CITY OF NORCROSS, GEORGIA

Annual Financial Report

For the year ended December 31, 2010

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CITY OF NORCROSS, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2010

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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, 2010, 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, 2010, and the respective changes in the financial position and cash flows, where applicable, and the budgetary comparison of the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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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 financial statements as a whole. The combining and individual fund financial statements and schedules, and the special local option sales tax schedule of expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements, and the special local option sales tax schedule of expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 10, 2011

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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, 2010. 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 $79,058,232 (reported as "net assets"). Of this amount $11,405,719 is unrestricted, of which $4,480,671 is Governmental Activities and $6,560,572 is Business-Type Activities. These unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets increased by $2,405,392.

- The City's governmental funds reported combined ending fund balances of $7,348,073. Approximately 94 percent of this amount, $6,914,696, 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 $22,620,509 at year end, an increase of $1,321,607 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 73.

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 2009 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 four enterprise funds to account for separate business-type activities, and the major funds are reported in the basic proprietary fund financial statements on pages 31-34 of this report. The City of Norcross uses enterprise funds to account for its water and sewer, electric, storm water, and solid waste functions. The Water and Sewer Utility, Electric Utility, Storm Water Utility and Solid Waste Enterprise Funds are considered major funds.

Fiduciary funds

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

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

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

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-72 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

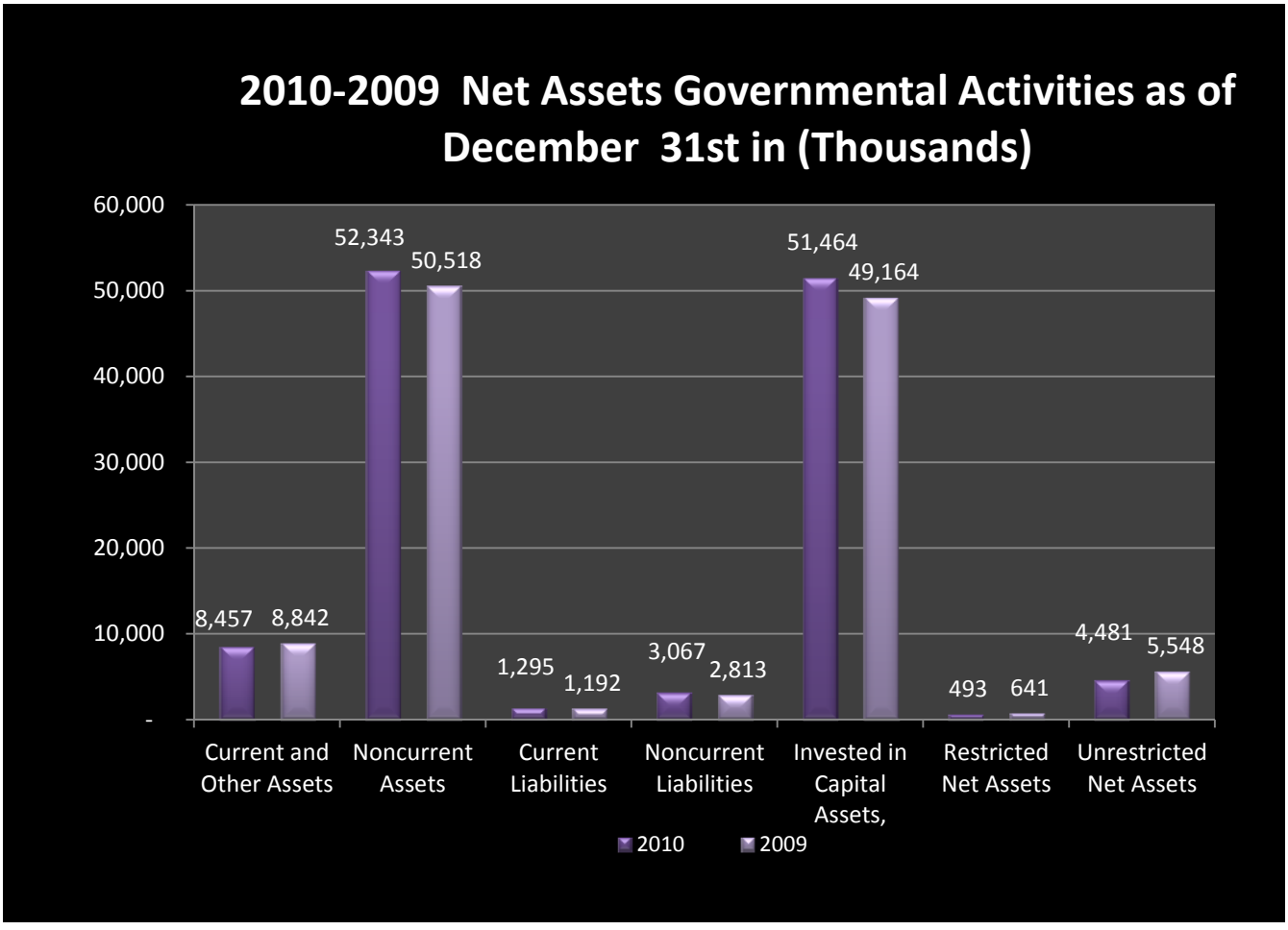
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Norcross, assets exceeded liabilities by $79,058,232 as of December 31, 2010. The following table provides a summary of the City's governmental and business-type net assets for the years ended December 31.

City of Norcross
Net Assets as of December 31, 2010 and 2009
(in Thousands)

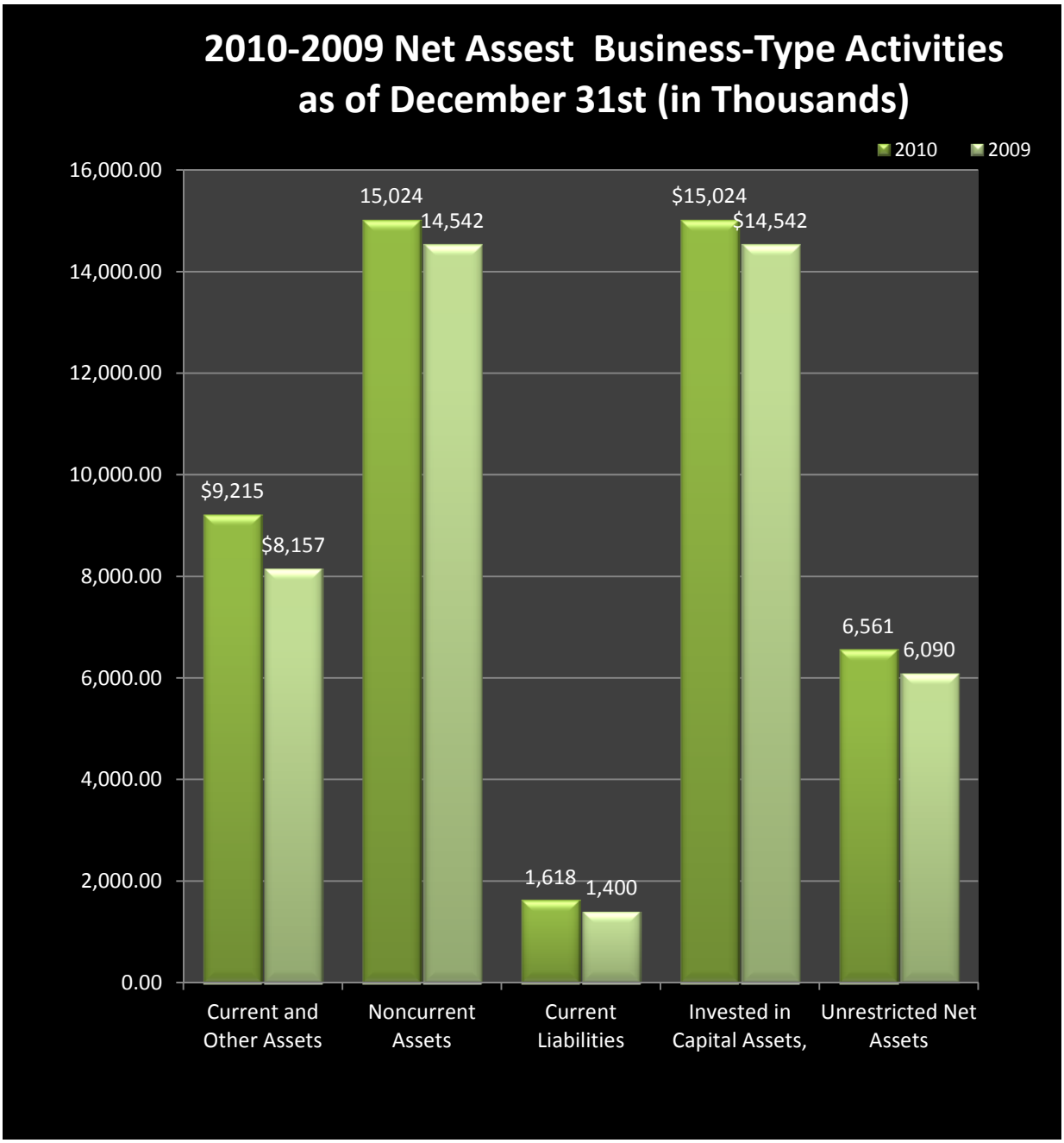
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current Assets	$8,457	$8,842	$9,215	$8,157	$17,672	$16,999
Capital Assets	52,343	50,518	15,024	14,542	67,366	65,060
Total Assets	60,800	59,360	24,239	22,699	85,039	82,059
Current Liabilities	$1,295	$1,192	$1,618	$1,400	$2,913	$2,592
Long-term Liabilities	3,067	2,813	0	0	3,067	2,813
Total Liabilities	4,362	4,005	1,618	1,400	5,980	5,405
Investment Capital Assets	$51,464	$49,164	$15,024	$14,542	$66,488	$63,706
Restricted Net Assets	493	641	1,036	667	1,529	1,308
Unrestricted Net Assets	4,481	5,548	6,561	6,090	11,042	11,638
Total Net Assets	$56,438	$55,353	$22,621	$21,299	$79,059	$76,652

The largest portion of the City's net assets as of December 31, 2010 (84%) 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 2010 by 19%. Capital assets increased by 5% over 2009.



Business-Type: noncurrent assets increased by 3%, unrestricted net assets increased by 8% and current assets increased by 13%.



Restricted net assets of the primary government totaling $1,529,621 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 $11,041,243 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 $6,560,572 at the end of the year.

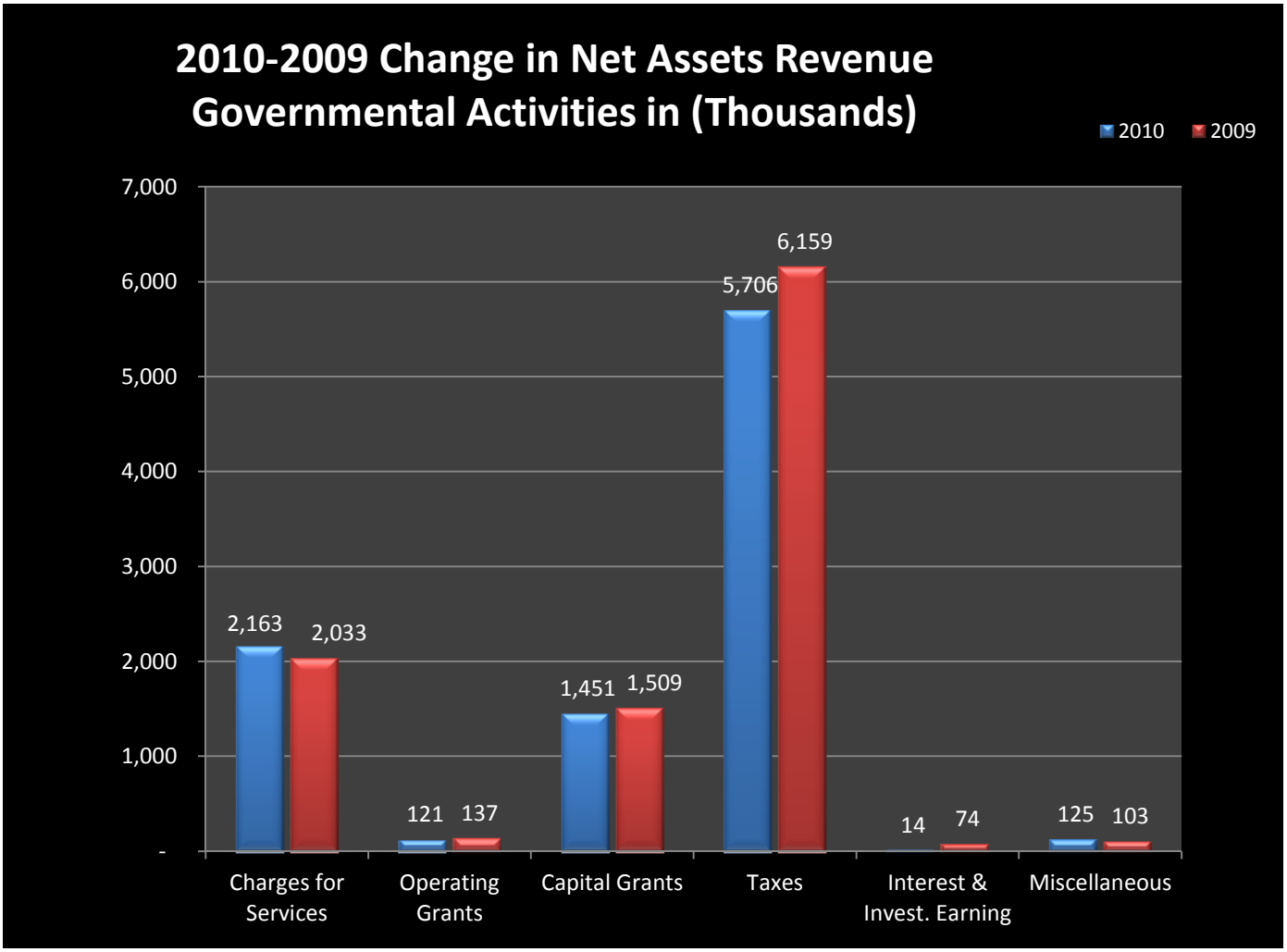
The City's net assets increased by $2,405,392 during the current year. Governmental activities resulted in a increase in net assets of $1,083,785, while business-type activities resulted in an increase of net assets of $1,321,607. The following table was derived from the government-wide Statement of 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, 2010 and 2009
(in Thousands)

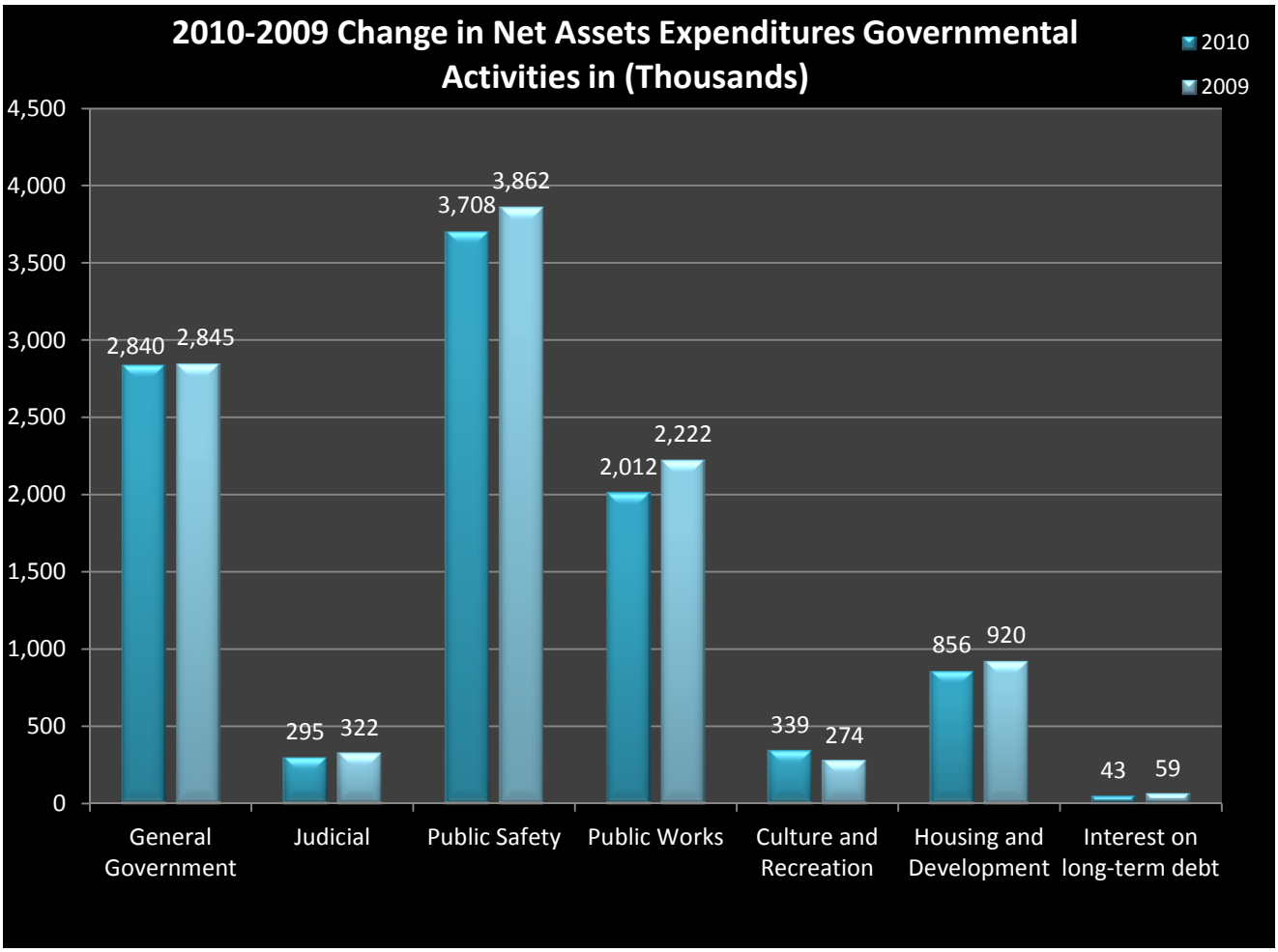
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	$2,163	$2,033	$16,153	$15,046	$18,316	$17.079
Operating Grants	121	137	0	0	121	137
Capital Grants	1,451	1,509	41	0	1,492	1,509
General Revenues:						
Taxes	5,706	6,159	0	0	5,706	6,159
Interest and Investment Earnings	14	74	106	42	120	117
Payment component	0	0	0	0	0	0
Miscellaneous	125	103	20	4	145	107
Total Revenues	**9,580**	**10,015**	**16,320**	**14,699**	**25,900**	**25,107**
Expenses:						
General Government	2,840	2,845	0	0	2840	2,626
Judicial	295	322	0	0	295	348
Public Safety	3,708	3,862	0	0	3,708	3,927
Public Works	2,012	2,222	0	0	2,012	2,497
Culture and Recreation	339	274	0	0	339	292
Housing and Development	856	920	0	0	856	1,257
Interest on long-term debt	43	59	0	0	43	59
Water and Sewer	0	0	2,332	2,251	2332	2,251
Electric	0	0	9,370	7,844	9,370	7,844
Solid Waste	0	0	1,394	1,372	1,394	1,372
Storm Water	0	0	307	253	307	253
Total Expenses	**10,093**	**10,504**	**13,403**	**15,359**	**23,496**	**26,314**
Increase in net assets before transfers	**(512)**	**(489)**	**2,917**	**3,372**	**2,405**	**2,883**
Transfers	1,595	410	(1,595)	(410)	0	0
Change in Net Assets	**1,083**	**(79)**	**1,322**	**2,962**	**2,405**	**2,883**
Net Assets - January 1	55,354	55,433	21,299	17.395	76,653	73,770
Prior period adjustments	0	0	0	942	0	0
Dec. 31 Net Assets	**$56,438**	**$55,354**	**$22,621**	**$21,299**	**$79,058**	**$76,653**

Governmental Activities. Governmental Activities increased the City's net assets by $1,083,785. Revenues for the City's governmental activities decreased by 4% ($433,451) over December 31, 2009. This decrease in revenue was the result of a decrease in interest and investment earnings, and taxes. Revenue is down by 4% and expenses are down by 14% over 2009.

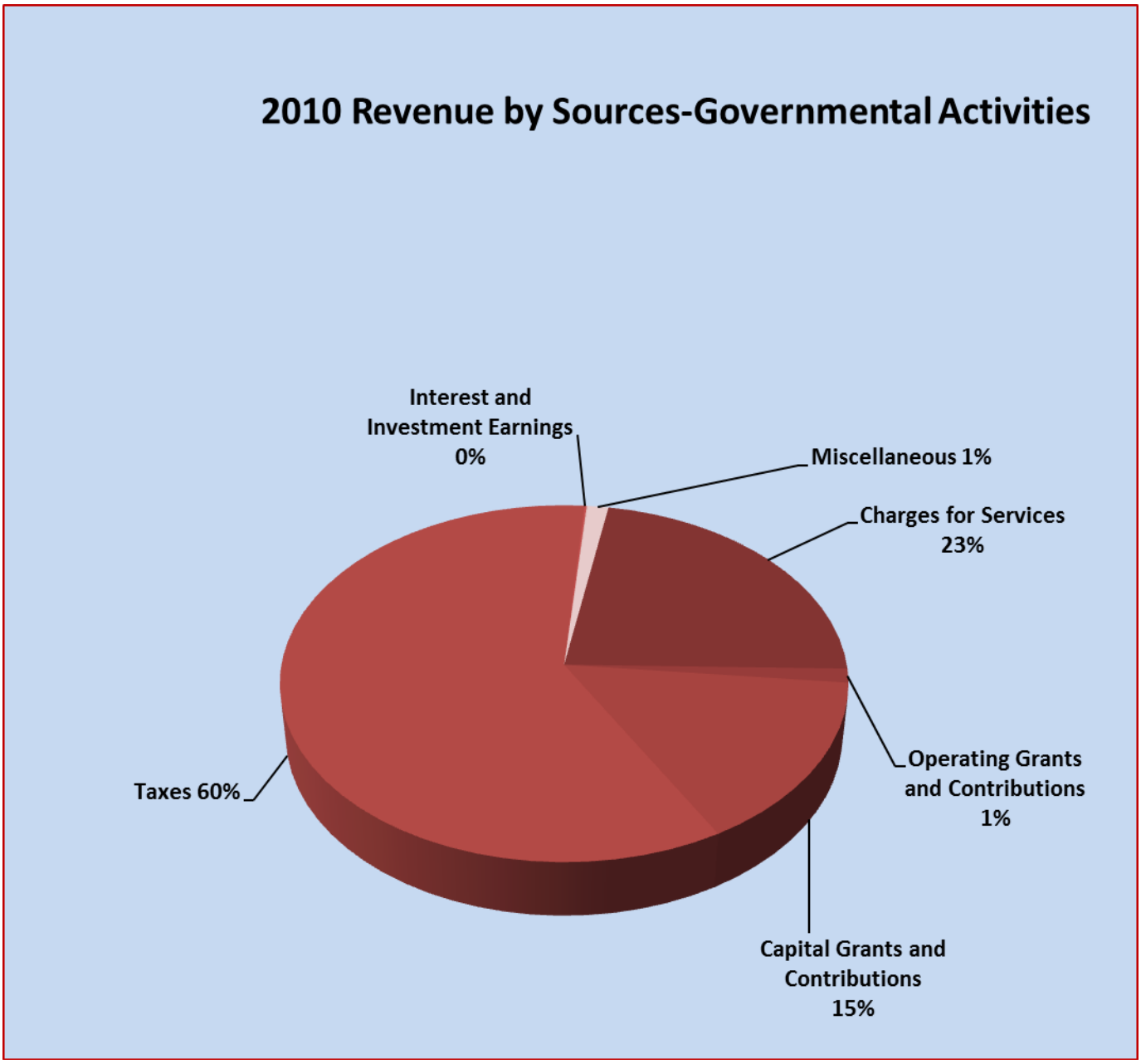
Operating Grants and Contributions decreased 12%, Capital Grants and Contributions decreased 4%, Taxes decreased 7%, Interest and Investment Earnings decreased 80%.



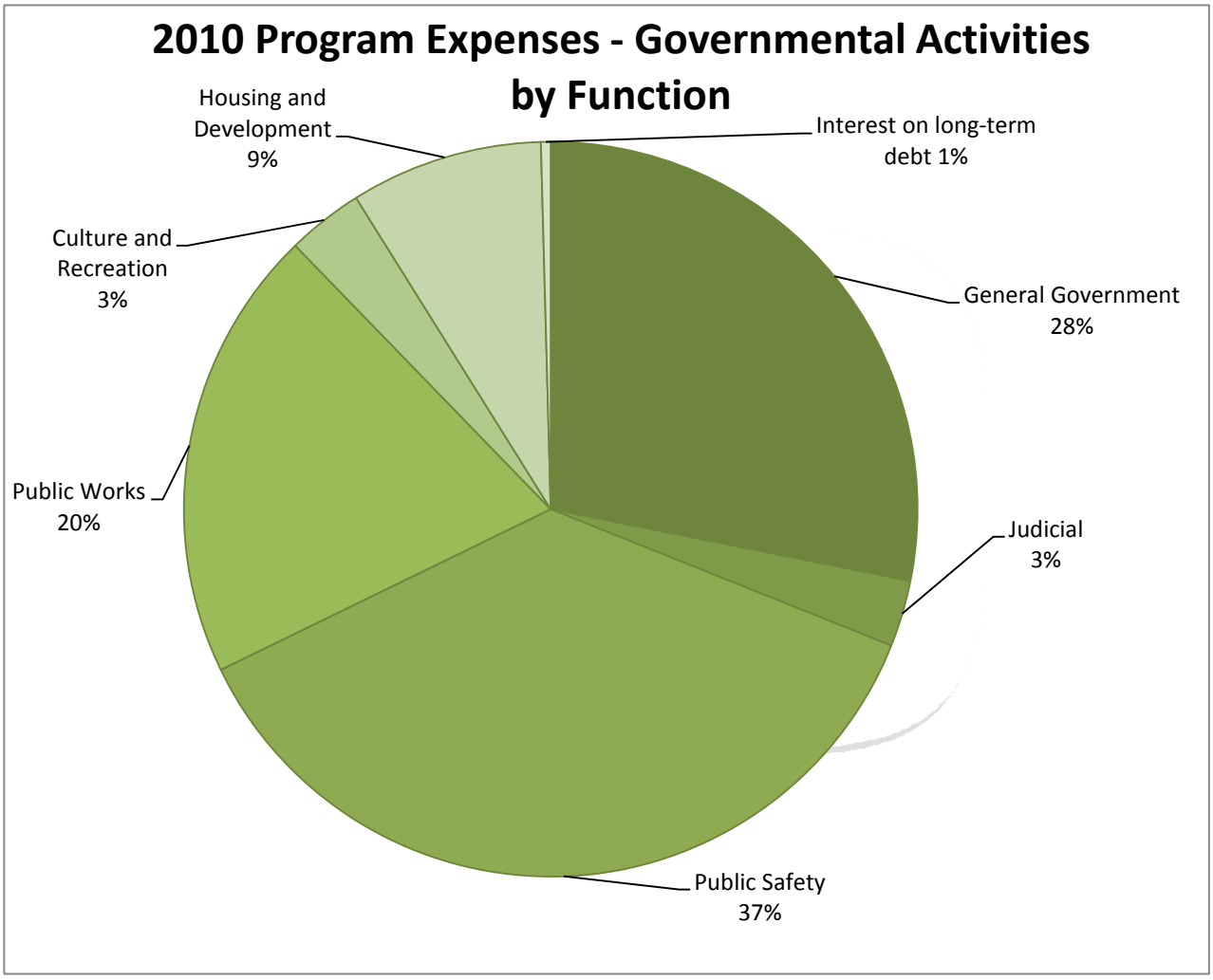
Governmental Activities: General Government expenses decreased by <1%, Public Safety decreased 4%, Judicial decreased 8%, Culture Art increased 24%, Public Works decreased 9%. Housing and Development decreased 7% and Interest on long term debt decreased 28%.



Revenue for governmental activities was $9.58 million. The major revenue sources were taxes (60%), charges for services (15%), capital grants and contributions (15%), operating grants and contributions (1%) and miscellaneous (1%).

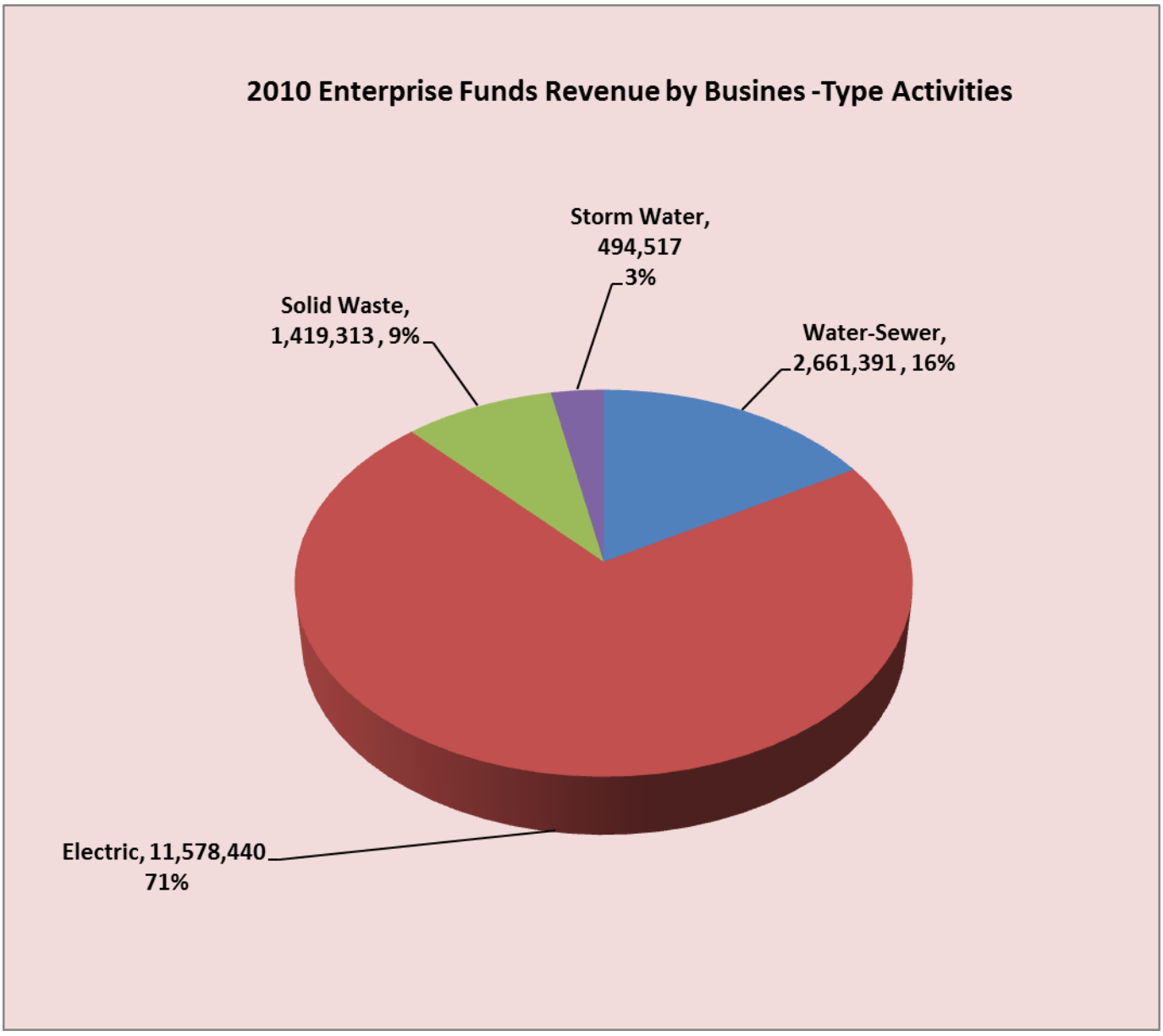


Expenditures were $10.1 million, of which Public Safety accounted for 37%, Public Works 20%, General Government 28%, Culture and Recreation 3%, Judicial 3%, Housing and Development 9%, and Interest on long-term debt 1%.

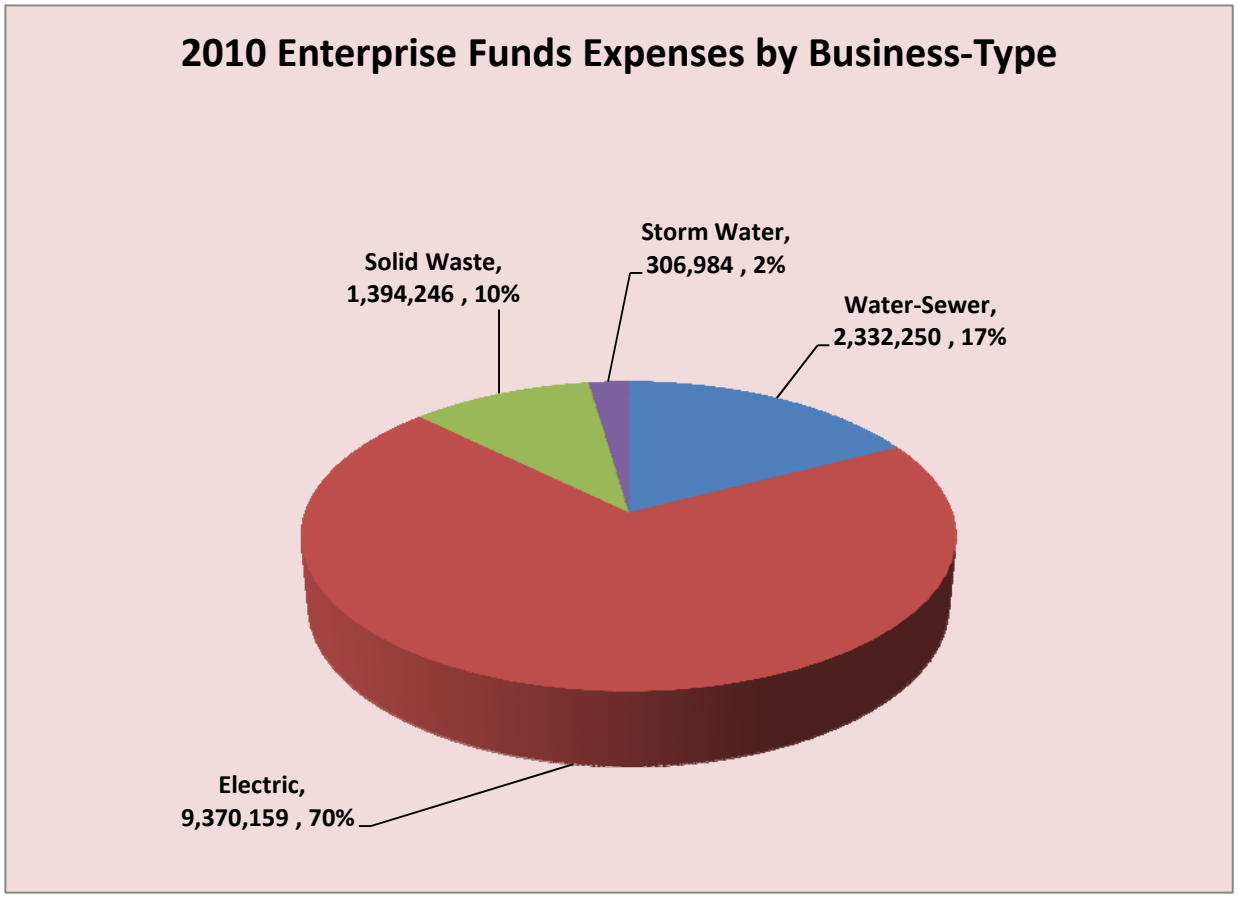


Business-Type Activities. Operations of business-type activities increased the City's net assets by $1,321,607. Key elements of this increase were as follows:

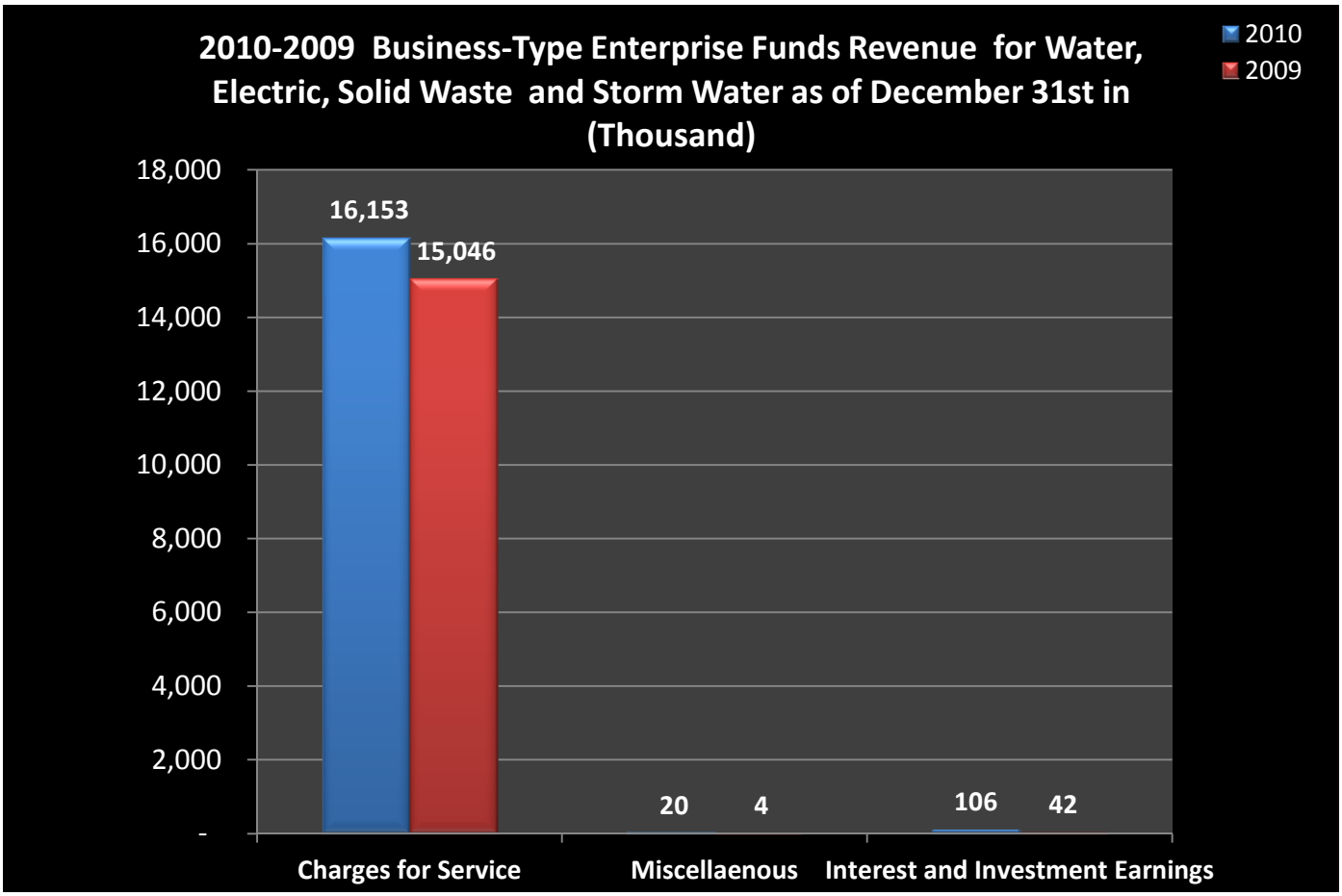
Sales for Business-Type activities were $16,153,661 an increase of 7% over the prior year sales of $15,045,691.



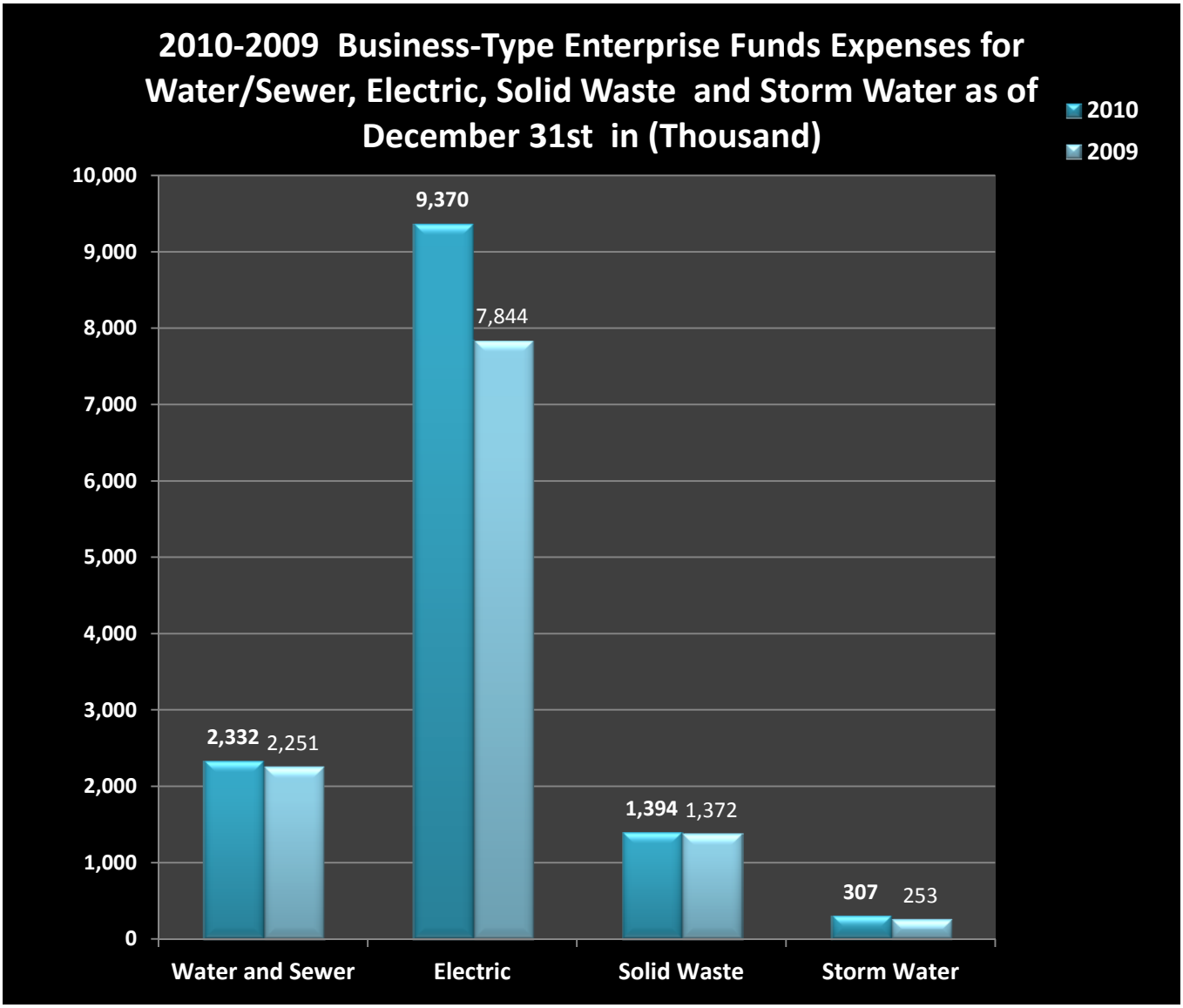
Expenditures were $13.4 million, of which Electric accounted for 70%, Water/Sewer 17%, Solid Waste 10% and Storm Water 2%.



Business-Type; Water/Sewer, Electric, Storm Water, and Solid Waste charges for services increased 7%, Miscellaneous increased 334% and Interest on Investment Earning increased by 148%



Business-Type: Water/Sewer expenses increased 4%, Electric increased 19%, Solid Waste increased 2% and Storm Water increased 21%.



The Water and Sewer Utility Enterprise Fund net assets decreased by $241,636. The decrease in net assets was due to the transfer to the General Fund of $573,514.

The Electric Utility Enterprise Fund net assets increased $1,342,831. This was a decrease from 2009 of $2,554, 032 due to a transfer to the General Fund of $1,021,850.

The Solid Waste Utility Enterprise Fund net assets increased by $31,108. This is a decrease from 2009 of $201,882 due to several services being transferred to the sanitation contractor.

The Storm Water Utility Fund net assets increased by $189,304. This is a decrease from 2009 of $231,265 due to in personal services.

Review pages 101-112 (Exhibits F-1 thru F-12) for additional information on Enterprise Funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S INDIVIDUAL FUNDS

As noted earlier, the City of Norcross uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and financial reporting requirements.

Governmental funds. The City uses governmental funds to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an 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 nine governmental funds.

At the end of the current year, the City's General Fund reported an ending fund balance of $7,217,968, a increase of $86,267 or (1%) in comparison with the prior year. Approximately 95.8% of this amount ($6,914,696) 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 86% of total general fund expenditures for the current year.

Key factors in the increase of the General Fund's fund balance of $86,267 during the current year are:

- This increase is due to the General Fund not having to transfer funds out to complete certain projects.
- For 2010, there was a transfer in of $1,595,364. There was $573,514 transferred in from the Water and Sewer Utility Enterprise Fund, and $1,021,850 from the Electric Utility Enterprise Fund.

Below is a breakdown of 2010-2009 Revenues and Expenses comparison:

- 2010-2009 Revenues comparison: Revenues for 2010 are $6,983,028 and 2009 revenues were $7,898,082. Revenues decreased by $915,054, which is a decrease of 12% over 2009.

- 2010-2009 Expenditures comparison: Expenditures for 2010 are $8,041,339 and 2009 expenditures were $8,145,755. Expenditures decreased by $162,621, a 2% decrease over 2009.

Below are several revenue line items that have an increase (decrease) in revenue over 2009.

- Tax revenue decreased by $621,081 (11%) as a result of lost revenues in various types of taxes.

- Investment earnings decreased by $47,025 (77%) due to the market rate being very low on investments.

- Licenses and permits increased by $69,087 (30%) due to new business startup.

- Fine, fees and forfeitures decreased by $230,295 (17%) over 2009 due to the increase in community service work.

- Charges for services decreased by $61,676 (40%) due to the decline in reimbursements and fees.

- Other decreased by $7,204 (6%) due to the decrease in miscellaneous revenue

Review pages 77-82 (Exhibits C-1 thru C-4) for additional information on the General Fund.

SPECIAL REVENUE FUNDS

- Confiscated Assets Fund: The fund balance for 2009 was $45,026 and for 2010 is $41,840. This is a decrease of $3,186, which is a 7% decrease over 2009.

- Hotel/Motel Tax Fund: The fund balance for 2009 was $39,535 and for 2010 is $57,223. This is an increase of $17,688, which is a 45% increase over 2009.

- Federal Seized Drug Fund: The fund balance for 2009 was $161,497 and for 2010 is $342,269. This is an increase of $180,772, which is a 112% increase over 2009.

- Police Grant Fund: The fund balance for 2009 was 6,788 and for 2010 is $2,186. This is a decrease of $4,605, which is a 68% decrease over 2009.

- Technology Surcharges Fund: The fund balance for 2009 was $48,570 and for 2010 is $50,036. This is an increase of $1,466, which is a 3% increase over 2009.

CAPITAL PROJECTS FUNDS

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.

- 2004 Special Purpose Local Option Sales Tax Fund: The fund balance for 2009 was($6,235) and for 2010 is $1,027 This is an increase of $7,262, which is a 16% increase over 2009. All projects are complete and this SPLOST Fund has been closed out.

- 2009 Special Purpose Local Option Sales Tax Fund: The fund balance for 2009 is $346,148 and for 2010 is (364,476). This is a decrease of $710,624 which is a decrease of 205% over 2009.

- Capital Grants: The City currently has three Grant Funds that are operational, and no fund balance is available for reporting in 2010.

PRIOPRIETARY FUNDS

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

2010 Net assets of the City's four proprietary funds are as follows:

Water and Sewer Utility	$ 8,043,626
Electric Utility	12,416,995
Solid Waste Utility	1,272,896
Storm Water Utility	886,992

The increase in net assets for the funds was $1,321,607, which is a 66% decrease over 2009. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's Business-type Activities.

COMPONENT UNIT

The Component Unit 2009 Balance Sheet shows fund balance of $595,732 and 2010 Balance Sheet shows fund balance of $490,562. This is a decrease of $105,170 which is a decrease of 18% over 2009.

Review pages 115-116 (Exhibits H-1 thru H-2) for additional information on the Downtown Development Component Unit.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund 2010 adopted budget was $7,353,297. Final year end budget total was $8,058,636. There were budget adjustments of $705,339 due to unexpected projects within the various departments.

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, 2010, amounted to $67,366,284 (net of accumulated depreciation), which is a 4% increase over 2009. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and distribution systems for water/sewer, electricity and storm water.

During the year ended December 31, 2010, the City invested $4,278,149 in new capital assets. Investment for business-type activities totaled $941,130 while $3,337,019 was for governmental activities. Major capital asset events during the current year included the following:

Governmental Activities : $3,337,019

- $165,500 Purchase of Land
- $1,999,777 Construction in Progress
- $106,701 Buildings
- $680,651 Infrastructure
- $127,443 Vehicles and equipment
- $256,947 Furniture and Fixtures

Business-type Activities : $941,130

- $185,543 Construction in Progress
- $438,022 Investment in the water/sewer, electrical, and storm water distribution systems
- $317,565 Vehicles and equipment

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 2010 the City had a balance due of $644,715 from a $1,250,000 loan that was secured to purchase 346 lively Street which houses the Public Works/Public Utilities Department. Also, there was a balance due of $201,00 on a $400,000 note which was secured for the renovation and improvement of 345 Lively. These notes are paid back out of the 2009 SPLOST Fund through January 1, 2013.

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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, 2010 the balance of the noted is $46,857. Monthly installments of principle and interest are due through August 1, 2017, with unpaid interest due September 1, 2017: interest at 3.00%.

Downtown Development Authority entered into an intergovernmental agreement with the City on December 120, 2006 in the amount of $258,000 for the purchase of 62 College Street (Tea Folk House). On July 22, 2010, a portion of this property was returned to the City and $165,500 of the original amount was forgiven. As of December 31, 2010 the balance was $92,500. The balance is due on December 1, 2011: interest at 0.00%.

Downtown Development Authority entered into a lending agreement with the City of Norcross in the amount of $100,000 on July 22, 2010. The proceeds were then loaned to a local business for renovation improvements. As of December 31, 2010, the balance was $100,000. The balance is due on September 1, 2017; interest payments are due monthly through September 1, 2017 at the MEAG Municipal Competitive Trust Short-term Portfolio rate of return at quarter end plus 1%;

More information on long-term debt may be found in the Notes to the Financial Statements, Exhibit A-12, on pages 57-59 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, 2010. Budget calculations were based on, but not limited to, the following factors:

- The City is currently in aggressive talks with Gwinnett County to sell the Water/Sewer System who could operate the system at a lower cost than the City.

- The Storm Water department has been operating for three years, and we are yet faced with the challenge to make sure rates are set to accommodate capital replacement and fund the operation of the department. With an old Storm Water System, there are high dollar projects that need to be done and it will be hard to do with the current rate.

- SPLOST funds from Gwinnett County are being received at an average monthly rate of $115,000. These funds are restricted for Roads and Streets, Recreation, Administration Facilities, and Parking Facilities. The challenge at this point is cash flow problems, and we are spending only once we receive monies or we do advance loans to cover needed projects.

- Tee-Grant and LCI revenues and expenditures will be recognized during 2011.

- Departmental expenditures were budgeted to account for the decrease in revenue due to the drop in property value and the drop in the housing market. The City will only fill necessary positions.

- Increase in employees benefits. This is always a concern with health care insurance and re. With 2011 we are challenged with a 10% increase in health care costs.

- The revenue projected could be lower than anticipated. Therefore; some projects might not be funded if revenue does not come in as projected.

- The City is currently looking at annexing certain areas into the Norcross City Limits.

- The biggest challenge is to continue to provide excellent customer service to residents by not reducing services or current staff in this economic climate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Norcross finances for all of its citizens, taxpayers, customers, investors and creditors and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Financial Services Director, 65 Lawrenceville Street, Norcross GA, 30071.

BASIC FINANCIAL STATEMENTS

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,448,345	$ 1,746,506	$ 6,194,851	$ 205,528
Certificates of deposit	1,622,233	0	1,622,233	0
Investments	0	2,121,281	2,121,281	0
Restricted assets				
Cash and cash equivalents	0	153,230	153,230	0
Investments	0	1,353,713	1,353,713	0
Receivables (net)				
Accounts	781	2,131,317	2,132,098	0
Taxes	1,190,042	0	1,190,042	0
Intergovernmental	385,785	0	385,785	0
Notes	192,500	0	192,500	2,117
Interest	8,316	0	8,316	0
Internal balances	(498,451)	498,451	0	0
Prepaid items	22,170	295,930	318,100	0
Property held for resale	1,085,766	0	1,085,766	112,994
Inventories	0	914,401	914,401	0
Total current assets	8,457,487	9,214,829	17,672,316	320,639
Noncurrent assets				
Notes receivable	0	0	0	180,859
Capital assets				
Non-depreciable	16,010,919	196,043	16,206,962	4,000
Depreciable (net)	36,331,734	14,827,588	51,159,322	0
Total noncurrent assets	52,342,653	15,023,631	67,366,284	184,859
Total assets	60,800,140	24,238,460	85,038,600	505,498
LIABILITIES				
Current liabilities				
Payables				
Accounts	273,134	334,663	607,797	2,161
Retainages	53,878	0	53,878	0
Intergovernmental	31,345	799,933	831,278	8,100
Accrued salaries and payroll liabilities	35,263	4,583	39,846	0
Compensated absences	203,999	8,135	212,134	0
Unearned revenue	6,740	0	6,740	0
Other liabilities	257,234	0	257,234	675
Notes payable	433,359	0	433,359	3,406
Liabilities payable from restricted assets				
Customer deposits payable	0	470,637	470,637	0
Total current liabilities	1,294,952	1,617,951	2,912,903	14,342
Noncurrent assets				
Notes payable	445,557	0	445,557	235,951
Net OPEB obligation	2,621,908	0	2,621,908	0
Total noncurrent liabilities	3,067,465	0	3,067,465	235,951
Total liabilities	4,362,417	1,617,951	5,980,368	250,293

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
NET ASSETS				
Invested in capital assets, net of related debt	$ 51,463,737	$ 15,023,631	$ 66,487,368	$ 4,000
Restricted for:				
Public Safety	436,331	0	436,331	0
Housing and Development	55,957	0	55,957	0
MEAG generation projects	0	1,036,306	1,036,306	0
Capital projects	1,027	0	1,027	0
Unrestricted	4,480,671	6,560,572	11,041,243	251,205
Total net assets	$ 56,437,723	$ 22,620,509	$ 79,058,232	$ 255,205

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2010

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	$ 2,840,145	$ 93,340	$ 2,160	$ 0	$ (2,744,645)
Judicial	294,619	0	0	0	(294,619)
Public Safety	3,707,832	1,823,730	119,096	17,397	(1,747,609)
Public Works	2,012,300	0	0	6,265	(2,006,035)
Culture and Recreation	339,368	0	0	1,287,882	948,514
Housing and Development	855,854	245,582	0	139,645	(470,627)
Interest on long-term debt	42,663	0	0	0	(42,663)
Total governmental activities	10,092,781	2,162,652	121,256	1,451,189	(6,357,684)
Business-type activities					
Water and Sewer Utility	2,332,250	2,661,391	0	0	329,141
Electric Utility	9,370,159	11,578,440	0	41,175	2,249,456
Solid Waste	1,394,246	1,419,313	0	0	25,067
Storm Water Utility	306,984	494,517	0	0	187,533
Total business-type activities	13,403,639	16,153,661	0	41,175	2,791,197
Total primary government	23,496,420	18,316,313	121,256	1,492,364	(3,566,487)
Component Unit					
Downtown Development Authority					
Housing and Development	91,428	0	0	0	(91,428)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net assets				
Net (expense) revenue	$ (6,357,684)	$ 2,791,197	$ (3,566,487)	$ (91,428)
General revenues				
Taxes				
Property	3,362,079	0	3,362,079	0
Franchise	1,014,051	0	1,014,051	0
Insurance premium	452,725	0	452,725	0
Intangibles	27,003	0	27,003	0
Occupational	345,999	0	345,999	0
Alcoholic beverage	166,340	0	166,340	0
Hotel/Motel	332,215	0	332,215	0
Other	5,951	0	5,951	0
Interest and investment earnings	14,374	105,644	120,018	5,970
Payment from City of Norcross	0	0	0	45,000
Miscellaneous	125,368	20,130	145,498	4,093
Transfers	1,595,364	(1,595,364)	0	0
Total general revenues and transfers	7,441,469	(1,469,590)	5,971,879	55,063
Change in net assets	1,083,785	1,321,607	2,405,392	(36,365)
Net assets - beginning	55,353,938	21,298,902	76,652,840	291,570
Net assets - ending	$ 56,437,723	$ 22,620,509	$ 79,058,232	$ 255,205

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	General	2009 SPLOST	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 3,911,354	$ 48,921	$ 488,070	$ 4,448,345
Certificates of deposit	1,622,233	0	0	1,622,233
Receivables (net)				
Accounts	781	0	0	781
Taxes	1,127,480	0	62,562	1,190,042
Intergovernmental	8,100	254,890	122,795	385,785
Notes	192,500	0	0	192,500
Interest	8,316	0	0	8,316
Prepaid items	22,170	0	0	22,170
Due from other funds	23,218	0	0	23,218
Property held for resale	1,085,766	0	0	1,085,766
Advances to other funds	281,102	0	0	281,102
Total assets	$ 8,283,020	$ 303,811	$ 673,427	$ 9,260,258
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables				
Accounts	$ 97,115	$ 63,307	$ 112,712	$ 273,134
Intergovernmental	0	0	31,345	31,345
Retainages	0	53,878	0	53,878
Accrued salaries and payroll liabilities	35,054	0	209	35,263
Deferred revenue	458,560	0	0	458,560
Due to other funds	0	0	23,218	23,218
Other liabilities	245,872	0	11,362	257,234
Advances from other funds	228,451	551,102	0	779,553
Total liabilities	1,065,052	668,287	178,846	1,912,185
Fund balances				
Reserved for:				
Prepaid items	22,170	0	0	22,170
Advances to other funds	281,102	0	0	281,102
Unreserved, designated for budget				
Special Revenue	0	0	22,412	22,412
Unreserved, undesignated	6,914,696	(364,476)	0	6,550,220
Special Revenue	0	0	471,142	471,142
Capital Projects	0	0	1,027	1,027
Total fund balances	7,217,968	(364,476)	494,581	7,348,073
Total liabilities and fund balances	$ 8,283,020	$ 303,811	$ 673,427	$ 9,260,258

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, 2010

Total fund balance - total governmental funds	$	7,348,073
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of $79,875,714, net of accumulated depreciation of ($27,533,061), are not financial resources and, therefore, are not reported in the funds.		52,342,653
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 $451,820.		451,820
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These notes payable of ($878,916), compensated absences of ($203,999) and net OPEB obligations of ($2,621,908).		(3,704,823)
Net assets of governmental activities	$	56,437,723

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, 2010

	General	2009 SPLOST	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	$ 5,241,242	$ 0	$ 332,215	$ 5,573,457
Licenses and permits	298,262	0	0	298,262
Fines, fees and forfeitures	1,100,864	0	671,918	1,772,782
Charges for services	91,608	0	0	91,608
Intergovernmental	122,212	1,289,679	159,974	1,571,865
Interest	13,780	542	633	14,955
Other	115,060	0	559	115,619
Total revenues	6,983,028	1,290,221	1,165,299	9,438,548
EXPENDITURES				
Current				
General Government	1,822,925	0	92,284	1,915,209
Judicial	292,765	0	4,697	297,462
Public Safety	3,245,701	0	418,872	3,664,573
Public Works	1,538,949	0	0	1,538,949
Culture and Recreation	280,597	0	0	280,597
Housing and Development	802,197	0	314,692	1,116,889
Capital outlay	0	1,892,007	245,888	2,137,895
Debt service	58,205	458,838	0	517,043
Total expenditures	8,041,339	2,350,845	1,076,433	11,468,617
Excess (deficiency) of revenues over (under) expenditures	(1,058,311)	(1,060,624)	88,866	(2,030,069)
Other financing soures (uses)				
Transfers in	1,595,364	350,000	110,534	2,055,898
Transfers out	(460,534)	0	0	(460,534)
Sale of capital assets	9,748	0	0	9,748
Total other financing sources (uses)	1,144,578	350,000	110,534	1,605,112
Net change in fund balance	86,267	(710,624)	199,400	(424,957)
Fund balances, January 1	7,131,701	346,148	295,181	7,773,030
Fund balances, December 31	$ 7,217,968	$ (364,476)	$ 494,581	$ 7,348,073

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, 2010

Net change in fund balances - total governmental funds	$	(424,957)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $3,337,019 exceeded depreciation of ($1,512,027) in the current period.		1,824,992
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.		132,906
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 $474,380 exceeded proceeds of ($0).		474,380
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 ($896,982) and compensated absences of ($26,554).		(923,536)
Change in net assets of governmental activities	$	1,083,785

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, 2010

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 5,724,000	$ 5,616,179	$ 5,241,242	$ (374,937)
Licenses and permits	201,000	198,000	298,262	100,262
Fines, fees and forfeitures	1,313,267	1,298,047	1,100,864	(197,183)
Charges for services	84,800	74,800	91,608	16,808
Intergovernmental	110,000	110,000	122,212	12,212
Interest	20,000	5,000	13,780	8,780
Other	53,000	53,000	115,060	62,060
Total revenues	7,506,067	7,355,026	6,983,028	(371,998)
EXPENDITURES				
Current				
General Government				
Governing Body	158,836	150,796	150,175	621
Administration	427,091	448,269	445,622	2,647
City Clerk	187,764	173,571	173,407	164
Chief Executive	151,453	175,216	169,996	5,220
City-wide	331,948	398,000	394,960	3,040
Information Technology	374,354	488,238	488,765	(527)
Judicial				
Municipal Court	335,061	293,748	292,765	983
Public Safety				
Police	3,589,209	3,295,279	3,245,701	49,578
Public Works				
Public Works Administration	1,016,520	1,551,226	1,538,949	12,277
Culture and Recreation				
Parks and Recreation	217,642	281,504	280,597	907
Housing and Development				
Community Development	518,419	757,790	757,197	593
Downtown Development Authority	45,000	45,000	45,000	0
Total current	7,353,297	8,058,636	7,983,134	75,502
Debt service				
General Government				
City-wide	81,908	81,908	58,205	23,703
Total expenditures	7,435,205	8,140,544	8,041,339	99,205
Excess (deficiency) of revenues over (under) expenditures	70,862	(785,518)	(1,058,311)	(272,793)
Other financing sources (uses)				
Transfers in	449,350	449,350	1,595,364	1,146,014
Transfers out	(427,102)	(25,843)	(460,534)	(434,691)
Proceeds from sale of capital assets	0	0	9,748	9,748
Contingency	(93,110)	(29,033)	0	29,033
Total other financing sources (uses)	(70,862)	394,474	1,144,578	750,104
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(391,044)	86,267	477,311
Fund balances, January 1	0	391,044	7,131,701	6,740,657
Fund balances, December 31	$ 0	$ 0	$ 7,217,968	$ 7,217,968

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010

	Business Type				
	Water and Sewer Utility	Electric Utility	Solid Waste	Storm Water Utility	Totals
ASSETS					
Current assets					
Cash and cash equivalents	$ 0	$ 68,132	$ 1,277,997	$ 400,377	$ 1,746,506
Investments	0	2,121,281	0	0	2,121,281
Restricted assets					
Cash and cash equivalents	64,995	0	88,235	0	153,230
Investments	0	1,353,713	0		1,353,713
Accounts receivable (net)	396,341	1,406,864	198,206	129,906	2,131,317
Prepaid items	4,425	288,850	0	2,655	295,930
Inventories	32,232	882,169	0	0	914,401
Total current assets	497,993	6,121,009	1,564,438	532,938	8,716,378
Noncurrent assets					
Capital assets					
Non-depreciable	9,500	186,543	0	0	196,043
Depreciable (net)	7,713,049	6,757,909	0	356,630	14,827,588
Other assets					
Advances to other funds	0	498,451	0	0	498,451
Total noncurrent assets	7,722,549	7,442,903	0	356,630	15,522,082
Total assets	8,220,542	13,563,912	1,564,438	889,568	24,238,460
LIABILITIES					
Current liabilities					
Payables					
Accounts	3,048	128,170	203,307	138	334,663
Intergovernmental	107,221	692,712	0	0	799,933
Accrued salaries and payroll liabilities	837	3,258	0	488	4,583
Compensated absences	815	5,370	0	1,950	8,135
Liabilities payable from restricted assets					
Customer deposits payable	64,995	317,407	88,235	0	470,637
Total liabilities	176,916	1,146,917	291,542	2,576	1,617,951
NET ASSETS					
Invested in capital assets	7,722,549	6,944,452	0	356,630	15,023,631
Restricted for:					
MEAG generation projects	0	1,036,306	0	0	1,036,306
Unrestricted	321,077	4,436,237	1,272,896	530,362	6,560,572
Total net assets	$ 8,043,626	$ 12,416,995	$ 1,272,896	$ 886,992	$ 22,620,509

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, 2010

	Business Type				
	Water and Sewer Utility	Electric Utility	Solid Waste	Storm Water Utility	Totals
OPERATING REVENUES					
Charges for sales and services	$ 2,661,391	$ 11,578,440	$ 1,419,313	$ 494,517	$ 16,153,661
Other	0	20,130	0	0	20,130
Total operating revenues	2,661,391	11,598,570	1,419,313	494,517	16,173,791
OPERATING EXPENSES					
Costs of sales and services	1,758,134	8,565,338	1,311,772	103,566	11,738,810
Personal services	323,118	624,129	82,474	175,942	1,205,663
Depreciation	250,998	180,692	0	27,476	459,166
Total operating expenses	2,332,250	9,370,159	1,394,246	306,984	13,403,639
Operating income (loss)	329,141	2,228,411	25,067	187,533	2,770,152
Non-operating revenues (expenses)					
Investment revenue	2,737	95,095	6,041	1,771	105,644
Income (loss) before capital contributions and transfers	331,878	2,323,506	31,108	189,304	2,875,796
Capital contributions					
Capital contributions	0	41,175	0		41,175
Income (loss) before transfers	331,878	2,364,681	31,108	189,304	2,916,971
Transfers in (out)					
Transfers out	(573,514)	(1,021,850)	0	0	(1,595,364)
Change in net assets	(241,636)	1,342,831	31,108	189,304	1,321,607
Net assets, January 1	8,285,262	11,074,164	1,241,788	697,688	21,298,902
Net assets, December 31	$ 8,043,626	$ 12,416,995	$ 1,272,896	$ 886,992	$ 22,620,509

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2010

	Business Type				
	Water and Sewer Utility	**Electric Utility**	**Solid Waste**	**Storm Water Utility**	**Totals**
Cash flows from operating activities:					
Receipts from customers	$ 2,642,884	$ 11,577,314	$ 1,448,393	$ 558,953	$ 16,227,544
Payments to suppliers	(1,723,296)	(8,499,516)	(1,216,254)	(110,238)	(11,549,304)
Payments to employees	(324,396)	(620,822)	(82,474)	(174,252)	(1,201,944)
Other receipts	0	20,130	0	0	20,130
Net cash provided (used) by operating activities	595,192	2,477,106	149,665	274,463	3,496,426
Cash flows from non-capital financing activities:					
Payments to other funds	(573,514)	(1,383,478)	0	0	(1,956,992)
Cash flows from capital and related financing activities:					
Receipt of capital contributions	0	41,175	0	0	41,175
Acquisition of capital assets	(19,200)	(839,805)	0	(82,125)	(941,130)
Net cash provided (uses) by capital and related financing activities	(19,200)	(798,630)	0	(82,125)	(899,955)
Cash flows from investing activities:					
Interest received	2,737	95,095	6,041	1,771	105,644
Proceeds from sale of investments	0	1,241,500	0	0	1,241,500
Purchase of investments	0	(1,563,461)	0	0	(1,563,461)
Net cash provided (used) by investing activities	2,737	(226,866)	6,041	1,771	(216,317)
Net increase (decrease) in cash and cash equivalents	5,215	68,132	155,706	194,109	423,162
Cash and cash equivalents, January 1	59,780	0	1,210,526	206,268	1,476,574
Cash and cash equivalents, December 31	$ 64,995	$ 68,132	$ 1,366,232	$ 400,377	$ 1,899,736

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2010

	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)	$ 329,141	$ 2,228,411	$ 25,067	$ 187,533	$ 2,770,152
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	250,998	180,692	0	27,476	459,166
(Increase) decrease in accounts receivable	(23,722)	32,909	22,776	64,436	96,399
(Increase) decrease in prepaid items	3,443	34,261	0	(2,655)	35,049
(Increase) decrease in inventories	19,447	(102,180)	0	0	(82,733)
Increase (decrease) in accounts payable	(16,688)	109,262	95,517	(4,017)	184,074
Increase (decrease) in intergovernmental payable	28,636	24,479	0	0	53,115
Increase (decrease) in sales tax payable	0	(49,342)	0	0	(49,342)
Increase (decrease) in accrued payroll liabilities	(1,278)	3,307	0	1,690	3,719
Increase (decrease) in deposits payable	5,215	15,307	6,305	0	26,827
Total adjustments	266,051	248,695	124,598	86,930	726,274
Net cash provided (used) by operating activities	$ 595,192	$ 2,477,106	$ 149,665	$ 274,463	$ 3,496,426
Cash and cash equivalents reconciliation:					
Cash and cash equivalents	$ 0	$ 68,132	$ 1,277,997	$ 400,377	$ 1,746,506
Restricted assets					
Cash and cash equivalents	64,995	0	88,235	0	153,230
Total cash and cash equivalents	$ 64,995	$ 68,132	$ 1,366,232	$ 400,377	$ 1,899,736

See accompanying notes to the financial statements.

CITY OF NORCROSS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2010

	Municipal Court Agency Fund
ASSETS	
Cash and cash equivalents	$ 146,143
Accounts receivable (net)	183,360
Total assets	329,503
LIABILITIES	
Due to other agencies	$ 329,503

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 2010.

2. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements

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.

2009 Special Purpose Local Option Sales Tax Capital Projects Fund - This fund is used to account for long-term projects financed by the passage of 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).

2. Summary of Significant Accounting Policies (continued)

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

Fiduciary Fund Types

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

Component Units

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

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.

2. Summary of Significant Accounting Policies (continued)

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds 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.

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting, continued

During November and December, the Mayor and Council conduct public hearings to discuss the proposed budget and to obtain input from the citizens of the City of Norcross. These hearings are publicized in the local newspaper at least two weeks before each hearing. The final proposed budget is then adopted by the City Council on or before December 31 during a regular Council meeting, which is also open to the public.

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level. Changes may be made within an operating budget by departmental request, which must be approved by the City Council. All operating budget transfers between departments and all changes to Capital Projects budgets must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control, which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year-end.

The City does not use the encumbrance system of accounting.

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.

2. Summary of Significant Accounting Policies (continued)

G. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

H. Inventories

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010 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 2009 amounts have been reclassified to conform with the 2010 presentation.

3. Deposit and Investment Risk

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows State of Georgia requirements that all deposits be federally insured or fully collateralized.

Interest Rate Risk

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

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 then bills its participants. At the end of the year, adjustments are made by MEAG to each participant's billings to agree with actual cost. Whenever MEAG recovers funds from the City in excess of its actual costs to serve the City, the City may elect to have their funds deposited in the City's Voluntary Flexible Operating Accounts or Generation Trust Accounts in MEAG's Municipal Competitive Trust in lieu of receiving a refund. This voluntary stabilization funds are used to reduce future costs of the City at its discretion while also earning interest. The City is authorized to direct MEAG to retain or use the discretionary funds. The generation trust accounts are used to offset the City's share of future MEAG generation projects. The City may not use funds in the generation trust accounts for any other purpose.

The Municipal Competitive Trust accounts are held in the Intermediate and Short-term Portfolios; these portfolios are not rated. At December 31, 2010, the average weighted maturity of the Intermediate and Short-term Portfolios were 14.7 and 1.9 months, respectively. At December 31, 2010, the City's balances in the Voluntary Flexible Operating Accounts were $2,438,688 and in the Generation Trust Accounts were $1,036,603.

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

Georgia Fund 1 is rated AAAm by Standard & Poor's. The weighted average maturity at December 31, 2010 was 48 days. At December 31, 2010, the City's balance in Georgia Fund 1 was $46,832.

4. Accounts Receivable

Net accounts receivable at December 31, 2010 consist of the following:

Major Funds		
General Fund		$ 781
Enterprise Funds		
Water and Sewer Utility	$ 398,333	
Less: Allowances for Uncollectibles	(1,992)	
Electric Utility	1,413,934	
Less: Allowances for Uncollectibles	(7,070)	
Solid Waste	199,202	
Less: Allowances for Uncollectibles	(996)	
Storm Water Utility	176,411	
Less: Allowances for Uncollectibles	(46,505)	2,131,317
Total Primary Government		$ 2,132,098
Fiduciary Funds		
Agency Funds		
Municipal Court	$ 1,051,684	
Less: Allowances for Uncollectibles	(868,324)	$ 183,360

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2010 consist of the following:

Major Funds	
General Fund	
City of Norcross Downtown Development Authority	$ 8,100
2009 SPLOST Capital Projects	
Gwinnett County, Georgia	254,890
Nonmajor Funds	
Grants Capital Projects Fund	
Georgia Department of Transportation	122,795
Total primary government	$ 385,785

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2010 consist of property taxes for seven years as follows:

Year of Levy	Amount
2010	$ 619,195
2009	61,457
2008	80,750
2007	18,611
2006	15,745
2005	27,674
2004	5,191
	828,623
Less allowance for uncollectible	(220,702)
Total	$ 607,921

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 2009, based upon the assessments of January 1, 2010, were billed on September 15, 2010, and due on November 11. 2010. Tax liens are issued 90 days after the due date. The tax rate of 6.424 mills for 2010 was levied on July 6, 2010.

Other Taxes

$504,558 of franchise taxes, $62,562 of hotel/motel taxes, and $15,001 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:

Receivable Fund	Payable Fund	Amount
General	2009 SPLOST	$ 281,102
	Nonmajor Governmental	23,218
Electric Utility	General	228,451
	2009 SPLOST	270,000
Subtotal		$ 802,771

The balance reported in the General Fund as due from the Nonmajor Governmental Funds resulted from transactions to alleviate an equity in pooled cash deficit at year-end.

The balance reported in the Electric Utilities Fund as due from General is an advance to the General Fund which will be liquidated through future revenue recognition; this balance is not expected to be paid back within the next year.

The balances reported in the General and Electric Utilities Funds as due from the 2009 SPLOST Capital Project Fund are advances to the 2009 SPLOST Fund which will be liquidated through future revenue recognition; these balances are not 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	Water/Sewer Utility	Electric Utility	Total
Transfers in:				
Major Funds				
General	$ 0	$ 573,514	$ 1,021,850	$ 1,595,364
2009 SPLOST	350,000	0	0	350,000
Nonmajor				
Governmental	110,534	0	0	110,534
Total	$ 460,534	$ 573,514	$ 1,021,850	$ 2,055,898

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, 2010 was as follows:

	Balance 12/31/2009	Increases	Decreases	Balance 12/31/2010
Governmental activities				
Non-depreciable assets				
Land	$ 14,879,681	$ 165,500	$ 0	$ 15,045,181
Construction in progress	6,448,808	1,999,777	(7,482,847)	965,738
Total nondepreciable assets	21,328,489	2,165,277	(7,482,847)	16,010,919
Depreciable assets				
Buildings	10,928,803	1,388,185	0	12,316,988
Infrastructure	41,044,608	6,405,045	0	47,449,653
Vehicles and equipment	2,186,180	252,573	(96,229)	2,342,524
Furniture and fixtures	1,021,844	608,786	0	1,630,630
Intangible assets	125,000	0	0	125,000
Total depreciable assets	55,306,435	8,654,589	(96,229)	63,864,795
Accumulated depreciation				
Buildings	(1,706,115)	(220,349)	0	(1,926,464)
Infrastructure	(22,536,609)	(825,436)	0	(23,362,045)
Vehicles and equipment	(1,474,787)	(237,461)	96,229	(1,616,019)
Furniture and fixtures	(390,771)	(220,494)	0	(611,265)
Intangible assets	(8,981)	(8,287)	0	(17,268)
Total accumulated depreciation	(26,117,263)	(1,512,027)	96,229	(27,533,061)
Total depreciable assets, net	29,189,172	7,142,562	0	36,331,734
Governmental activities capital assets, net	$ 50,517,661	$ 9,307,839	$ (7,482,847)	$ 52,342,653
Business-type activities				
Non-depreciable assets				
Land	$ 10,500	$ 0	$ 0	$ 10,500
Construction in progress	1,330,880	185,543	(1,330,880)	185,543
Total non-depreciable assets	1,341,380	185,543	(1,330,880)	196,043
Depreciable assets				
Distribution system	18,798,340	1,768,902	0	20,567,242
Vehicles and equipment	812,423	317,565	(29,000)	1,100,988
Total depreciable assets	19,610,763	2,086,467	(29,000)	21,668,230
Accumulated depreciation				
Distribution system	(5,721,592)	(381,208)	0	(6,102,800)
Vehicles and equipment	(688,884)	(77,958)	29,000	(737,842)
Total accumulated depreciation	(6,410,476)	(459,166)	29,000	(6,840,642)
Total depreciable assets, net	13,200,287	1,627,301	0	14,827,588
Business-type activities capital assets, net	$ 14,541,667	$ 1,812,844	$ (1,330,880)	$ 15,023,631

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, 2010 was as follows:

	Balance 12/31/2009	Increases	Decreases	Balance 12/31/2010
Downtown Development Authority Component Unit				
Non-depreciable assets				
Land	$ 4,000	$ 0	$ 0	$ 4,000
Construction in progress	0	0	0	0
Downtown Development Authority Component Unit capital assets	$ 4,000	$ 0	$ 0	$ 4,000

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 227,865
Judicial	650
Public Safety	305,434
Public Works	884,480
Culture and Recreation	49,048
Housing and Development	44,550
Total depreciation expense for governmental activities	$ 1,512,027
Business-type activities	
Water and Sewer Utility	$ 250,998
Electric Utility	180,692
Storm Water Utility	27,476
Total depreciation expense for business-type activities	$ 459,166

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 $112,994 for the primary government and the DDA, respectively.

11. Note Receivable

On July 22, 2010, the Downtown Development Authority entered into an owner-financed lending agreement with a local business for the sale of real property in the original amount of $83,901. As part of the lending agreement, the Downtown Development Authority also agreed to finance $100,000 for renovation improvements to the property. At December 31, 2010, the balance of the note receivable was $182,976. Monthly installments of principal and interest are due through August 1, 2017, with unpaid principal and interest due September 1, 2017; interest at 6.00%. The Downtown Development Authority will use these payment to service the lending agreements with the City of Norcross. See Note 13.

Annual service requirements for note receivable are as follows:

Year ending December 31,	Principal	Interest	Total
2011	$ 2,117	$ 10,011	$ 12,128
2012	2,446	10,785	13,231
2013	2,597	10,634	13,231
2014	2,757	10,474	13,231
2015	2,927	10,304	13,231
2016-2017	170,132	17,590	187,722
Totals	$ 182,976	$ 69,798	$ 252,774

12. Operating Lease Agreements

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

13. 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 October 21, 2008, the City entered into a lending agreement with RBC Bank for the purchase of real property in the original amount of $1,250,000. At December 31, 2010, the balance of this note is $644,715. Quarterly installments of principal and interest are due through January 1, 2013; interest at 3.28%.

On June 4, 2009, the City entered into a lending agreement with RBC Bank for improvements to the Public Works Administration Building in the original amount of $400,000. At December 31, 2010, the balance of this note is $234,201. Quarterly installments of principal and interest are due through January 1, 2013; interest at 3.46%.

Annual debt service requirements for notes payable are as follows:

Year ending December 31,	Principal	Interest	Total
2011	$ 433,359	$ 25,752	$ 459,111
2012	445,557	11,210	456,767
Totals	$ 878,916	$ 36,962	$ 915,878

13. Long-Term Debt (continued)

Notes Payable, continued

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, 2010, the balance of this note is $46,857. 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. On July 22, 2010, the Downtown Development Authority returned a portion of the property back to the City of Norcross; $165,500 of the original debt was forgiven. At December 31, 2010, the balance of this note is $92,500. Payment of principal is due on December 1, 2011; interest at 0.00%. On July 22, 2010, the Downtown Development Authority sold the remaining portion of the property to a local business. See Note 11 for note receivable on the sale of the property.

On July 22, 2010, the Downtown Development Authority entered into a lending agreement with the City of Norcross in the original amount of $100,000. The proceeds of this agreement were subsequently loaned to a local business for renovation improvements. See Note 11 for note receivable on the loan. At December 31, 2010, the balance of this note is $100,000. Payment of principal is due on September 1, 2017; interest payments are due monthly through September 1, 2017 at the variable interest rate of the MEAG Municipal Competitive Trust Short-term Portfolio rate of return plus 1%; at December 31, 2010, this interest rate was 1.12%.

13. 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
2011	$ 3,406	$ 2,829	$ 6,235
2012	3,509	2,446	5,955
2013	3,616	2,339	5,955
2014	3,726	2,229	5,955
2015	3,840	2,115	5,955
2016-2017	221,260	3,364	224,624
Totals	$ 239,357	$ 15,322	$ 254,679

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for year ended December 31, 2010:

	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010	Due Within One Year
Governmental activities					
Notes payable	$ 1,353,296	$ 0	$ 474,380	$ 878,916	$ 433,359
Compensated absences	177,445	203,999	177,445	203,999	203,999
Total governmental activities	$ 1,530,741	$ 203,999	651,825	$ 1,082,915	$ 637,358
Business-type activities					
Compensated absences	$ 6,701	$ 8,135	$ 6,701	$ 8,135	$ 8,135
Downtown Development Authority Component Unit					
Notes payable	$ 308,162	$ 100,000	$ 168,805	$ 239,357	$ 3,406

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

14. Reserved/Restricted Equity Balances

General Fund

Amounts of $22,170 and $281,102 have been reserved for prepaid items and advances to other funds, respectively, since these amount are not legally available for appropriation.

Electric Utility Enterprise Fund

An amount of $1,036,306 has been reserved for MEAG generation projects since this amount is not legally available for appropriation (See Note 3).

15. Designated Equity Balances

The following equity balance designations have been established to indicate tentative plans for utilization of financial resources in 2011:

Hotel/Motel Tax Special Revenue Fund

An amount of $22,412 has been designated for the 2011 budget.

Downtown Development Authority Component Unit

An amount of $128,964 has been designated for the 2011 budget.

16. Deficit Equity Balances

2009 SPLOST Capital Projects Fund

At December 31, 2010, the 2009 SPLOST Fund has a deficit fund balance of $364,476. This is due to payment for capital projects in anticipation of future revenues. The City plans to liquidate this deficit fund balance through future revenue recognition.

17. Intradepartmental Billings

Total operating revenues and total operating expenses in the Water and Sewer Utility, Electric Utility, and Solid Waste Enterprise Funds include $15,441, $197,545, and $20,349, respectively, of intra departmental billings for water and sewer, electricity, and sanitation usage.

18. Retirement Plans

Plan Description

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

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

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

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.

18. Retirement Plans (continued)

Plan Description, continued

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	24
Terminated vested participants entitled to but not yet receiving benefits	21
Active participants	85
Total number of participants	130

Funding Policy

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The current rate is 13.39% 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 July 1, 2010 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.

18. Retirement Plans (continued)

Annual Pension Cost

For 2010, the City's annual pension cost of $525,100 was equal to the City's recommended and actual contributions. The minimum contribution was $390,239. The recommended contribution (projected to January 1, 2011) was computed as part of an actuarial valuation as of July 1, 2010. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases of 6.5 percent per year compounded annually (3.0 percent and 3.5 percent attributable to inflation and merit, respectively), (c) no post-retirement benefit increases.

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
3/1/2005	$ 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
3/1/2009	544,640	100%	0
7/1/2010	525,100	100%	0

18. Retirement Plans (continued)

Historical Trend Information, continued

Schedule of Funding Progress

Actuarial Valuation Date	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)
3/1/2005	$ 3,605,144	$ 4,164,295	$ 559,151	86.57%	$ 2,837,542	19.71%
3/1/2006	4,035,170	4,834,638	799,468	83.46%	2,912,963	27.45%
3/1/2007	4,507,741	5,097,671	589,930	88.43%	2,956,003	19.96%
3/1/2008	4,986,333	5,768,966	782,633	86.43%	3,408,725	22.96%
3/1/2009	4,321,148	6,721,388	2,400,240	64.29%	3,750,551	64.00%
7/1/2010	5,774,959	7,360,077	1,585,118	78.46%	3,853,588	41.13%

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.

19. 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.

19. Deferred Compensation Plans (continued)

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 2010, the City contributed $56,387 to the plans based on covered salaries of $3,436,853. Plan members made voluntary contributions of $144,533 to the plans. Total payroll was $4,717,808.

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.

20. 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.

20. Post Employment Health Care Benefits (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.

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

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 $2,128, 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, 2010 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.

20. Post Employment Health Care Benefits (continued)

Funding Policy, continued

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.

Annual OPEB Cost and Net OPEB Obligation

For 2010, the City's annual OPEB cost of $1,146,327 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	$ 1,177,078
Interest on net OPEB obligation	68,997
Adjustment to ARC	(99,748)
Annual OPEB cost	1,146,327
Contributions made	(249,345)
Increase (decrease) in net OPEB obligation	896,982
Net OPEB obligation - beginning of year	1,724,926
Net OPEB obligation - end of year	$ 2,621,908

20. Post Employment Health Care Benefits (continued)

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
12/31/2009	1,111,292	21%	1,724,926
12/31/2010	1,146,327	22%	2,621,908

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%

21. Hotel/Motel Lodging Tax

The City has levied a 7% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51. The City is require to spend an amount equal to the amount by which the total taxes collected under the Code section exceed the taxes which would be collected at a rate of 3 percent for the purpose of promoting tourism, conventions, and trade shows, or for facilities used for these purposes. A summary of the transactions for the year ending December 31, 2010, follows:

Lodging Tax Receipts	$ 332,215	
Disbursements to promote trade and tourism	$ 314,692	94% of tax receipts

22. 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 2010, the City of Norcross contributed the use of one police officer to the DEA for undercover work; the City paid $84,207 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, 2010, 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.

23. 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 2010. Separate financial statements may be obtained from Housing Authority of the City of Norcross, 19 Garner Street, Norcross, GA 30071.

24. 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.

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, 2010, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

25. Commitments and Contingencies

Commitments

The City has entered into Power Sales Contracts with the Municipal Electric Authority of Georgia (MEAG). The contracts require the City to purchase from MEAG all of the City's bulk power supply, other than power supplied by Federally-owned generation projects. MEAG is authorized to establish rates and charges so as to produce revenues sufficient to cover its costs. The City's payment obligations, which extend through the year 2020, are general obligations to the payment of which the City's full faith and credit and taxing powers are pledged. The City purchased bulk power totaling $7,904,844 from MEAG during the year ended December 31, 2010. The City's future minimum payment obligations to the Authority will be based on the Authority's costs and the City's yearly demand for bulk power supply.

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

The Trust created four types of accounts that are held by MEAG in the name of the City. The generation trust account is used to offset the City's share of future MEAG generation projects and the balance at December 31, 2009 was $1,036,306. The voluntary stabilization fund is used to reduce future costs of the City at its discretion while also earning interest and the balance at December 31, 2009 was $2,438,688. Both of these accounts are included in investments in the Electric Utility Fund.

25. 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, 2010 were $3,491,407 and $2,593,913, 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, 2010. At year-end, the City's commitments with contractors are as follows:

Projects	Amount Expended Date	Remaining Commitment
Downtown Norcross Streetscape project	$ 209,236	$ 413,677
Community Development software	73,500	38,625
Total	$ 282,736	$ 452,302

Contingencies

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

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COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF NORCROSS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Special Revenue		
	Confiscated Assets	**Hotel/Motel Tax**	**Federal Seized Drug**
ASSETS			
Cash and cash equivalents	$ 56,203	$ 26,215	$ 348,398
Receivables			
Taxes	0	62,562	0
Intergovernmental	0	0	0
Total assets	$ 56,203	$ 88,777	$ 348,398
LIABILITIES AND FUND BALANCES			
Liabilities			
Payables			
Accounts	$ 3,001	$ 0	$ 6,129
Intergovernmental	0	31,345	0
Accrued salaries and payroll liabilities	0	209	0
Other liabilities	11,362	0	0
Due to other funds	0	0	0
Total liabilities	14,363	31,554	6,129
Fund balances			
Unreserved, designated for budget	0	22,412	0
Unreserved, undesignated	41,840	34,811	342,269
Total fund balances	41,840	57,223	342,269
Total liabilities and fund balances	$ 56,203	$ 88,777	$ 348,398

Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
Police Grant	Technology Surcharges	2004 SPLOST	Grants	
$ 2,186	$ 54,041	$ 1,027	$ 0	$ 488,070
0	0	0	0	62,562
0	0	0	122,795	122,795
$ 2,186	$ 54,041	$ 1,027	$ 122,795	$ 673,427
$ 0	$ 4,005	$ 0	$ 99,577	$ 112,712
0	0	0	0	31,345
0	0	0	0	209
0	0	0	0	11,362
0	0	0	23,218	23,218
0	4,005	0	122,795	178,846
0	0	0	0	22,412
2,186	50,036	1,027	0	472,169
2,186	50,036	1,027	0	494,581
$ 2,186	$ 54,041	$ 1,027	$ 122,795	$ 673,427

CITY OF NORCROSS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2010

	Special Revenue		
	Confiscated Assets	**Hotel/Motel Tax**	**Federal Seized Drug**
REVENUES			
Taxes	$ 0	$ 332,215	$ 0
Fees, fines, and forfeitures	750	0	572,934
Intergovernmental	0	0	0
Interest	22	165	194
Other	0	0	559
Total revenues	772	332,380	573,687
EXPENDITURES			
Current			
General Government	0	0	0
Judicial	0	0	0
Public Safety	3,958	0	392,915
Housing and Development	0	314,692	0
Capital outlay	0	0	0
Total expenditures	3,958	314,692	392,915
Excess (deficiency) of revenues over (under) expenditures	(3,186)	17,688	180,772
Other financing sources (uses)			
Transfers in	0	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,186)	17,688	180,772
Fund balances, January 1	45,026	39,535	161,497
Fund balances, December 31	$ 41,840	$ 57,223	$ 342,269

Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
Police Grant	Technology Surcharges	2004 SPLOST	Grants	
$ 0	$ 0	$ 0	$ 0	$ 332,215
0	98,234	0	0	671,918
17,397	0	3,888	138,689	159,974
0	213	39	0	633
0	0	0	0	559
17,397	98,447	3,927	138,689	1,165,299
0	92,284	0	0	92,284
0	4,697	0	0	4,697
21,999	0	0	0	418,872
0	0	0	0	314,692
0	0	43,387	202,501	245,888
21,999	96,981	43,387	202,501	1,076,433
(4,602)	1,466	(39,460)	(63,812)	88,866
0	0	46,722	63,812	110,534
(4,602)	1,466	7,262	0	199,400
6,788	48,570	(6,235)	0	295,181
$ 2,186	$ 50,036	$ 1,027	$ 0	$ 494,581

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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, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 3,911,354	$ 2,398,103
Certificates of deposit	1,622,233	2,424,972
Receivables (net)		
Accounts	781	8,613
Taxes	1,127,480	1,140,982
Intergovernmental	8,100	0
Notes	192,500	258,000
Interest	8,316	0
Prepaid items	22,170	27,935
Due from other funds	23,218	176,781
Property held for resale	1,085,766	1,085,766
Advances to other funds	281,102	227,782
Total assets	$ 8,283,020	$ 7,748,934
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 97,115	$ 59,759
Accrued salaries and payroll liabilities	35,054	14,685
Deferred revenue	458,560	321,813
Other liabilities	245,872	220,976
Advances from other fund	228,451	0
Total liabilities	1,065,052	617,233
Fund balances		
Reserved for prepaid items	22,170	27,935
Reserved for advances to other funds	281,102	227,782
Unreserved	6,914,696	6,875,984
Total fund balances	7,217,968	7,131,701
Total liabilities and fund balances	$ 8,283,020	$ 7,748,934

CITY OF NORCROSS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the years ended December 31, 2010 and 2009

	2010	2009
REVENUES		
Taxes	$ 5,241,242	$ 5,862,323
Licenses and permits	298,262	229,175
Fines, fees and forfeitures	1,100,864	1,331,159
Charges for services	91,608	153,284
Intergovernmental	122,212	139,050
Interest	13,780	60,805
Contributions	0	22
Other	115,060	122,264
Total revenues	6,983,028	7,898,082
EXPENDITURES		
Current		
General Government	1,822,925	2,209,287
Judicial	292,765	322,856
Public Safety	3,245,701	3,555,039
Public Works	1,538,949	1,089,894
Culture and Recreation	280,597	223,573
Housing and Development	802,197	667,498
Debt service		
General Government	58,205	77,608
Total expenditures	8,041,339	8,145,755
Excess (deficiency) of revenues over (under) expenditures	(1,058,311)	(247,673)
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Utility Fund	573,514	410,418
Electric Utility Fund	1,021,850	0
2005 SPLOST Fund	(46,722)	(1,239,830)
2009 SPLOST Fund	(350,000)	0
Grants Capital Projects Fund	(63,812)	0
Proceeds from the sale of capital assets	9,748	21,038
Total other financing sources (uses)	1,144,578	(808,374)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	86,267	(1,056,047)
Fund balances, January 1	7,131,701	8,187,748
Fund balances, December 31	$ 7,217,968	$ 7,131,701

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 3,400,000	$ 3,055,721	$ (344,279)	$ 3,639,353
Motor vehicle tax	120,000	133,218	13,218	132,662
Cost, penalties, and interest	25,000	40,234	15,234	75,897
Total general property taxes	3,545,000	3,229,173	(315,827)	3,847,912
Intangible tax	15,000	27,003	12,003	23,192
Real estate transfer tax	2,000	5,951	3,951	8,286
Franchise tax	1,175,000	1,014,051	(160,949)	1,106,426
Insurance premium tax	445,000	452,725	7,725	466,277
Occupational tax	262,179	345,999	83,820	247,542
Alcoholic beverage excise tax	172,000	166,340	(5,660)	162,688
Total taxes	5,616,179	5,241,242	(374,937)	5,862,323
Licenses and Permits				
Alcohol licenses	125,000	86,000	(39,000)	104,900
Building permits	65,000	200,525	135,525	110,211
Other permits	8,000	11,737	3,737	14,064
Total licenses and permits	198,000	298,262	100,262	229,175
Fines, fees and forfeitures	1,298,047	1,100,864	(197,183)	1,331,159
Charges for Services	74,800	91,608	16,808	153,284
Intergovernmental				
Grants	110,000	120,052	10,052	134,239
Other	0	2,160	2,160	4,811
Total intergovernmental	110,000	122,212	12,212	139,050
Interest	5,000	13,780	8,780	60,805
Contributions	0	0	0	22
Other	53,000	115,060	62,060	122,564
Total revenues	$ 7,355,026	$ 6,983,028	$ (371,998)	$ 7,898,382

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	$ 61,924	$ 61,960	$ (36)	$ 68,481
Contract services	87,772	88,016	(244)	129,703
Supplies and materials	1,100	199	901	69
Total Governing Body	150,796	150,175	621	198,253
Administration				
Personal services	314,469	268,964	45,505	274,792
Contract services	124,900	163,468	(38,568)	265,231
Supplies and materials	8,900	13,190	(4,290)	17,330
Total Administration	448,269	445,622	2,647	557,353
City Clerk				
Personal services	136,535	137,974	(1,439)	119,191
Contract services	25,467	24,459	1,008	17,502
Supplies and materials	11,569	10,974	595	3,087
Total City Clerk	173,571	173,407	164	139,780
Chief Executive				
Personal services	98,916	93,483	5,433	190,850
Contract services	74,400	76,243	(1,843)	101,577
Supplies and materials	1,900	270	1,630	1,700
Total Chief Executive	175,216	169,996	5,220	294,127
City-wide				
Personal services	250,000	249,345	655	235,411
Contract services	148,000	143,455	4,545	25,121
Supplies and materials	0	2,160	(2,160)	4,639
Capital outlay	0	0	0	96,344
Total City-wide	398,000	394,960	3,040	361,515
Information Technology				
Personal services	153,038	139,850	13,188	121,904
Contract services	149,404	167,913	(18,509)	182,859
Supplies and materials	63,147	58,353	4,794	32,908
Capital outlay	122,649	122,649	0	320,588
Total Information Technology	488,238	488,765	(527)	658,259
Total General Government	1,834,089	1,822,925	11,164	2,209,287

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
Judicial				
Municipal Court				
Personal services	$ 265,093	$ 267,785	$ (2,692)	$ 287,958
Contract services	25,905	22,785	3,120	29,016
Supplies and materials	2,750	2,195	555	3,087
Capital outlay	0	0	0	2,795
Total Judicial	293,748	292,765	983	322,856
Public Safety				
Police				
Personal services	2,931,478	2,796,772	134,706	3,112,806
Contract services	191,794	227,364	(35,570)	201,566
Supplies and materials	172,007	170,991	1,016	171,584
Capital outlay	0	50,574	(50,574)	69,083
Total Police	3,295,279	3,245,701	49,578	3,555,039
Public Works				
Public Works Administration				
Personal services	317,475	269,554	47,921	372,802
Contract services	672,165	658,854	13,311	528,881
Supplies and materials	173,916	171,731	2,185	144,918
Capital outlay	387,670	438,810	(51,140)	43,293
Total Public Works Administration	1,551,226	1,538,949	12,277	1,089,894
Culture and Recreation				
Parks and Recreation				
Personal services	116,004	125,463	(9,459)	98,601
Contract services	96,387	89,191	7,196	84,220
Supplies and materials	65,418	62,248	3,170	29,175
Capital outlay	3,695	3,695	0	11,577
Total Culture and Recreation	281,504	280,597	907	223,573
Housing and Development				
Community Development				
Personal services	407,988	389,729	18,259	300,574
Contract services	79,760	66,123	13,637	282,091
Supplies and materials	9,247	40,550	(31,303)	5,750
Capital outlay	260,795	260,795	0	8,083
Total Community Development	757,790	757,197	593	596,498
Downtown Development Authority				
Agency allocation	45,000	45,000	0	71,000
Total Housing and Development	802,790	802,197	593	667,498
Total current	8,058,636	7,983,134	75,502	8,068,147

CITY OF NORCROSS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
Debt service				
General Government				
City-wide	$ 81,908	$ 58,205	$ 23,703	$ 77,608
Total expenditures	$ 8,140,544	$ 8,041,339	$ 99,205	$ 8,145,755

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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.

Police Grant Fund - This fund is used to account for grant monies received restricted for the expenditures rated to the Police Department.

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, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 56,203	$ 45,926
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 3,001	$ 0
Other liabilities	11,362	900
Total liabilities	14,363	900
Fund balances		
Unreserved	41,840	45,026
Total liabilities and fund balances	$ 56,203	$ 45,926

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, 2010
(with comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Forfeitures	$ 16,000	$ 750	$ (15,250)	$ 2,920
Interest	70	22	(48)	24
Total revenues	16,070	772	(15,298)	2,944
EXPENDITURES				
Current				
Public Safety				
Contract services	0	3,000	(3,000)	1,790
Supplies and materials	16,070	958	15,112	16,285
Total expenditures	16,070	3,958	12,112	18,075
Excess (deficiency) of revenues over (under) expenditures	0	(3,186)	(3,186)	(15,131)
Fund balances, January 1	0	45,026	45,026	60,157
Fund balances, December 31	$ 0	$ 41,840	$ 41,840	$ 45,026

CITY OF NORCROSS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 26,215	$ 0
Taxes receivable	62,562	64,950
Total assets	$ 88,777	$ 64,950
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 0	$ 16,007
Intergovernmental	31,345	0
Accrued salaries and payroll liabilities	209	0
Due to other funds	0	9,408
Total liabilities	31,554	25,415
Fund balances		
Unreserved, designated for budget	22,412	0
Unreserved, undesignated	34,811	39,535
Total fund balances	57,223	39,535
Total liabilities and fund balances	$ 88,777	$ 64,950

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, 2010
(with comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	$ 420,000	$ 332,215	$ (87,785)	$ 208,761
Interest	0	165	165	0
Total revenues	420,000	332,380	(87,620)	208,761
EXPENDITURES				
Current				
Housing and Development				
Personal services	43,318	17,515	25,803	0
Contract services	376,682	265,832	110,850	224,270
Payments to others	0	31,345	(31,345)	0
Total expenditures	420,000	314,692	105,308	224,270
Excess (deficiency) of revenues over (under) expenditures	0	17,688	17,688	(15,509)
Fund balances, January 1	0	39,535	39,535	55,044
Fund balances, December 31	$ 0	$ 57,223	$ 57,223	$ 39,535

CITY OF NORCROSS, GEORGIA
FEDERAL SEIZED DRUG SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 348,398	$ 144,089
Due from other funds	0	43,958
Total assets	$ 348,398	$ 188,047
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 6,129	$ 26,550
Fund balances		
Unreserved	342,269	161,497
Total liabilities and fund balances	$ 348,398	$ 188,047

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, 2010
(with comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines and forfeitures	$ 392,826	$ 572,934	$ 180,108	$ 241,628
Interest	90	194	104	153
Other	0	559	559	0
Total revenues	392,916	573,687	180,771	241,781
EXPENDITURES				
Current				
Public Safety				
Contract services	0	0	0	27,929
Supplies and materials	95,678	95,677	1	11,070
Capital outlay	297,238	297,238	0	232,249
Total expenditures	392,916	392,915	1	271,248
Excess (deficiency) of revenues over (under) expenditures	0	180,772	180,772	(29,467)
Fund balances, January 1	0	161,497	161,497	190,964
Fund balances, December 31	$ 0	$ 342,269	$ 342,269	$ 161,497

CITY OF NORCROSS, GEORGIA
POLICE GRANT SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 2,186	$ 70,971
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 0	$ 20,225
Due to other funds	0	43,958
Total liabilities	0	64,183
Fund balances		
Unreserved	2,186	6,788
Total liabilities and fund balances	$ 2,186	$ 70,971

CITY OF NORCROSS, GEORGIA
POLICE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2010
(with comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 17,397	$ 17,397	$ 0	$ 70,993
Total revenues	17,397	17,397	0	70,993
EXPENDITURES				
Current				
Public Safety				
Contract services	0	0	0	22,537
Supplies and materials	20,386	18,200	2,186	22,068
Capital outlay	3,799	3,799	0	19,600
Total expenditures	24,185	21,999	2,186	64,205
Excess (deficiency) of revenues over (under) expenditures	(6,788)	(4,602)	2,186	6,788
Fund balances, January 1	6,788	6,788	0	0
Fund balances, December 31	$ 0	$ 2,186	$ 2,186	$ 6,788

CITY OF NORCROSS, GEORGIA
TECHNOLOGY SURCHARGES SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 54,041	$ 48,570
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 4,005	$ 0
Fund balances		
Unreserved	50,036	48,570
Total liabilities and fund balances	$ 54,041	$ 48,570

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, 2010
(with comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines and forfeitures	$ 96,981	$ 98,234	$ 1,253	$ 75,057
Interest	0	213	213	0
Total revenues	96,981	98,447	1,466	75,057
EXPENDITURES				
Current				
General Government				
Contract services	20,896	20,896	0	10,786
Supplies and materials	16,081	16,081	0	475
Capital outlay	55,307	55,307	0	80,035
Judicial				
Capital outlay	4,697	4,697	0	0
Total expenditures	96,981	96,981	0	91,296
Excess (deficiency) of revenues over (under) expenditures	0	1,466	1,466	(16,239)
Fund balances, January 1	0	48,570	48,570	64,809
Fund balances, December 31	$ 0	$ 50,036	$ 50,036	$ 48,570

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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.

2004 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 2004 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.

2009 Special Purpose Local Option Sales Tax Capital Projects Fund – This fund is used to account for long-term projects financed by the passage of the 2009 special purpose local option sales tax.

Grants Capital Projects Fund – This fund is used to account for capital grants used to finance major capital projects.

CITY OF NORCROSS, GEORGIA
2004 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 1,027	$ 354,608
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 0	$ 311,647
Retainages	0	15,000
Due to other funds	0	34,196
Total liabilities	0	360,843
Fund balances		
Unreserved	1,027	(6,235)
Total liabilities and fund balances	$ 1,027	$ 354,608

CITY OF NORCROSS, GEORGIA
2004 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, 2010 and 2009

	2010	2009
REVENUES		
Intergovernmental	$ 3,888	$ 377,241
Interest	39	11,697
Total revenues	3,927	388,938
EXPENDITURES		
Public Safety		
Capital outlay	18,150	0
Public Works		
Contract services	0	215,156
Supplies and materials	716	0
Capital outlay	8,550	608,700
Culture and Recreation		
Contract services	13,619	9,778
Capital outlay	2,352	2,296,510
Total expenditures	43,387	3,130,144
Excess (deficiency) of revenues over (under) expenditures	(39,460)	(2,741,206)
Other financing sources (uses)		
Transfers in		
General Fund	46,722	1,239,830
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,262	(1,501,376)
Fund balances, January 1	(6,235)	1,495,141
Fund balances, December 31	$ 1,027	$ (6,235)

CITY OF NORCROSS, GEORGIA
2001 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 0	$ 0
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 0	$ 0
Fund balances		
Unreserved	0	0
Total liabilities and fund balances	$ 0	$ 0

CITY OF NORCROSS, GEORGIA
2001 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, 2010 and 2009

	2010	2009
REVENUES		
Interest	$ 0	$ 165
Total revenues	0	165
EXPENDITURES		
Public Works		
Contract services	0	60,126
Culture and Recreation		
Capital outlay	0	198,990
Total expenditures	0	259,116
Excess (deficiency) of revenues over (under) expenditures	0	(258,951)
Fund balances, January 1	0	258,951
Fund balances, December 31	$ 0	$ 0

CITY OF NORCROSS, GEORGIA
2009 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 48,921	$ 543,724
Intergovernmental receivable	254,890	361,703
Total assets	$ 303,811	$ 905,427
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 63,307	$ 61,497
Retainages	53,878	0
Advances from other funds	551,102	497,782
Total liabilities	668,287	559,279
Fund balances		
Unreserved	(364,476)	346,148
Total liabilities and fund balances	$ 303,811	$ 905,427

CITY OF NORCROSS, GEORGIA
2009 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the years ended December 31, 2010 and 2009

	2010	2009
REVENUES		
Intergovernmental	$ 1,289,679	$ 1,049,494
Interest	542	497
Total revenues	1,290,221	1,049,991
EXPENDITURES		
Public Works		
Contract services	24,105	52,500
Capital outlay	1,367,474	1,292,984
Culture and Recreation		
Contract services	0	5,000
Capital outlay	500,428	595,055
Debt service	458,838	408,304
Total expenditures	2,350,845	2,353,843
Excess (deficiency) of revenues over (under) expenditures	(1,060,624)	(1,303,852)
Other financing sources (uses)		
Transfers in		
General Fund	350,000	0
Issuance of notes payable	0	1,650,000
Total other financing sources (uses)	350,000	1,650,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(710,624)	346,148
Fund balances, January 1	346,148	0
Fund balances, December 31	$ (364,476)	$ 346,148

CITY OF NORCROSS, GEORGIA
GRANTS CAPITAL PROJECTS FUND
BALANCE SHEET
December 31, 2010

ASSETS	
Intergovernmental receivable	$ 122,795
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 99,577
Due to other funds	23,218
Total liabilities	122,795
Fund balances	
Unreserved	0
Total liabilities and fund balances	$ 122,795

CITY OF NORCROSS, GEORGIA
GRANTS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the year ended December 31, 2010

REVENUES	
Intergovernmental	$ 138,689
Total revenues	138,689
EXPENDITURES	
Housing and Development	
Capital outlay	202,501
Total expenditures	202,501
Excess (deficiency) of revenues over (under) expenditures	(63,812)
Other financing sources (uses)	
Transfers in	
General Fund	63,812
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0
Fund balances, January 1	0
Fund balances, December 31	$ 0

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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, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Accounts receivable (net)	$ 396,341	$ 372,619
Prepaid items	4,425	7,868
Inventories	32,232	51,679
Total current assets	432,998	432,166
Restricted assets		
Customer deposits		
Cash and cash equivalents	64,995	59,780
Capital assets		
Land	9,500	9,500
Water and sewer system	12,210,484	12,146,649
Vehicles and equipment	160,786	141,585
Construction in progress	0	63,835
Accumulated depreciation	(4,658,221)	(4,407,222)
Total capital assets (net of accumulated depreciation)	7,722,549	7,954,347
Total assets	8,220,542	8,446,293
LIABILITIES		
Current liabilities		
Payables		
Accounts	3,048	19,736
Intergovernmental	107,221	78,585
Accrued salaries and payroll liabilities	837	567
Compensated absences	815	2,363
Total current liabilities	111,921	101,251
Current liabilities payable from restricted assets		
Customer deposits	64,995	59,780
Total liabilities	176,916	161,031
NET ASSETS		
Invested in capital assets	7,722,549	7,954,347
Unrestricted	321,077	330,915
Total net assets	$ 8,043,626	$ 8,285,262

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, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Charges for sales and services		
Water sales	$ 1,439,921	$ 1,418,823
Sewer charges	1,221,470	1,214,893
Tap fees	0	1,768
Other	0	767
Total operating revenues	2,661,391	2,636,251
OPERATING EXPENSES		
Costs of sales and services	1,758,134	1,481,538
Personal services	323,118	522,317
Depreciation	250,998	247,588
Total operating expenses	2,332,250	2,251,443
Operating income (loss)	329,141	384,808
Non-operating revenues (expenses)		
Investment revenue	2,737	162
Income (loss) before transfers	331,878	384,970
Transfers in (out)		
General Fund	(573,514)	(410,418)
Change in net assets	(241,636)	(25,448)
Net assets, January 1	8,285,262	8,310,710
Net assets, December 31	$ 8,043,626	$ 8,285,262

CITY OF NORCROSS, GEORGIA
WATER AND SEWER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 2,642,884	$ 2,553,404
Payments to suppliers	(1,723,296)	(1,534,369)
Payments to employees	(324,396)	(523,975)
Other receipts	0	767
Net cash provided (used) by operating activities	595,192	495,827
Cash flows from non-capital financing activities		
Payments to other funds	(573,514)	(410,418)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(19,200)	(58,587)
Cash flows from investing activities:		
Interest received	2,737	162
Net increase (decrease) in cash and cash equivalents	5,215	26,984
Cash and cash equivalents, January 1	59,780	32,796
Cash and cash equivalents, December 31	$ 64,995	$ 59,780
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 329,141	$ 384,808
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	250,998	247,588
(Increase) decrease in accounts receivable	(23,722)	(82,775)
(Increase) decrease in prepaid items	3,443	9,212
(Increase) decrease in inventories	19,447	7,396
Increase (decrease) in accounts payable	(16,688)	3,007
Increase (decrease) in intergovernmental payables	28,636	(72,446)
Increase (decrease) in deposits payable	5,215	695
Increase (decrease) in accrued payroll liabilities	(1,278)	(1,658)
Total adjustments	266,051	111,019
Net cash provided (used) by operating activities	$ 595,192	$ 495,827
Cash and cash equivalents reconciliation:		
Customer Deposits		
Cash and cash equivalents	$ 64,995	$ 59,780

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 68,132	$ 0
Investments	2,121,281	2,184,100
Accounts receivable (net)	1,406,864	1,439,773
Prepaid items	288,850	323,111
Inventories	882,169	779,989
Total current assets	4,767,296	4,726,973
Restricted assets		
MEAG Generation Trust		
Investments	1,036,306	666,833
Customer Deposits		
Investments	317,407	302,100
Total restricted assets	1,353,713	968,933
Capital assets		
Land	1,000	1,000
Electric system	8,089,947	6,412,436
Vehicles and equipment	798,429	583,633
Construction in progress	185,543	1,267,045
Accumulated depreciation	(2,130,467)	(1,978,775)
Total capital assets (net of accumulated depreciation)	6,944,452	6,285,339
Other assets		
Advances to other funds	498,451	270,000
Total assets	13,563,912	12,251,245
LIABILITIES		
Current liabilities		
Payables		
Accounts	128,170	18,908
Intergovernmental	692,712	668,233
Sales tax	0	49,342
Accrued salaries and payroll liabilities	3,258	1,413
Compensated absences	5,370	3,908
Due to other funds	0	133,177
Total current liabilities	829,510	874,981
Current liabilities payable from restricted assets		
Customer deposits	317,407	302,100
Total liabilities	1,146,917	1,177,081
NET ASSETS		
Invested in capital assets	6,944,452	6,285,339
Restricted for MEAG generation projects	1,036,306	666,833
Unrestricted	4,436,237	4,121,992
Total net assets	$ 12,416,995	$ 11,074,164

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Charges for sales and services		
Electric sales	$ 11,578,440	$ 10,351,942
Other	20,130	3,868
Total operating revenues	11,598,570	10,355,810
OPERATING EXPENSES		
Costs of sales and services	8,565,338	7,175,074
Personal services	624,129	527,028
Depreciation	180,692	142,095
Total operating expenses	9,370,159	7,844,197
Operating income (loss)	2,228,411	2,511,613
Non-operating revenues (expenses)		
Investment revenue	95,095	42,419
Net income before capital contributions and transfers	2,323,506	2,554,032
Capital contributions		
Capital contributions	41,175	0
Net income before transfers	2,364,681	2,554,032
Transfers in (out)		
General Fund	(1,021,850)	0
Change in net assets	1,342,831	2,554,032
Net assets, January 1	11,074,164	8,520,132
Net assets, December 31	$ 12,416,995	$ 11,074,164

CITY OF NORCROSS, GEORGIA
ELECTRIC UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 11,577,314	$ 10,079,428
Payments to suppliers	(8,499,516)	(7,322,936)
Payments to employees	(620,822)	(524,427)
Other receipts	20,130	3,868
Net cash provided (used) by operating activities	2,477,106	2,235,933
Cash flows from non-capital financing activities		
Payments to other funds	(1,383,478)	(1,299,315)
Cash flows from capital and related financing activities:		
Receipt of capital contributions	41,175	0
Acquisition of capital assets	(839,805)	(776,371)
Net cash provided (used) by capital and related financing activities	(798,630)	(776,371)
Cash flows from investing activities:		
Interest received	95,095	42,419
Proceeds from maturities of investments	1,241,500	1,339,536
Purchase of investments	(1,563,461)	(1,542,202)
Net cash provided (used) by investing activities	(226,866)	(160,247)
Net increase (decrease) in cash and cash equivalents	68,132	0
Cash and cash equivalents, January 1	0	0
Cash and cash equivalents, December 31	$ 68,132	$ 0
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 2,228,411	$ 2,511,613
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	180,692	142,095
(Increase) decrease in accounts receivable	32,909	(271,873)
(Increase) decrease in prepaid items	34,261	55,962
(Increase) decrease in inventories	(102,180)	44,412
Increase (decrease) in accounts payable	109,262	(164,301)
Increase (decrease) in intergovernmental payables	24,479	(83,935)
Increase (decrease) in deposits payable	15,307	(8,893)
Increase (decrease) in sales tax payable	(49,342)	8,252
Increase (decrease) in accrued payroll liabilities	3,307	2,601
Total adjustments	248,695	(275,680)
Net cash provided (used) by operating activities	$ 2,477,106	$ 2,235,933

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,277,997	$ 1,128,596
Accounts receivable (net)	198,206	220,982
Total current assets	1,476,203	1,349,578
Restricted assets		
Customer deposits		
Cash and cash equivalents	88,235	81,930
Total assets	1,564,438	1,431,508
LIABILITIES		
Current liabilities		
Accounts payable	203,307	107,790
Current liabilities payable from restricted assets		
Customer deposits	88,235	81,930
Total liabilities	291,542	189,720
NET ASSETS		
Unrestricted	$ 1,272,896	$ 1,241,788

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Charges for sales and services		
Sanitation fees	$ 1,419,313	$ 1,573,755
Total operating revenues	1,419,313	1,573,755
OPERATING EXPENSES		
Costs of sales and services	1,311,772	1,334,821
Personal services	82,474	37,052
Total operating expenses	1,394,246	1,371,873
Operating income (loss)	25,067	201,882
Non-operating revenues (expenses)		
Investment revenue	6,041	0
Change in net assets	31,108	201,882
Net assets, January 1	1,241,788	1,039,906
Net assets, December 31	$ 1,272,896	$ 1,241,788

CITY OF NORCROSS, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 1,448,393	$ 1,586,878
Payments to suppliers	(1,216,254)	(1,435,488)
Payments to employees	(82,474)	(37,052)
Net cash provided (used) by operating activities	149,665	114,338
Cash flows from non-capital financing activities		
Receipts from other funds	0	500,000
Cash flows from investing activities		
Interest received	6,041	0
Net increase (decrease) in cash and cash equivalents	155,706	614,338
Cash and cash equivalents, January 1	1,210,526	596,188
Cash and cash equivalents, December 31	$ 1,366,232	$ 1,210,526
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 25,067	$ 201,882
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	22,776	26,237
Increase (decrease) in accounts payable	95,517	(100,667)
Increase (decrease) in deposits payable	6,305	(13,114)
Total adjustments	124,598	(87,544)
Net cash provided by operating activities	$ 149,665	$ 114,338
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	$ 1,277,997	$ 1,128,596
Customer Deposits		
Cash and cash equivalents	88,235	81,930
Total cash and cash equivalents	$ 1,366,232	$ 1,210,526

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 400,377	$ 206,268
Accounts receivable (net)	129,906	194,342
Prepaid items	2,655	0
Total current assets	532,938	400,610
Capital assets		
Storm water system	266,811	239,256
Vehicles and equipment	141,773	87,203
Accumulated depreciation	(51,954)	(24,478)
Total capital assets (net of accumulated depreciation)	356,630	301,981
Total assets	889,568	702,591
LIABILITIES		
Current liabilities		
Accounts payable	138	4,155
Accrued salaries and payroll liabilities	488	318
Compensated absences	1,950	430
Total liabilities	2,576	4,903
NET ASSETS		
Invested in capital assets	356,630	301,981
Unrestricted	530,362	395,707
Total net assets	$ 886,992	$ 697,688

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Charges for sales and services		
Storm water fees	$ 494,517	$ 484,511
Total operating revenues	494,517	484,511
OPERATING EXPENSES		
Costs of sales and services	103,566	106,723
Personal services	175,942	130,637
Depreciation	27,476	15,886
Total operating expenses	306,984	253,246
Operating income (loss)	187,533	231,265
Non-operating revenues (expenses)		
Investment revenue	1,771	0
Change in net assets	189,304	231,265
Net assets, January 1	697,688	466,423
Net assets, December 31	$ 886,992	$ 697,688

CITY OF NORCROSS, GEORGIA
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 558,953	$ 444,422
Payments to suppliers	(110,238)	(110,547)
Payments to employees	(174,252)	(130,362)
Net cash provided (used) by operating activities	274,463	203,513
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(82,125)	(241,460)
Cash flows from investing activities		
Interest received	1,771	0
Net increase (decrease) in cash and cash equivalents	194,109	(37,947)
Cash and cash equivalents, January 1	206,268	244,215
Cash and cash equivalents, December 31	$ 400,377	$ 206,268
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 187,533	$ 231,265
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	27,476	15,886
(Increase) decrease in accounts receivable	64,436	(40,089)
(Increase) decrease in prepaid items	(2,655)	0
Increase (decrease) in accounts payable	(4,017)	(3,824)
Increase (decrease) in payroll liabilities	1,690	275
Total adjustments	86,930	(27,752)
Net cash provided by operating activities	$ 274,463	$ 203,513

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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, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 146,143	$ 150,219
Accounts receivable (net)	183,360	203,474
Total assets	329,503	353,693
LIABILITIES		
Liabilities		
Due to other agencies	$ 329,503	$ 353,693

CITY OF NORCROSS, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2010

	Balance January 1	Additions	Deletions	Balance December 31
ASSETS				
Cash and cash equivalents	$ 150,219	$ 1,871,190	$ (1,875,266)	$ 146,143
Accounts receivable	203,474	508,211	(528,325)	183,360
Total assets	$ 353,693	$ 2,379,401	$ (2,403,591)	$ 329,503
LIABILITIES				
Due to others agencies	$ 353,693	$ 2,379,401	$ (2,403,591)	$ 329,503

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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, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 205,528	$ 118,112
Certificates of deposit	0	100,775
Property held for resale	112,994	386,700
Notes receivable	182,976	0
Total assets	$ 501,498	$ 605,587
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	$ 2,161	$ 9,180
Intergovernmental	8,100	0
Deposits	675	675
Total liabilities	10,936	9,855
Fund balances		
Unreserved, designated for budget	128,964	0
Unreserved, undesignated	361,598	595,732
Total fund balances	490,562	595,732
Total liabilities and fund balances	$ 501,498	$ 605,587

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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010			2009
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 45,000	$ 45,000	$ 0	$ 71,000
Interest	0	5,970	5,970	1,401
Rent	2,250	2,250	0	2,085
Other	49,834	1,843	(47,991)	3,288
Total revenues	97,084	55,063	(42,021)	77,774
EXPENDITURES				
Current				
Housing and Development				
Contract services	100,120	65,403	34,717	109,540
Supplies and materials	13,865	260	13,605	4,187
Capital outlay	0	0	0	9,644
Debt service	167,000	170,265	(3,265)	4,765
Total expenditures	280,985	235,928	45,057	128,136
Excess (deficiency) of revenues over (under) expenditures	(183,901)	(180,865)	3,036	(50,362)
Other financing sources (uses)				
Loss on sale of property held for resale	183,901	(24,305)	(208,206)	0
Issuance of notes payable	0	100,000	100,000	0
Total other financing sources (uses)	183,901	75,695	(108,206)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(105,170)	(105,170)	(50,362)
Fund balances, January 1	0	595,732	595,732	646,094
Fund balances, December 31	$ 0	$ 490,562	$ 490,562	$ 595,732

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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, 2010, which collectively comprise the City of Norcross, Georgia's basic financial statements and have issued our report thereon dated May 10, 2011. 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 of Norcross' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Comment 10-1

Condition: During audit procedures on accrued liabilities, we noted that the accounts payable in the General and Electric Utility Funds were not reconciled to the subsidiary listings. The accounts payable listings did not balance to the trial balance.

Criteria: Proper accounting on a timely basis requires that accrued liabilities be reconciled to the subsidiary ledgers at least monthly.

Effect: Failure to reconcile accrued liabilities may lead to management decisions based on incorrect information.

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Comment 10-1, continued

Recommendation: All trial balance amounts for assets and liabilities should be reconciled to the subsidiary ledgers or listing on a monthly basis.

Management Response: Management concurs with this finding. The Administrative Services Director will ensure that all assets and liabilities are reconciled to the subsidiary ledgers or listing monthly. This action was taken immediately upon receipt of the comment from our auditors

Comment 10-2

Condition: During audit procedures on journal entries, we noted that journal entries originated by the Administrative Services Director did not have evidence of approval. Also, for many journal entries originated by the Financial Analyst, the initials of the Administrative Services Director evidence approval were printed on the journal entry. All journal entries reviewed during audit procedures appear appropriate.

Criteria: Proper segregation of duties require that the duties of authorizing and record adjustments to the general ledger be performed by different employees.

Effect: Failure to properly segregate the duties of authorizing and recording adjustments to the general ledger exposes the City to a greater risk of loss due to fraud.

Recommendation: In order to provide proper segregation of duties, the Financial Analyst should post all journal entries to the general ledger. The Administrative Services Director should review and approve all journal entries. Initials evidencing posting and approval should be manual, not print on the journal entry. The Financial Analyst should bring to the attention of the City Manager any journal entry originated by the Administrative Services Director which she feels may be inappropriate or for which she does not receive an adequate explanation or supporting documents.

Management Response: Management concurs with this finding. The Administrative Services Director will review and approve all journal entries; the Financial Analyst will post all entries to the general ledger. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the City of Norcross, Georgia, in a separate letter dated May 10, 2011.

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, LLC

Certified Public Accountants

Gainesville, Georgia
May 10, 2011

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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, 2010

Project	Estimated Cost * Original	Estimated Cost * Current	Expenditures Prior Years	Expenditures Current Year	Expenditures Total
2004 SPLOST Referendum					
Roads Improvements	$ 1,040,250	$ 1,040,250	$ 850,299	$ 9,266	$ 859,565
Recreational Facilities	5,000,500	5,436,170	6,109,342	3,445	6,112,787
Public Safety Facilities and Equipment	344,324	344,324	317,610	18,150	335,760
Total	$ 6,385,074	$ 6,820,744	$ 7,277,251	$ 30,861	$ 7,308,112

Current year expenditures	$ 30,861
Expenditures financed through other revenues and transfers from other funds	12,526
Total expenditures of the 2009 SPLOST Capital Projects Fund	$ 43,387

Note: The prior years expenditures for Recreational Facilities has been restated to reflect $34,196 of expenditures financed through transfer from other funds in prior periods. In the prior periods, amounts had been reported as interfund balances, but were reclassified as transfers in the current period.

2009 SPLOST Referendum					
Roads Improvements	$ 1,500,000	$ 1,500,000	$ 41,979	$ 41,591	$ 83,570
Recreational Facilities	3,568,281	3,568,281	610,576	498,877	1,109,453
Administrative Facilities	2,000,000	2,000,000	51,288	1,425,337	1,476,625
Parking Facilities	2,000,000	2,000,000	0	7,485	7,485
Total	$ 9,068,281	$ 9,068,281	$ 703,843	$ 1,973,290	$ 2,677,133

Current year expenditures	$ 1,973,330
Expenditures financed through other revenues and transfers from other funds	377,515
Total expenditures of the 2009 SPLOST Capital Projects Fund	$ 2,350,845

Note: The prior years expenditures for Road Improvements and Administrative Facilities have been restated to reflect expenditures for the Public Works Administration Facility incorrectly reported as road improvements.

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