

***Audit Report Presentation
For the year ended December 31, 2012***



June 17, 2013

AUDIT OPINION – P. 1

City of Norcross's Responsibilities

The financial statements are the responsibility of the City of Norcross' management.

Rushton & Company's Responsibilities

As independent auditors for the City of Norcross, our responsibility is to express opinions on the fair presentation of the financial statements.

Auditing Standards

We audited the City's financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Norcross, Georgia, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows for the year then ended.

Government-wide Statements

These statements provide the reader with information on the City as a whole, using the full accrual basis of accounting. Columns for the governmental activities, the business-type activities, and the Downtown Development Authority component unit.

Two statements:

Statement of Net Position – P. 24-25

- Presents the assets, liabilities, and residual net position of the City

Statement of Activities – P. 26

- Presents the results of operations of the City

Net Position – Last 5 Years

Fiscal Year	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position	Revenues over Expenses
2008	\$ 59,786,525	\$2,125,066	\$ 10,917,375	\$ 72,828,966	\$ 576,963
2009	63,706,032	1,308,162	11,638,646	76,652,840	2,882,291 ¹
2010	66,487,368	1,529,621	11,041,243	79,058,232	2,405,392 ²
2011	67,180,809	1,921,878	10,632,708	79,735,395	677,163 ³
2012	67,412,057	3,375,780	10,909,867	81,697,704	1,962,309 ⁴

1 Increase in operating income of the Electric Fund

2 Decrease in property tax revenue

3 Increase in net OPEB expense

4 Receipt of SDS Settlement revenue from Gwinnett County; decrease in operating revenue of the Electric Fund

General Fund

Revenues

- Increased \$2,598,804, 34.8%
 - Property taxes increased \$468,301 (Annexation of Mitchell Road/ Brookhollow Road area)
 - Intergovernmental increased \$1,844,578 (SDS Settlement from Gwinnett County)

Expenditures

- Increased \$688,596, 8.2%
 - Personal services in Police increased \$304,939
 - Capital outlay in Public Works Admin increased \$254,237

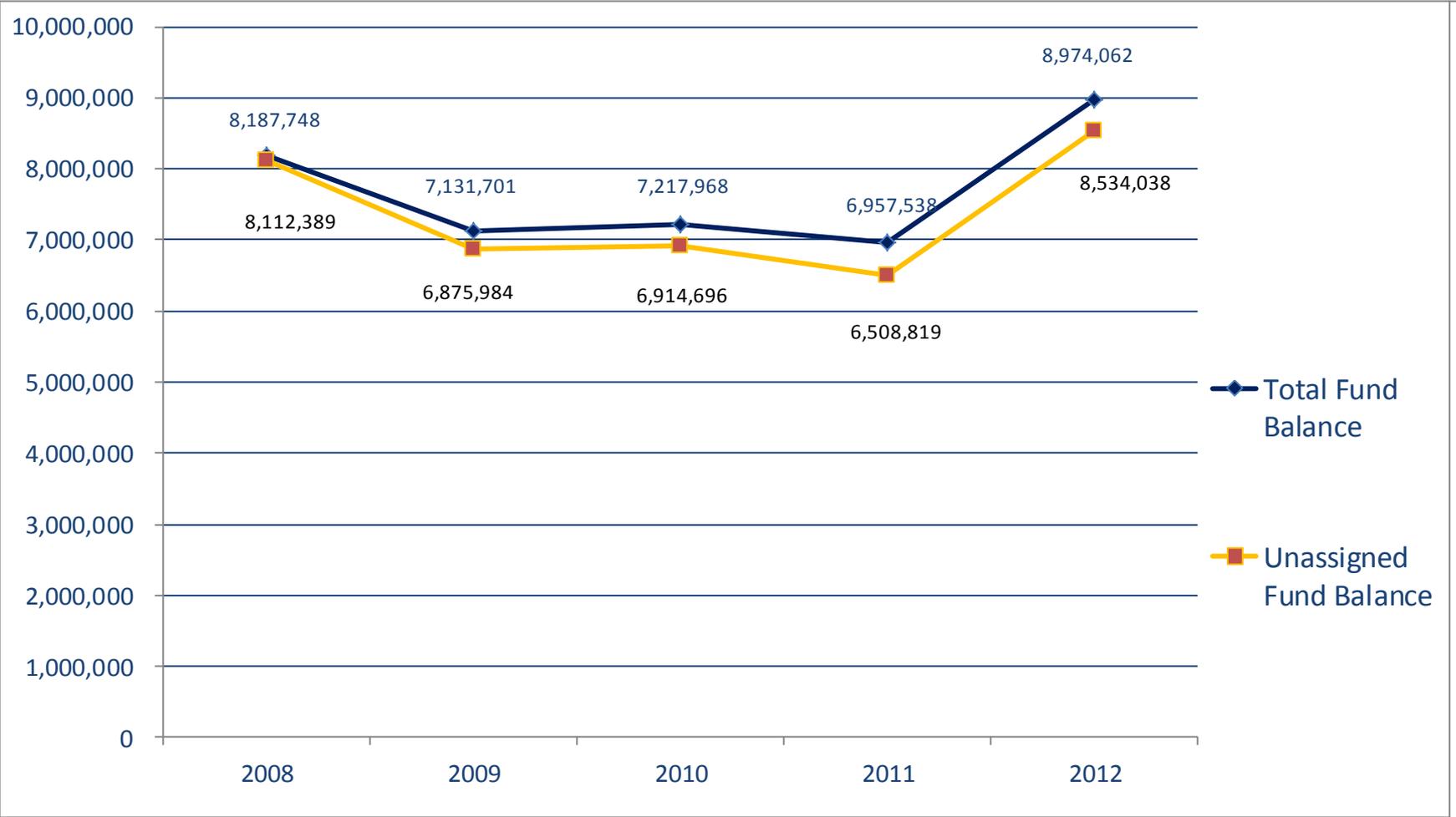
Unassigned Fund Balance

- 2012, \$8,534,068, 93.8% of expenditures (11.3 months)
- 2011, \$6,508,819, 77.4% of expenditures (9.3 months)

General Fund Revenues and Expenditures – Last 5 Years



General Fund Balance – Last 5 Years



Water/Sewer Fund

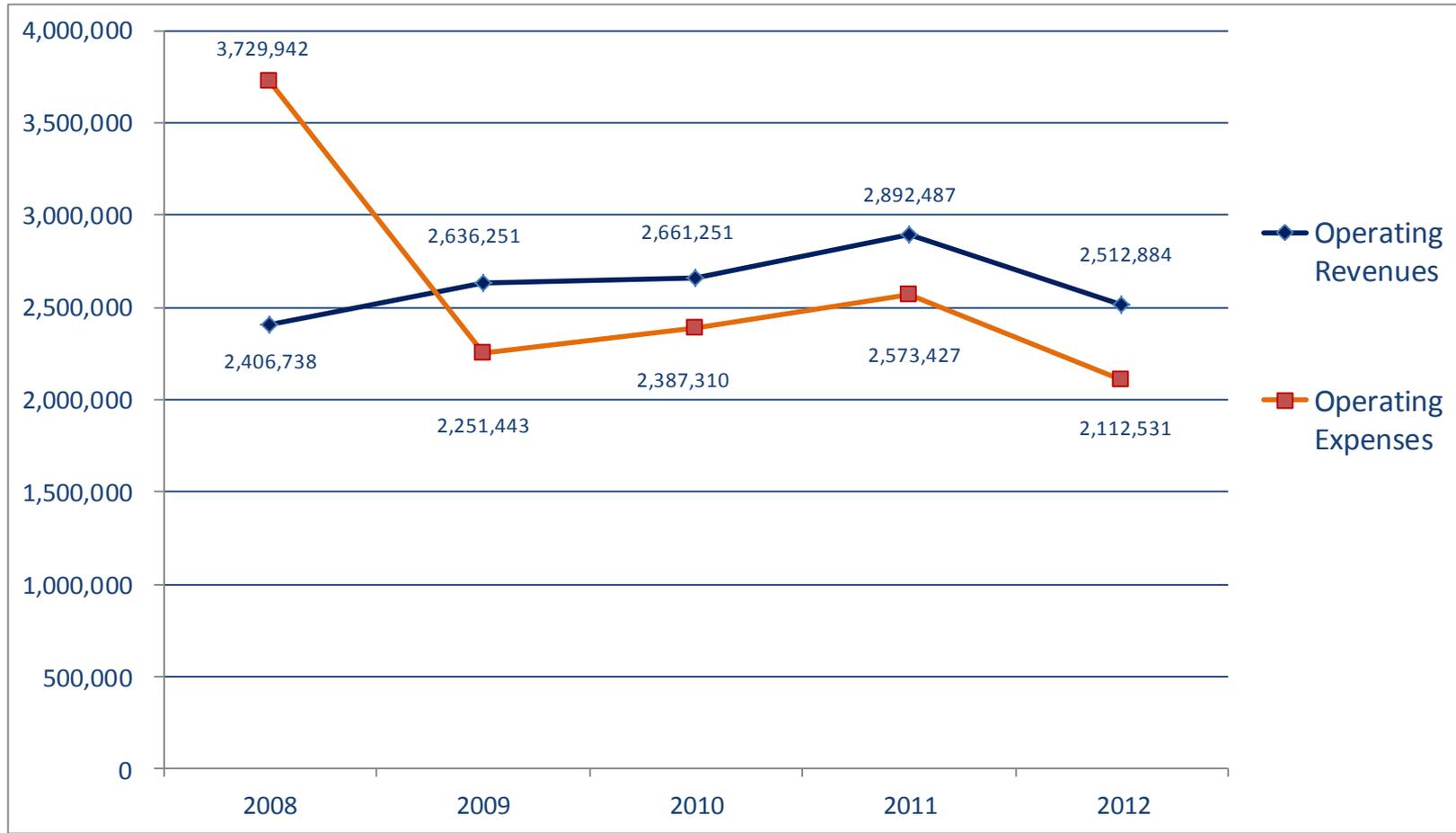
Operating Revenues

- Decreased \$379,603, 13.1%
 - Decreased consumption of 15%

Operating Expenses

- Decreased \$460,896, 17.9%
 - Purchased water and sewer decreased \$299,394
 - Personnel costs decreased \$70,653

Water/Sewer Operating Revenues and Expenses – Last 5 Years



Electric Fund

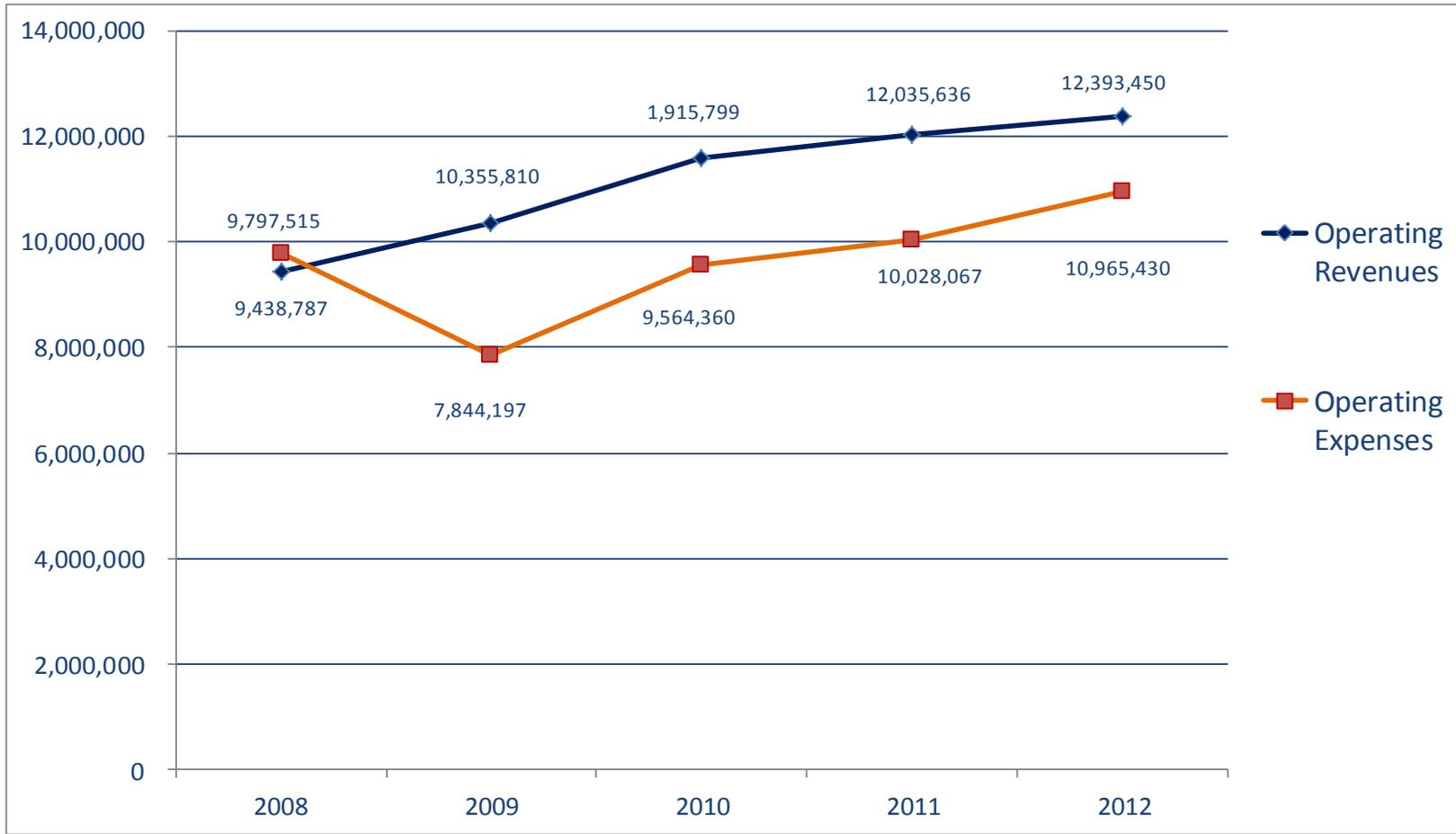
Operating Revenues

- Increased \$357,814, 3.0%
 - Increase in average power cost adjustment

Operating Expenses

- Increased \$937,363, 9.3%
 - Purchased electricity increased \$941,704

Electric Operating Revenues and Expenses – Last 5 Years



Solid Waste Fund

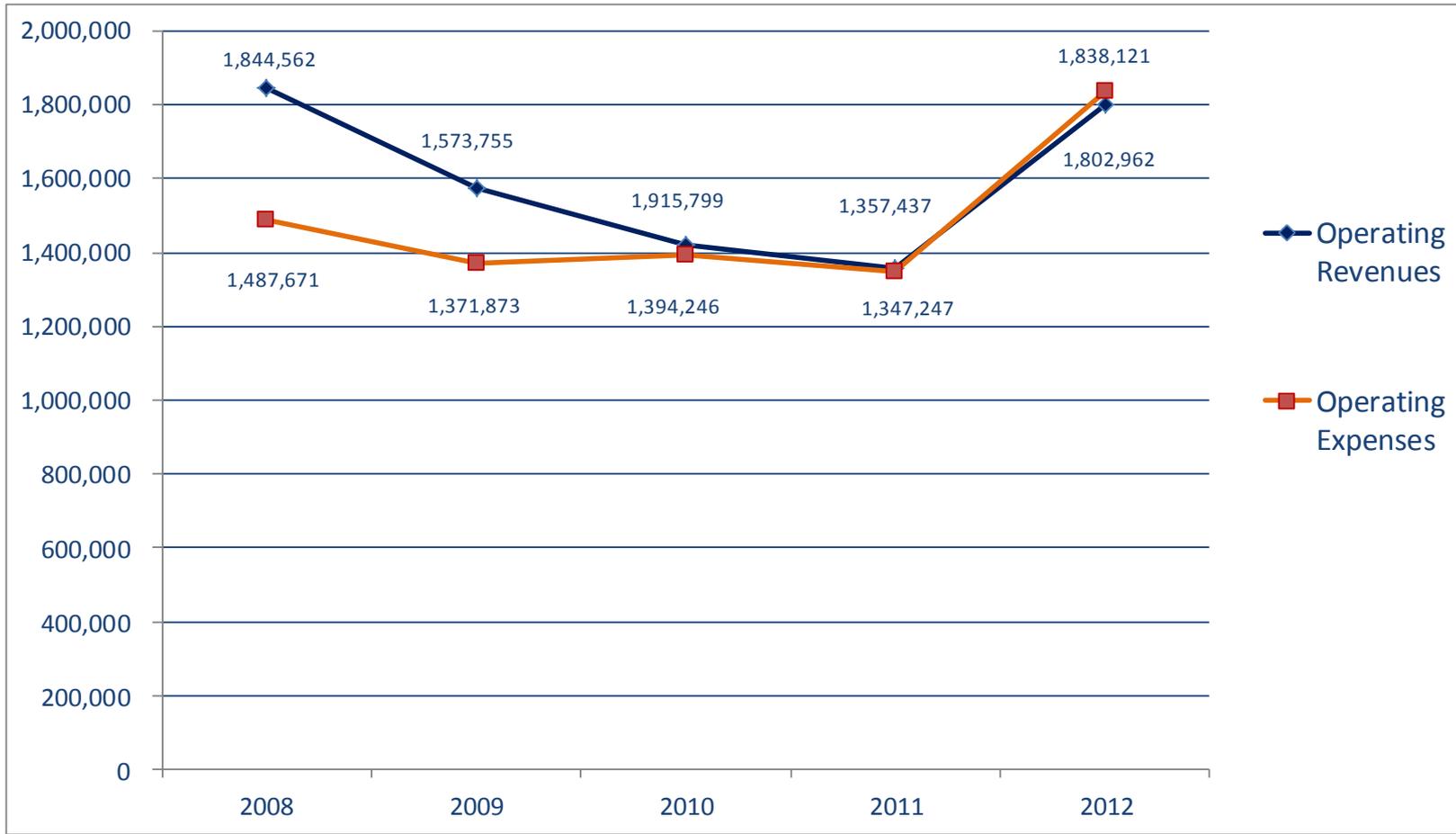
Operating Revenues

- Increased \$455,715, 33.8%
 - Annexation of Mitchell Road/Brookhaven Road area

Operating Expenses

- Increased \$480,684, 35.4%
 - Contract services for waste disposal increased \$508,723

Solid Waste Operating Revenues and Expenses – Last 5 Years



Report on Internal Control and Other Matters

In accordance with *Government Auditing Standards*, we have issued our report on our consideration of the City of Norcross's internal controls and our tests of compliance.

This report describes the scope of our testing of internal control and compliance, and the results of that testing, but is not intended to provide an opinion on the internal control or compliance.

No material weaknesses were noted in the internal controls of the City of Norcross. However, we did note 1 deficiency which is reported as a significant deficiency. Note 1 instance of material noncompliance or other matters that is required to be reported.

Report on Compliance and Internal Controls over Major Program

In accordance with OMB Circular A-133, we have issued our report on our consideration of the City of Norcross' compliance with requirements applicable to each major program and on internal control over compliance.

This report describes the scope of our testing of compliance requirements and internal controls over major programs, and the results of that testing. We are required to express an opinion on the City's compliance with requirements; our opinion is unqualified. This report is not intended to provide an opinion on the internal control.

No material weaknesses or significant deficiencies were noted in the internal controls of the City of Norcross over the compliance requirements applicable to the major programs.

Required Communications

Auditor's Responsibilities

- To plan and perform the audit to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatements
- To examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- To assess the accounting principals used and significant estimates made by management, as well as evaluate the overall financial statement presentation

We believe our audit accomplishes these objectives

Required Communications

Accounting Policies

- The significant accounting policies are described in Note 2 to the financial statements
- During 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Accounting Estimates

- Estimates are an integral part of financial statement preparation by management. Most sensitive estimates:
 - Life expectancy of capital assets for depreciation
 - Allowance for doubtful accounts for property taxes and utility billings receivable

Required Communications

Corrected Audit Adjustments

- Audit adjustments were discussed and approved by management
- Adjustments were provided to and recorded by management

Uncorrected Audit Adjustments

- Schedule of uncorrected immaterial adjustments were provided to and approved by management
- The adjustments were evaluated and determined to be quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements

Required Communications

Disagreements with Management

- We are pleased to report no disagreements with management arose during the course of our audit

Difficulties Encountered in Performing the Audit

- We encountered no difficulties in dealing with management in performing and completing our audit

Management Representations

- We have requested and received written representations from management relating to the completeness and accuracy of the information included in the financial statements and other information requested by us during the audit

Management Consultations with Other Independent Accountants

- We are not aware of any consultations management had with other accountants about accounting or auditing matters

Required Communications

Other Audit Findings or Issues

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

GASB 68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting of Pensions*.

The statement will require governments with defined benefit pension plans to record and report the unfunded pension liability. For the City, this amount was \$1,766,738 (P. 65) at December 31, 2012.

GASB No. 68 becomes effective for the year ending December 31, 2015.



RUSHTON & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 2917 | 726 SOUTH ENOTA DRIVE | SUITE A | GAINESVILLE, GA 30503 | USA
+1.770.287.7800 [P] | +1.770.287.7801 [F] | RUSHTONANDCOMPANY.COM

Growing futures.