3,844
Total Marshal	0	0	0	193,380
Police				
Personal services	3,020,456	2,990,900	29,556	2,763,008
Contract services	503,732	408,095	95,637	428,217
Supplies and materials	203,620	232,860	(29,240)	164,014
Capital outlay	267,104	211,766	55,338	148,264
Total Police	3,994,912	3,843,621	151,291	3,503,503
Total Public Safety	3,994,912	3,843,621	151,291	3,696,883
Public Works				
Public Works Administration				
Personal services	445,370	373,121	72,249	398,119
Contract services	565,525	449,428	116,097	800,959
Supplies and materials	223,487	207,881	15,606	224,527
Capital outlay	150,800	126,507	24,293	75,690
Total Public Works Administration	1,385,182	1,156,937	228,245	1,499,295
Culture and Recreation				
Parks and Recreation				
Personal services	83,382	82,348	1,034	68,725
Contract services	50,660	54,469	(3,809)	24,290
Supplies and materials	42,400	50,336	(7,936)	32,939
Capital outlay	601,730	510,473	91,257	146,499
Total Culture and Recreation	778,172	697,626	80,546	272,453

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
Housing and Development				
Community Development				
Personal services	$ 670,754	$ 550,822	$ 119,932	$ 350,218
Contract services	189,300	254,674	(65,374)	363,910
Supplies and materials	18,250	45,116	(26,866)	15,901
Capital outlay	1,748,900	293,807	1,455,093	243,533
Payments to others	0	0	0	5,000
Total Housing and Development	2,627,204	1,144,419	1,482,785	978,562
Total expenditures	$ 12,912,989	$ 9,285,041	$ 3,627,948	$ 7,913,274

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Confiscated Assets Fund - This fund is used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid in participation with the Gwinnett County Drug Task Force.

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Norcross.

Federal Seized Drug Fund - This fund is used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid in participation with the Drug Enforcement Administration.

Technology Surcharges Fund - This fund is used to account for fines and fees received restricted for the purchase of computer hardware and software for the Police, City Marshall, and Municipal Court Departments.

CITY OF NORCROSS, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 73,375	$ 19,032
LIABILITIES AND FUND BALANCES		
Liabilities		
Other liabilities	$ 13,218	$ 0
Fund balances		
Unreserved	60,157	19,032
Total liabilities and fund balances	$ 73,375	$ 19,032

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, 2008
(with comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	$ 16,475	$ 114,152	$ 97,677	$ 38,625
Interest	0	518	518	38
Total revenues	16,475	114,670	98,195	38,663
EXPENDITURES				
Current				
Public Safety				
Contract services	0	4,714	(4,714)	3,000
Supplies and materials	0	26,890	(26,890)	14,066
Capital outlay	16,475	41,941	(25,466)	16,670
Total expenditures	16,475	73,545	(57,070)	33,736
Excess (deficiency) of revenues over (under) expenditures	0	41,125	41,125	4,927
Fund balances, January 1	0	19,032	19,032	14,105
Fund balances, December 31	$ 0	$ 60,157	$ 60,157	$ 19,032

CITY OF NORCROSS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Equity in pooled cash	$ 79,902	$ 230,492
Taxes receivable	31,791	30,623
Total assets	$ 111,693	$ 261,115
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 56,649	$ 10,018
Fund balances		
Unreserved	55,044	251,097
Total liabilities and fund balances	$ 111,693	$ 261,115

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, 2008
(with comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	$ 170,000	$ 180,988	$ 10,988	$ 198,901
Interest	0	4,366	4,366	751
Total revenues	170,000	185,354	15,354	199,652
EXPENDITURES				
Current				
Housing and Development				
Contract services	165,000	381,407	(216,407)	208,580
Supplies and materials	1,000	0	1,000	0
Capital outlay	0	0	0	0
Contingency	4,000	0	4,000	0
Total expenditures	170,000	381,407	(211,407)	208,580
Excess (deficiency) of revenues over (under) expenditures	0	(196,053)	(196,053)	(8,928)
Fund balances, January 1	0	251,097	251,097	260,025
Fund balances, December 31	$ 0	$ 55,044	$ 55,044	$ 251,097

CITY OF NORCROSS, GEORGIA
FEDERAL SEIZED DRUG SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 190,964	$ 137,206
LIABILITIES AND FUND BALANCES		
Fund balances		
Unreserved	$ 190,964	$ 137,206

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, 2008
(with comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines and forfeitures	$ 212,500	$ 305,749	$ 93,249	$ 25,165
Interest	0	627	627	0
Total revenues	212,500	306,376	93,876	25,165
EXPENDITURES				
Current				
Public Safety				
Contract services	0	19,813	(19,813)	0
Supplies and materials	0	4,970	(4,970)	41,474
Capital outlay	212,500	227,835	(15,335)	45,620
Total expenditures	212,500	252,618	(40,118)	87,094
Excess (deficiency) of revenues over (under) expenditures	0	53,758	53,758	(61,929)
Fund balances, January 1	0	137,206	137,206	199,135
Fund balances, December 31	$ 0	$ 190,964	$ 190,964	$ 137,206

CITY OF NORCROSS, GEORGIA
TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Equity in pooled cash	$ 119,376	$ 57,081
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 54,567	$ 0
Fund balances		
Unreserved	64,809	57,081
Total liabilities and fund balances	$ 119,376	$ 57,081

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, 2008
(with comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines and forfeitures	$ 90,000	$ 128,254	$ 38,254	$ 151,387
Interest	0	2,482	2,482	53
Total revenues	90,000	130,736	40,736	151,440
EXPENDITURES				
Current				
General Government				
Contract services	0	19,980	(19,980)	0
Supplies and materials	0	1,050	(1,050)	0
Capital outlay	90,000	96,461	(6,461)	0
Judicial				
Contract services	0	0	0	495
Public Safety				
Contract services	0	5,517	(5,517)	21,930
Supplies and materials	0	0	0	19,961
Capital outlay	0	0	0	51,973
Total expenditures	90,000	123,008	(33,008)	94,359
Excess (deficiency) of revenues over (under) expenditures	0	7,728	7,728	57,081
Fund balances, January 1	0	57,081	57,081	0
Fund balances, December 31	$ 0	$ 64,809	$ 64,809	$ 57,081

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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, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 1,398,085	$ 1,737,420
Certificates of deposit	509,931	0
Intergovernmental receivable	274,234	279,881
Total assets	$ 2,182,250	$ 2,017,301
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 452,670	$ 50,181
Retainages	201,728	0
Due to other funds	32,711	32,711
Total liabilities	687,109	82,892
Fund balances		
Unreserved	1,495,141	1,934,409
Total liabilities and fund balances	$ 2,182,250	$ 2,017,301

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, 2008 and 2007

	2008	2007
REVENUES		
Intergovernmental	$ 1,770,489	$ 1,611,089
Interest	52,441	63,514
Total revenues	1,822,930	1,674,603
EXPENDITURES		
Public Safety		
Capital outlay	0	223,939
Public Works		
Contract services	26,443	0
Culture and Recreation		
Contract services	69,022	1,345
Capital outlay	2,166,733	362,612
Debt service	0	625,000
Total expenditures	2,262,198	1,212,896
Excess (deficiency) of revenues over (under) expenditures	(439,268)	461,707
Fund balances, January 1	1,934,409	1,472,702
Fund balances, December 31	$ 1,495,141	$ 1,934,409

CITY OF NORCROSS, GEORGIA
2001 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 285,924	$ 1,152,236
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 26,973	$ 0
Fund balances		
Unreserved	258,951	1,152,236
Total liabilities and fund balances	$ 285,924	$ 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 years ended December 31, 2008 and 2007

	2008	2007
REVENUES		
Intergovernmental	$ 0	$ 1,136,685
Interest	20,817	15,551
Total revenues	20,817	1,152,236
EXPENDITURES		
Public Works		
Contract services	603,089	0
Capital outlay	35,706	0
Culture and Recreation		
Capital outlay	275,307	0
Total expenditures	914,102	0
Excess (deficiency) of revenues over (under) expenditures	(893,285)	1,152,236
Fund balances, January 1	1,152,236	0
Fund balances, December 31	$ 258,951	$ 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.

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

CITY OF NORCROSS, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Accounts receivable (net)	$ 289,844	$ 280,333
Prepaid items	17,080	17,924
Inventories	59,075	104,435
Total current assets	365,999	402,692
Restricted assets		
Customer deposits		
Cash and cash equivalents	32,796	31,986
Capital assets		
Land	9,500	9,500
Water and sewer system	12,146,649	11,348,430
Vehicles and equipment	141,585	141,585
Construction in progress	5,248	5,248
Accumulated depreciation	(4,159,634)	(3,923,970)
Total capital assets (net of accumulated depreciation)	8,143,348	7,580,793
Total assets	8,542,143	8,015,471
LIABILITIES		
Current liabilities		
Payables		
Accounts	16,729	122,555
Intergovernmental	151,031	678,740
Accrued salaries	0	2,135
Compensated absences	4,588	4,399
Total current liabilities	172,348	807,829
Current liabilities payable from restricted assets		
Customer deposits	59,085	47,710
Total liabilities	231,433	855,539
NET ASSETS		
Invested in capital assets	8,143,348	7,580,793
Unrestricted	167,362	(420,861)
Total net assets	$ 8,310,710	$ 7,159,932

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, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Charges for sales and services		
Water sales	$ 1,297,896	$ 1,362,408
Sewer charges	1,085,695	839,608
Tap fees	4,226	45,520
Other	18,921	20,477
Total operating revenues	2,406,738	2,268,013
OPERATING EXPENSES		
Costs of sales and services	2,954,848	2,861,788
Personal services	539,430	620,459
Depreciation	235,664	230,472
Total operating expenses	3,729,942	3,712,719
Operating income (loss)	(1,323,204)	(1,444,706)
Non-operating revenues (expenses)		
Investment revenue	810	1,598
Income (loss) before capital contributions and transfers	(1,322,394)	(1,443,108)
Capital contributions		
Capital contributions	0	35,100
Income (loss) before transfers	(1,322,394)	(1,408,008)
Transfers in (out)		
General Fund	2,473,172	1,636,163
Change in net assets	1,150,778	228,155
Net assets, January 1	7,159,932	6,931,777
Net assets, December 31	$ 8,310,710	$ 7,159,932

CITY OF NORCROSS, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Receipts from customers	$ 2,389,681	$ 2,282,694
Payments to suppliers	(3,422,226)	(3,105,953)
Payments to employees	(541,376)	(618,226)
Other receipts	18,921	20,477
Net cash provided (used) by operating activities	(1,555,000)	(1,421,008)
Cash flows from non-capital financing activities		
Receipts from other funds	2,473,172	1,489,242
Cash flows from capital and related financing activities:		
Receipt of capital contributions	0	35,100
Acquisition of capital assets	(918,172)	(103,334)
Net cash provided (used) by captial and related financing activities	(918,172)	(68,234)
Cash flows from investing activities:		
Interest received	810	1,598
Net increase (decrease) in cash and cash equivalents	810	1,598
Cash and cash equivalents, January 1	31,986	30,388
Cash and cash equivalents, December 31	$ 32,796	$ 31,986
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (1,323,204)	$ (1,444,706)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	235,664	230,472
(Increase) decrease in accounts receivable	(9,511)	33,693
(Increase) decrease in prepaid items	844	(10,531)
(Increase) decrease in inventories	45,360	(34,214)
Increase (decrease) in accounts payable	14,127	(76,102)
Increase (decrease) in intergovernmental payables	(527,709)	(123,318)
Increase (decrease) in deposits payable	11,375	1,465
Increase (decrease) in accrued payroll liabilities	(1,946)	2,233
Total adjustments	(231,796)	23,698
Net cash provided (used) by operating activities	$ (1,555,000)	$ (1,421,008)
Cash and cash equivalents reconciliation:		
Customer Deposits		
Cash and cash equivalents	$ 32,796	$ 31,986

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 0	$ 303,553
Equity in pooled cash	0	113,979
Certificates of deposit	591,536	0
Investments	1,106,255	1,405,609
Accounts receivable (net)	1,167,900	1,129,580
Prepaid items	379,073	27,208
Inventories	824,401	896,273
Total current assets	4,069,165	3,876,202
Restricted assets		
Customer Deposits		
Cash and cash equivalents	0	275,525
Investments	310,993	0
Total restricted assets	310,993	275,525
Capital assets		
Land	1,000	1,000
Electric system	6,251,349	5,281,847
Vehicles and equipment	606,968	606,968
Construction in progress	651,761	492,785
Accumulated depreciation	(1,860,015)	(1,727,543)
Total capital assets (net of accumulated depreciation)	5,651,063	4,655,057
Total assets	10,031,221	8,806,784
LIABILITIES		
Current liabilities		
Payables		
Accounts	183,209	14,809
Intergovernmental	752,168	606,249
Sales tax	41,090	40,685
Accrued salaries	0	2,589
Compensated absences	2,720	1,800
Due to other funds	1,162,492	0
Total current liabilities	2,141,679	666,132
Current liabilities payable from restricted assets		
Customer deposits	310,993	275,525
Total liabilities	2,452,672	941,657
NET ASSETS		
Invested in capital assets	5,651,063	4,655,057
Unrestricted	1,927,486	3,210,070
Total net assets	$ 7,578,549	$ 7,865,127

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Charges for sales and services		
Electric sales	$ 9,360,336	$ 9,221,429
Other	78,451	78,806
Total operating revenues	9,438,787	9,300,235
OPERATING EXPENSES		
Costs of sales and services	8,898,292	8,570,335
Personal services	766,751	559,501
Depreciation	132,472	119,022
Total operating expenses	9,797,515	9,248,858
Operating income (loss)	(358,728)	51,377
Non-operating revenues (expenses)		
Investment revenue	72,150	137,278
Change in net assets	(286,578)	188,655
Net assets, January 1	7,865,127	7,676,472
Net assets, December 31	$ 7,578,549	$ 7,865,127

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Receipts from customers	$ 9,357,484	$ 9,099,561
Payments to suppliers	(8,863,561)	(8,809,150)
Payments to employees	(768,420)	(557,408)
Other receipts	78,451	78,806
Net cash provided (used) by operating activities	(196,046)	(188,191)
Cash flows from non-capital financing activities		
Receipts from other funds	1,162,492	0
Payments to other funds	0	(9,356)
Net cash provided (used) by non-capital financing activities	1,162,492	(9,356)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,128,478)	(520,061)
Cash flows from investing activities:		
Interest received	72,150	139,532
Proceeds from maturities of investments	381,087	1,068,309
Purchase of investments	(984,262)	(351,585)
Net cash provided (used) by investing activities	(531,025)	856,256
Net increase (decrease) in cash and cash equivalents	(693,057)	138,648
Cash and cash equivalents, January 1	693,057	554,409
Cash and cash equivalents, December 31	$ 0	$ 693,057
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (358,728)	$ 51,377
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	132,472	119,022
(Increase) decrease in accounts receivable	(38,320)	(108,998)
(Increase) decrease in prepaid items	(351,865)	(8,699)
(Increase) decrease in inventories	71,872	(212,061)
Increase (decrease) in accounts payable	168,400	(2,985)
Increase (decrease) in intergovernmental payables	145,919	(17,476)
Increase (decrease) in deposits payable	35,468	(12,870)
Increase (decrease) in sales tax payable	405	2,406
Increase (decrease) in accrued payroll liabilities	(1,669)	2,093
Total adjustments	162,682	(239,568)
Net cash provided (used) by operating activities	$ (196,046)	$ (188,191)
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	$ 0	$ 303,553
Equity in pooled cash	0	113,979
Customer Deposits		
Cash and cash equivalents	0	275,525
Total cash and cash equivalents	$ 0	$ 693,057

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Equity in pooled cash	$ 501,144	$ 658,547
Accounts receivable (net)	247,219	239,108
Due from other funds	500,000	0
Total current assets	1,248,363	897,655
Restricted assets		
Customer deposits		
Equity in pooled cash	95,044	96,049
Total assets	1,343,407	993,704
LIABILITIES		
Current liabilities		
Accounts payable	208,457	240,672
Current liabilities payable from restricted assets		
Customer deposits	95,044	96,049
Total liabilities	303,501	336,721
NET ASSETS		
Unrestricted	$ 1,039,906	$ 656,983

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	$ 1,829,838	$ 1,918,720
Other	14,724	14,494
Total operating revenues	1,844,562	1,933,214
OPERATING EXPENSES		
Costs of sales and services	1,382,849	1,522,667
Personal services	104,822	185,677
Total operating expenses	1,487,671	1,708,344
Operating income (loss)	356,891	224,870
Non-operating revenues (expenses)		
Investment revenue	26,032	2,070
Change in net assets	382,923	226,940
Net assets, January 1	656,983	430,043
Net assets, December 31	$ 1,039,906	$ 656,983

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Receipts from customers	$ 1,820,721	$ 1,916,686
Payments to suppliers	(1,415,063)	(1,390,860)
Payments to employees	(104,822)	(185,677)
Other receipts	14,724	14,494
Net cash provided (used) by operating activities	315,560	354,643
Cash flows from non-capital financing activities		
Payments to other funds	(500,000)	0
Cash flows from investing activities		
Interest received	26,032	2,070
Net increase (decrease) in cash and cash equivalents	(158,408)	356,713
Cash and cash equivalents, January 1	754,596	397,883
Cash and cash equivalents, December 31	$ 596,188	$ 754,596
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 356,891	$ 224,870
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(8,111)	(3,589)
(Increase) decrease in prepaid items	0	2,059
Increase (decrease) in accounts payable	(32,215)	129,748
Increase (decrease) in deposits payable	(1,005)	1,555
Total adjustments	(41,331)	129,773
Net cash provided by operating activities	$ 315,560	$ 354,643
Cash and cash equivalents reconciliation:		
Equity in pooled cash	$ 501,144	$ 658,547
Customer Deposits		
Equity in pooled cash	95,044	96,049
Total cash and cash equivalents	$ 596,188	$ 754,596

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
STATEMENT OF NET ASSETS
December 31, 2008

ASSETS	
Current assets	
Equity in pooled cash	$ 244,215
Accounts receivable (net)	154,253
Total current assets	398,468
Capital assets	
Storm water system	20,022
Vehicles and equipment	64,977
Accumulated depreciation	(8,592)
Total capital assets (net of accumulated depreciation)	76,407
Total assets	474,875
LIABILITIES	
Current liabilities	
Accounts payable	7,979
Compensated absences	473
Total liabilities	8,452
NET ASSETS	
Invested in capital assets	76,407
Unrestricted	390,016
Total net assets	$ 466,423

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended December 31, 2008

OPERATING REVENUES	
Charges for sales and services	
Storm water fees	$ 906,552
Total operating revenues	906,552
OPERATING EXPENSES	
Costs of sales and services	165,106
Personal services	169,866
Depreciation	8,592
Total operating expenses	343,564
Operating income (loss)	562,988
Non-operating revenues (expenses)	
Investment revenue	3,435
Net income (loss) before transfers	566,423
Transfers in (out)	
General Fund	(100,000)
Change in net assets	466,423
Net assets, January 1	0
Net assets, December 31	$ 466,423

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the year ended December 31, 2008

Cash flows from operating activities:	
Receipts from customers	$ 752,299
Payments to suppliers	(116,958)
Payments to employees	(209,562)
Net cash provided (used) by operating activities	425,779
Cash flows from non-capital financing activities	
Payments to other funds	(100,000)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(84,999)
Cash flows from investing activities	
Interest received	3,435
Net increase (decrease) in cash and cash equivalents	244,215
Cash and cash equivalents, January 1	0
Cash and cash equivalents, December 31	$ 244,215
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 562,988
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	8,592
(Increase) decrease in accounts receivable	(154,253)
Increase (decrease) in accounts payable	7,979
Increase (decrease) in payroll liabilities	473
Total adjustments	(137,209)
Net cash provided by operating activities	$ 425,779

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AGENCY FUND

Agency funds are used to account for assets held by the City as an agent to be expended in accordance with the conditions of its agency capacity.

Municipal Court Fund – This fund is used to account, on a temporary basis, for fines collected by the municipal court that ultimately are transmitted to the general fund or another agency.

CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
December 31, 2008 and 2007

	2008	2007
ASSETS		
Equity in pooled cash	$ 277,933	$ 302,927
Accounts receivable (net)	328,155	230,404
Total assets	606,088	533,331
LIABILITIES		
Liabilities		
Due to other agencies	$ 606,088	$ 533,331

CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2008

	Balance January 1	Additions	Deletions	Balance December 31
ASSETS				
Equity in pooled cash	$ 302,927	$ 2,699,436	$ (2,724,430)	$ 277,933
Accounts receivable	230,404	713,440	(615,689)	328,155
Total assets	$ 533,331	$ 3,412,876	$ (3,340,119)	$ 606,088
LIABILITIES				
Due to others agencies	$ 533,331	$ 3,412,876	$ (3,340,119)	$ 606,088

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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, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 161,489	$ 52,138
Investments	100,663	262,103
Property held for resale	383,800	370,994
Receivables		
Interest	0	4,514
Notes	4,105	22,805
Total assets	$ 650,057	$ 712,554
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 3,288	$ 0
Deposits	675	675
Total liabilities	3,963	675
Fund balances		
Unreserved	646,094	711,879
Total liabilities and fund balances	$ 650,057	$ 712,554

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, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 0	$ 175	$ 175	$ 9,998
Interest	2,100	6,149	4,049	18,121
Rent	8,340	8,340	0	8,340
Other	0	0	0	451
Total revenues	10,440	14,664	4,224	36,910
EXPENDITURES				
Current				
Housing and Development				
Contract services	79,750	74,985	4,765	76,912
Supplies and materials	8,500	699	7,801	4,589
Capital outlay	85,000	0	85,000	94,600
Debt service	4,765	4,765	0	1,665
Total expenditures	178,015	80,449	97,566	177,766
Excess (deficiency) of revenues over (under) expenditures	(167,575)	(65,785)	101,790	(140,856)
Other financing sources (uses)				
Proceeds from notes payable	0	0	0	57,500
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(167,575)	(65,785)	101,790	(83,356)
Fund balances, January 1	167,575	711,879	544,304	795,235
Fund balances, December 31	$ 0	$ 646,094	$ 646,094	$ 711,879

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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 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, 2008, which collectively comprise the City of Norcross, Georgia's basic financial statements and have issued our report thereon dated June 26, 2009. 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 08-1

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 properly 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.

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Comment 08-1, continued

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.

Comment 08-2

Condition: The City does not have an approval process for utility account adjustments made by the Billing Technician.

Criteria: Proper internal controls are needed for the authorization over adjustments to utility customer accounts.

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

Recommendation: The Administrative Services Director or Director of Public Works should review and approve all adjustments to utility customer accounts made by the Billing Technician.

Management Response: Management concurs with this finding. The Administrative Services Director will review and approve all adjustments to utility customer accounts made by the Billing Technician. This action was taken immediately upon receipt of the comment from our auditors.

Comment 08-3

Condition: During audit procedures for capital assets, we noted that the capital outlay accounts had not been reconciled at year end. It was noted that there were disbursements for capital expenditures posted to expenditure/expense accounts and disbursements for non-capital items were posted to capital outlay accounts.

Criteria: Generally accepted accounting principles require that transactions be properly classified and posted to the general ledger.

Effect: Failure to properly classify transactions may lead to management decisions based on incorrect information.

Recommendation: The Administrative Services Director should ensure that capital outlay accounts are reconciled to capital asset additions quarterly. The Administrative Services Director should also establish review procedures for disbursements posted to expenditure to identify any misposted capital items. This would help to properly classify disbursements.

Management Response: Management concurs with this finding. The Administrative Services Director will establish policies and procedures to review the posting of disbursements. This action was taken immediately upon receipt of the comment from our auditors.

Comment 08-4

Condition: During audit procedures for cash, we noted that checks written in January 2009 were recorded on December 31, 2008, in the 2001 SPLOST and 2005 SPLOST Funds, and the Downtown Development Component Unit.

Criteria: Generally accepted accounting principles require that transactions be recorded in the proper period.

Effect: Failure to properly record transactions may lead to financial statements that are materially misstated.

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Comment 08-4, continued

Recommendation: The City should not back date checks to the prior period.

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

Comment 08-5

Condition: At the time of our audit fieldwork, the Operating checking account and the DDA checking account were not reconciled to the general ledger at year-end.

Criteria: Generally accepted accounting principles require that cash accounts be reconciled to the general ledger in a timely manner, usually monthly.

Effect: Failure to reconcile cash accounts may lead to management decisions based on incorrect information.

Recommendation: The Administrative Services Director should ensure that all checking accounts are reconciled monthly.

Management Response: Management concurs with this finding. The Administrative Services Director will ensure that all cash accounts are reconciled to the general ledger each month. This action was implemented 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 08-5 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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Comment 08-6

Condition: The Hotel/Motel Tax, Confiscated Assets, Federal Seized Drug, and Technology Surcharge Special Revenue Funds had expenditures in excess of appropriations.

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

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

Recommendation: The Administrative Services Director should monitor all legally adopted budgets to ensure compliance.

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Comment 08-6, continued

Management Response: Management concurs with this finding. The Administrative Services Director will be reviewing the comparative financial statements to budget and recommend any necessary budget revisions to City Council. This action was taken immediately upon receipt of the comment from our auditors.

Comment 08-7

Condition: Deposits with the Morgan Keegan investment account exceeded SIPC insurance by $55,091. This account does not carry collateral pledged for amounts in excess of insurance.

Criteria: OCGA Code Section 45-8-12 requires that all public funds be collateralized at 110 percent of amounts in excess of FDIC coverage and the pledged securities be held by the financial institution's trust department or agent in the name of the City.

Effect: Failure to ensure proper collateralization exposes the City to greater risk of loss in the event of financial institution failure.

Recommendation: The Administrative Services Director should monitor all City deposits to ensure that deposits are fully insured, or that adequate collateral is pledged for amounts in excess of insurance.

Management Response: Management concurs with this finding. The Administrative Services Director will check all City deposits to ensure that deposits are fully insured, or that adequate collateral is pledged for amounts in excess of insurance. This action was taken immediately upon receipt of the comment from our auditors.

We noted certain matters that we have reported to management of the City of Norcross, Georgia, in a separate letter dated June 26, 2009.

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
June 26, 2009

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CITY OF NORCROSS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2008

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2001 SPLOST Referendum					
Park Improvements	$ 605,791	$ 667,814	$ 258,436	$ 275,307	$ 533,743
Roads Improvements	605,791	667,813	0	638,795	638,795
Total	$ 1,211,582	$ 1,335,627	$ 258,436	$ 914,102	$ 1,172,538
2004 SPLOST Referendum					
Roads Improvements	$ 1,040,250	$ 1,040,250	$ 0	$ 26,443	$ 26,443
Recreational Facilities	5,000,500	5,000,500	2,841,325	2,235,755	5,077,080
Public Safety Facilities and Equipment	344,324	344,324	317,610	0	317,610
Total	$ 6,385,074	$ 6,385,074	$ 3,158,935	$ 2,262,198	$ 5,421,133

* 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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