



MAULDIN & JENKINS

CPAs & ADVISORS

CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
June 30, 2023**

CITY OF DULUTH, GEORGIA

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
of the City Council
City of Duluth, Georgia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Duluth, Georgia** (the “City”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions, and the budgetary comparison schedules for the General Fund and the American Rescue Plan Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules, the schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia §48-8-121, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, the schedules of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024 on our consideration of the City of Duluth, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Duluth, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 9, 2024

CITY OF DULUTH, GEORGIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the City of Duluth, Georgia (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. This narrative is intended to assist the reader in understanding significant issues, material deviations from the original budget and provide an overview of financial activities and identify changes in financial position. We encourage readers to consider the information presented herein, in conjunction with the additional information furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$112,147,038 (net position), of this amount, \$36,395,485 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors. The City’s total net position increased by \$9,374,035 during the fiscal year ended June 30, 2023, with an increase in governmental activities of \$8,195,241 and an increase of \$1,178,794 in business-type activities.
- As of June 30, 2023, the City’s governmental funds reported combined ending fund balances of \$40,098,288 an increase of \$5,639,688 in comparison with the prior year. Much of this increase can be attributed to the activities of the General Fund with a positive change in fund balance of \$5,179,992. The General Fund increase is due mainly to increases in taxes, intergovernmental revenue, and interest income.
- The unassigned fund balance for the General Fund at June 30, 2023 was \$22,255,737 which was 88% of total General Fund expenditures and transfers-out for the year.
- General Fund taxes, which includes property taxes, motor vehicle title ad valorem tax (TAVT), franchise, occupational, insurance premium and alcohol excise taxes, increased by \$3,352,749 or 17.5% from the prior year. Taxes are the largest General Fund revenue source accounting for 80% of the total revenue.

Overview of the Financial Statements

The Annual Financial Report consists of a series of financial statements. This narrative is intended to serve as an introduction to the basic financial statements. The City’s basic financial statements comprise three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances. They are prepared using the accrual basis of accounting, which is the accounting method used in most private-sector companies. There are two government-wide statements: the statement of net position and the statement of activities, which are described below.

- 1) The “statement of net position” presents information on all of the City’s assets, liabilities, and deferred inflows and outflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.
- 2) The “statement of activities” presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Both of the government-wide financial statements distinguish between functions that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, police services, public works, planning and zoning, economic and community development, parks, municipal court and code enforcement. Business-type activities include stormwater services and the financing and development activities of the City's blended component units, the Downtown Development Authority and the Urban Redevelopment Authority.

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund Financial Statements: 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. Fund financial statements focus on the most significant funds, reporting on the City's operations in greater detail than the government-wide statements. All of the City's funds can be divided into two categories: governmental and proprietary.

Governmental Funds: Most of the basic services provided by the City are financed through governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. These statements assist the reader in determining whether there are adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is short-term and the focus of the government-wide financial statements is both short-term and long-term, 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. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 19 individual governmental funds. Information is presented separately in the governmental fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balance for the four funds which are considered to be major funds.

The City adopts an annual appropriated budget for the General Fund and all special revenue funds. Project length budgets are adopted for all capital project funds. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary Funds: The City maintains two different types of proprietary funds, three enterprise funds, and three internal service funds. Enterprise funds charge a fee for services to outside customers. The City uses enterprise funds to account for its stormwater fees as well as the financing and development activities of the City's blended component units, the Downtown Development Authority ("DDA") and the Urban Redevelopment Agency ("URA"). The City's enterprise fund statements are the same as the business-type activities reported in the government-wide financial statements, but provide more detail. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities. The City uses internal service funds to account for the activities of the Duluth Governmental Finance Corporation, a Health Reimbursement Fund, and a risk management fund (the Workers' Compensation Fund). Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

CITY OF DULUTH, GEORGIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The three internal service funds are combined into a single, aggregated column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential for the reader in order to obtain 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 24-52 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligations to provide pension benefits to its employees and a budgetary comparison for the General Fund.

The required supplementary information can be found on pages 53-58 of this report.

The “combining statements” referred to earlier in connection with non-major governmental (special revenue and capital projects) and internal service funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 59-70 of this report.

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$112,147,038 and \$102,773,003 at June 30, 2023 and 2022, respectively. The following is a condensed version of the government-wide statement of net position.

City of Duluth – Net Position

	Governmental Activities		Business-Type		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 51,745,039	\$ 46,845,974	\$ 23,561,568	\$ 27,465,450	\$ 75,306,607	\$ 74,311,424
Capital assets	66,972,688	64,832,752	15,391,844	12,869,451	82,364,532	77,702,203
Total assets	<u>118,717,727</u>	<u>111,678,726</u>	<u>38,953,412</u>	<u>40,334,901</u>	<u>157,671,139</u>	<u>152,013,627</u>
 Deferred Outflows	 <u>3,087,587</u>	 <u>1,338,655</u>	 <u>48,912</u>	 <u>38,971</u>	 <u>3,136,499</u>	 <u>1,377,626</u>
 Liabilities:						
Long-term liabilities						
outstanding	80,437	-	33,498,293	35,482,528	33,578,730	35,482,528
Other liabilities	12,074,303	10,023,261	2,721,085	3,271,639	14,795,388	13,294,900
Total liabilities	<u>12,154,740</u>	<u>10,023,261</u>	<u>36,219,378</u>	<u>38,754,167</u>	<u>48,374,118</u>	<u>48,777,428</u>
 Deferred Inflows	 <u>267,755</u>	 <u>1,806,542</u>	 <u>18,727</u>	 <u>34,280</u>	 <u>286,482</u>	 <u>1,840,822</u>
 Net Position (deficit):						
Net Investment in						
capital assets	65,521,191	63,224,397	(3,684,259)	(4,182,496)	61,836,932	59,041,901
Restricted	13,914,621	13,051,489	-	-	13,914,621	13,051,489
Unrestricted	29,947,007	24,911,692	6,448,478	5,767,921	36,395,485	30,679,613
Total net position (deficit)	<u>\$ 109,382,819</u>	<u>\$ 101,187,578</u>	<u>\$ 2,764,219</u>	<u>\$ 1,585,425</u>	<u>\$ 112,147,038</u>	<u>\$ 102,773,003</u>

The largest portion of the City's net position (55%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. These capital assets are used by the City to provide services to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Excluding the City's Net Investment in Capital Assets of \$61,836,932. The City has a remaining net position of \$50,310,106. Of which \$13,197,150 is restricted for capital construction, \$116,420 is restricted for law enforcement, and \$282,666 and \$318,385 are restricted by enabling legislation or outside grants or agreements for disbursement on capital projects, and recreation, respectively. The remaining balance of unrestricted net position \$36,395,485 may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities increased the City's net position by \$8,195,241 and business-type activities increased the City's net position by \$1,178,794. The increase in governmental activities was primarily due to increases in operating grants and contributions for public safety, property taxes interest earned and miscellaneous revenue.

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The increase in Business-Type Activities was primarily due to a decrease in Urban Redevelopment Agency expenditures and increase in stormwater charges for services.

The following condensed financial information was derived from the government-wide statement of activities and summarizes changes in net position for the years ended June 30, 2023, and 2022.

City of Duluth – Changes in Net Position

	Governmental Activities		Business-Type		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 4,414,045	\$ 4,886,272	\$ 1,837,392	\$ 1,528,089	\$ 6,251,437	\$ 6,414,361
Operating grants and contributions	2,680,725	321,472	-	-	2,680,725	321,472
Capital grants and contributions	11,670,092	10,635,752	-	100,000	11,670,092	10,735,752
General revenues:						
Property taxes	14,841,729	11,825,523	-	-	14,841,729	11,825,523
Insurance premium tax	2,611,023	2,212,202	-	-	2,611,023	2,212,202
Other taxes	7,190,566	6,612,705	-	-	7,190,566	6,612,705
Other	1,916,747	660,281	325,083	282,359	2,241,830	942,640
Total revenues	<u>45,324,927</u>	<u>37,154,207</u>	<u>2,162,475</u>	<u>1,910,448</u>	<u>47,487,402</u>	<u>39,064,655</u>
Expenses						
General government	6,870,780	5,567,340	-	-	6,870,780	5,567,340
Public safety	10,634,632	10,049,423	-	-	10,634,632	10,049,423
Public works	9,914,596	4,611,166	-	-	9,914,596	4,611,166
Culture and recreation	6,706,784	6,991,918	-	-	6,706,784	6,991,918
Housing and development	502,461	599,446	-	-	502,461	599,446
Interest on long term debt	6,986	-	-	-	6,986	-
Stormwater	-	-	1,534,161	1,382,381	1,534,161	1,382,381
Development financing	-	-	1,942,967	2,596,856	1,942,967	2,596,856
Total expenses	<u>34,636,239</u>	<u>27,819,293</u>	<u>3,477,128</u>	<u>3,979,237</u>	<u>38,113,367</u>	<u>31,798,530</u>
Transfers	<u>(2,493,447)</u>	<u>(2,740,576)</u>	<u>2,493,447</u>	<u>2,740,576</u>	<u>-</u>	<u>-</u>
Change in net position	8,195,241	6,594,338	1,178,794	671,787	9,374,035	7,266,125
Net position-July 1	101,187,578	94,593,240	1,585,425	913,638	102,773,003	95,506,878
Net position-June 30	<u>\$ 109,382,819</u>	<u>\$ 101,187,578</u>	<u>\$ 2,764,219</u>	<u>\$ 1,585,425</u>	<u>\$ 112,147,038</u>	<u>\$ 102,773,003</u>

Governmental activities: Governmental activities revenues totaled \$45,324,927 for the fiscal year 2023. Property taxes are the largest revenue source for governmental activities, accounting for 33% of total revenues. Capital grants (which include sales taxes from the County) and other taxes (which include insurance premium, motor vehicle and franchise taxes), and charges for services are the second, third, and fourth largest revenue sources accounting for 26%, 16%, and 10%, respectively, of governmental revenues for the year.

Governmental activities expenses totaled \$34,636,239 for the fiscal year 2023. Of the expenses, 31% are related to public safety. In addition, public works and general government accounted for 29% and 20% of total governmental expenses for the year, respectively. Overall, expenses increased 25% when compared to the prior year. Most notable was the increase in public works expenditures of \$5,303,430, which was largely due to one-time expenditures for various maintenance costs and new rates for garbage disposal.

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Business-type activities: Business-type activities increased the City's net position by \$1,178,794 due to an increase in stormwater fee and interest earned on unspent bond funds and decrease Urban Redevelopment Agency expenditures.

Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the City's governmental funds is 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$40,098,288 an increase of \$5,639,688 or 16% in comparison with the prior year. Approximately 54% of the fund balance or \$21,680,694 is classified as unassigned. This unassigned fund balance is net of \$575,043 in fund balance deficits to be funded by future revenues or transfers. The remaining fund balance is classified as follows: non-spendable form (\$424,214), restricted (\$13,032,254), committed (\$2,837,268) and assigned (\$2,123,858).

The General Fund is the chief operating fund of the City, at the end of the current fiscal year, the unassigned fund balance of the General Fund was \$22,255,737. As a measure of the General Fund's liquidity, it would be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 88% of total General Fund expenditures plus transfers-out.

The fund balance of the City's General Fund increased by \$5,179,992 during the current fiscal year. Key factors in this activity are as follows:

- Overall General Fund revenue before transfer and proceeds from the sale of capital assets, exceed expenditures by \$4,918,149 or 121%.
- Revenues from taxes, intergovernmental, and interest income increased from the prior year. Fines and forfeitures, meaning revenue derived from citations issued by our police department, saw the largest decrease of \$451,279 over the prior year. This was due to a staffing shortage in the police department which resulted in officers being moved to other assignments. Many police departments metro-wide and across the county are experiencing a shortage in staffing.
- Transfer Ins, which is transfer from another fund within the government, increased by \$2,073,127. The increase was the result of a transfer from the American Rescue Plan Act 2021 fund to cover the salaries of the uniform officers based on rules governing lost revenue standard allowance election.

The American Rescue Plan Fund is the result of funding received from the federal government as part of the American Rescue Plan Act of 2021. The fund is holding cash until allowable expenditures are identified and charged to the program. Currently the City is partnering with Gwinnett County to install sanitary sewer lines in the Pinecrest and Hill communities. The City is responsible for land acquisition of both permanent and temporary easements estimated to cost approximately \$3,000,000. The City is also responsible for 100% of the construction cost after a \$1,000,000 contribution by Gwinnett County. The cost of construction is estimated to be approximately \$8,000,000.

The SPLOST 2017 Fund began collecting sales taxes in April 2017 and continues to spend sales tax proceeds primarily, during the year ended June 30, 2023, as transfers to reimburse other funds for past allowable SPLOST projects for transportation, parking, public safety, and recreation projects. Collections totaled \$5,049,180 and remaining fund balance of \$9,761,790 is available for spending on eligible projects.

**CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The Other Capital Project Fund was a consolidation of several smaller capital project funds for reporting purposes in the fiscal year 2023. The fund accounts for capital construction primarily funded through transfers from the General Fund and intergovernmental agreements with Gwinnett County and neighboring Cities.

Proprietary funds: The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about the funds. The activity of the Downtown Development Authority and the Urban Redevelopment Agency present revenue from the development of properties within the boundary for each and the debt service of bonds which were issued to fund the development. For fiscal year 2023, the majority of the debt service of these funds was funded by transfers in from other funds primarily the General Fund and Tax Allocation District.

The Stormwater Fund activity resulted in revenues exceeding expenditures by \$204,006 for the year ended June 30, 2023. This was the result of an increase in revenue due to additional assessments as a result of growth in new properties.

At the fiscal year end, the Workers' Compensation Fund has an unrestricted net position of \$410,883. Because the City self-insures for workers' compensation, this balance is planned to be used for paying claims and purchasing an excess workers' compensation policy. The Duluth Governmental Finance Corporation has no liabilities and only capital assets consisting of land and a building with a balance (net of accumulated depreciation) of \$2,092,620. The Health Reimbursement Fund has an unrestricted net position of \$129,811.

General Fund Budgetary Highlights

During the year, several budget amendments were adopted by the City Council and are included in the final budget column totals. The net impact of these amendments did not change the revenues, but increased expenditures by \$284,476 or 1.1%, increased net transfers out by \$1,247,443 or 88.2%.

During the year, General Fund revenues were more than budgetary projections and expenditures were less than budgetary estimates. Actual revenues were \$2,108,513 more than estimates mainly due to higher than anticipated property taxes, residential and commercial permit fees for new construction and renovations, interest income on investments due to higher interest rates, and miscellaneous revenue from a variety of sources. Expenditures were \$2,865,920 less than budgetary appropriations due to supply chain issues causing long lead times for certain items, staff vacancies in various departments, mainly the police support services.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$66,972,688, net of accumulated depreciation. The investment in capital assets includes land, plant and buildings, machinery, equipment and fixtures, streets and drainage, and construction in progress. Overall, the City's capital assets increased from June 30, 2022, due to additions exceeding depreciation. The additions to governmental capital assets are attributable to vehicle and land purchases, and ongoing construction projects: Taylor Park Playground, Rogers Bridge Park Pedestrian Bridge, and the new synthetic all weather turf plaza on Main Street.

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

City of Duluth – Capital Assets
Governmental Activities

	2023	2022
Land and improvements	\$17,315,530	\$16,281,772
Buildings	42,774,872	42,774,872
Improvement other than buildings	69,774,223	61,950,987
Land Improvements	16,270,300	13,027,978
Furniture, machinery, and equipment	10,922,939	9,928,993
Construction in progress	6,453,954	10,311,867
Less accumulated depreciation	(81,147,286)	(76,574,266)
Total	<u>\$82,364,532</u>	<u>\$77,702,203</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

Long-term debt: On June 30, 2023, the City had no general obligation bonded debt outstanding. The blended component units of the City, the Downtown Development Authority and the Urban Redevelopment Authority have outstanding revenue bonds of \$8,620,049 and \$26,869,010, respectively. This represents a decrease of \$1,814,724 during the fiscal year 2023 due to the repayment of bonds at scheduled maturity during the year.

Additional information on the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

With the federal government declaring an end to the national pandemic known as COVID-19 in May of 2023, the City of Duluth is poised to make a strong comeback both in terms of its financial outlook and the overall spirit and vitality of its citizens and business. The City has seen an increase in economic activity in terms of personal spending locally and an increase in private sector construction activity throughout the City. For its part the City continues to move ahead with many of its construction activities, including the long awaited dedication of the pedestrian bridge across the Chattahoochee River in Rogers Bridge Park, the opening of the all weather synthetic turf area in downtown along Main Street in between Truck & Tap and LR Burger. The soon to be completed enhanced sidewalk along Main Street from Rogers Bridge Road to Peachtree Industrial Boulevard which will provide greater pedestrian access to downtown. To continue to move the City ahead some ongoing and possibly new issues affecting the finances and overall well-being of the City will need to be addressed in upcoming and future budgets. Not the least of which is the hiring of additional police officer to fill the current vacancies the police department. Implementing the full cost of new city-wide curb-side trash collection contract into the upcoming budget. Awarding a new contract for landscape maintenance of City owned properties with some expansion of service. Final implementation of a \$20 minimum wage for all full-time and permanent part-time employees and the pressures on the budget caused by inflation.

When comparing the City's General Fund revenue sources to the prior year, the City has seen a 20% increase in General Property Taxes, the City's largest revenue source. A 14% increase in Business/Occupational Taxes, and a 1,087% increase in Interest Revenue from the investment of City funds. However, the City did see a 15% decrease in Fines and Forfeitures when compared to the prior year. Much of this growth in revenues can be attributed to increase on the value of residential and commercial properties, growth in the population of Georgia and Duluth in general, and the increase in interest rates on money market investment and certificates of deposit. The decrease in fines and forfeitures can be attributed to vacancies in the police department and the driver awareness of the school zone speed cameras that have resulted in fewer drivers speed and a reduction in revenue.

**CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

In terms of expenditures, the City's total General Fund expenditures increased by 12.2%. The majority of this increase can be attributed to adding an additional \$1,250,000 to the Public Works solid waste disposal to implement the new solid waste contract and a transfer of \$350,000 to the Workers Compensation Fund due to higher than expected claims experience. Excluding these expenditures the increase would be 5.1%. Aside from the staffing issue in the police department and the final implementation of a minimum \$20 an hour wage for all full and permanent part-time employees mentioned above, the upcoming budget will need to include additional funds for the new landscape maintenance contract which is expected to increase for the additional services and cost of labor.

General Fund budget revenues for the fiscal year 2024 are forecasted to increase in several areas due to a variety of factors, including the reassessment of existing properties, added value of new construction, revenue increases based on an increase in population which leads to an increase on motor vehicle taxes, excise taxes on alcohol, and permits for residential and commercial construction. Excluding transfer to other funds, overall revenues are budget to increase by 8.4% compared to the fiscal year 2023 Amended Budget. The largest increase is in the category General Property Taxes, which increased by 10% over the prior year's budget. This category includes property taxes, the City's largest revenue source, Motor Vehicle Title Ad-Valorem Tax, Transfer Tax, Intangible Tax and Franchise. The biggest increase was in property taxes, which increased 11% or \$1,450,000. This increase can be attributed to an increase in home values, which is the basis for the tax and new residential and commercial development. The category Business Taxes also showed a significant increase of \$499,200 or 14%. The taxes in this category include Occupational Tax (Business License), Insurance Premium Tax and Institutional Tax. The Insurance Premium Tax increased by \$500,000 or 23%. This increase is based on an increase on the population of Duluth and prior year's actual revenue. These forecasted increases have allowed the City to address some of the budget issues mentioned above.

An ongoing issue the City will continue to address in the fiscal year 2024 General Fund budget is employee compensation, recruitment, and retention. Due to the many different aspects involved, including time to develop a compensation study, employee morale, overall organizational structure and financial sustainability, it is necessary to implement the changes over several budget years. To address this issue in the current year, the minimum pay for all full-time employees is \$20 per hour and \$15 for part-time employees. The budget also includes a 4% increase for all staff members. The City is considering a housing stipend for all police officers who live within the city limits, but the policy has not yet been implemented. The Information Technology (IT) department will be implementing additional measures to safeguard the City's computer system from ransomware attacks establish a cybersecurity preparedness program and installing password management and 2 factor authentication at a budget cost of over \$65,000. Staff continues to receive ongoing training on how to spot and prevent online cyber-attacks. Regarding residential garbage collections, the City has agreed to a two-year short-term contract with the garbage hauler. At the end of the two years, each resident will receive two carts, one for garbage and one for recycling. They will no longer be required to purchase colored garbage bags and the City will be billed monthly by the garbage hauler for the cost of curbside pickup service. The two-year contract started in May 2022 and the full annual cost of \$1,634,000 is included in the fiscal year 2024 budget. It is also worth noting, one of the largest utility bills for the City is electric. The City largest electric provider was granted a 2.8% rate increase in 2023 and a 4.5% rate increase in 2024 and 2025. This increase has been built into the upcoming budget but will also affect future budgets.

The City's revenues remain strong but will need to be closely monitored due to changing economic conditions and expenditure growth has not out paced the growth in revenues, but factors mentioned above will need to be considered to maintain the current level of service.

The Mayor and Council along with City staff are focused on making Duluth a city that is safe, inviting, and welcoming to all visitors. We continue to expand our events to create not only a place where people can gather to

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

have a good time, but also to create a sense of community in the city and create an inviting place where visitors come to have a good time. I believe these efforts are making Duluth a place where people want to live, work, and above all play.

Request for Information

This financial report is designed to provide a general overview of the City of Duluth's finances for our citizens, taxpayers, customers, investors, creditors, and other interested parties. Questions concerning any of the information should be addressed to the City of Duluth, Office of the City Manager, Attn: Kenneth Sakmar, Assistant City Manager, 3167 Main Street, Duluth, Georgia 30096.

BASIC FINANCIAL STATEMENTS

City of Duluth, Georgia

Statement of Net Position June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 43,610,216	\$ 18,463,466	\$ 62,073,682
Investments	3,752,877	-	3,752,877
Accounts receivable	2,609,640	18,040	2,627,680
Taxes receivable	370,070	-	370,070
Intergovernmental	978,482	-	978,482
Internal balances	(460)	460	-
Prepaid items	424,214	-	424,214
Notes receivable, current	-	131,124	131,124
Notes receivable, long-term	-	4,948,478	4,948,478
Nondepreciable capital assets	18,638,116	5,131,368	23,769,484
Depreciable capital assets, net	48,334,572	10,260,476	58,595,048
TOTAL ASSETS	118,717,727	38,953,412	157,671,139
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	3,890	3,890
Pension related items	3,087,587	45,022	3,132,609
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,087,587	48,912	3,136,499
LIABILITIES			
Current liabilities:			
Accounts payable	1,625,020	437,778	2,062,798
Retainage payable	307,294	79,579	386,873
Accrued expenses	567,804	-	567,804
Accrued interest payable	-	182,948	182,948
Unearned revenue	7,566,891	-	7,566,891
Noncurrent liabilities:			
Financed purchases due within one year	23,759	-	23,759
Financed purchases due in more than one year	80,437	-	80,437
Bonds payable due within one year	-	1,990,766	1,990,766
Bonds payable due in more than one year	-	33,498,293	33,498,293
Compensated absences payable due within one year	678,823	-	678,823
Net pension liability	1,304,712	30,014	1,334,726
TOTAL LIABILITIES	12,154,740	36,219,378	48,374,118
DEFERRED INFLOWS OF RESOURCES			
Pension related items	267,755	18,727	286,482
TOTAL DEFERRED INFLOWS OF RESOURCES	267,755	18,727	286,482
NET POSITION			
Net investment in capital assets	65,521,191	(3,684,259)	61,836,932
Restricted for capital construction	13,197,150	-	13,197,150
Restricted for law enforcement	116,420	-	116,420
Restricted for federal programs	282,666	-	282,666
Restricted for recreation	318,385	-	318,385
Unrestricted	29,947,007	6,448,478	36,395,485
TOTAL NET POSITION	\$ 109,382,819	\$ 2,764,219	\$ 112,147,038

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Activities For the Year Ended June 30, 2023

				Net (Expense) Revenue and Changes in Net Position			
		Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 6,870,780	\$ 1,309,845	\$ -	\$ 140,930	\$ (5,420,005)	\$ -	\$ (5,420,005)
Public safety	10,634,632	2,838,698	2,675,825	1,248,821	(3,871,288)	-	(3,871,288)
Public works	9,914,596	10,894	-	8,006,527	(1,897,175)	-	(1,897,175)
Culture and recreation	6,706,784	254,608	4,900	2,273,814	(4,173,462)	-	(4,173,462)
Housing and development	502,461	-	-	-	(502,461)	-	(502,461)
Interest on long-term obligations	6,986	-	-	-	(6,986)	-	(6,986)
Total Governmental Activities	34,636,239	4,414,045	2,680,725	11,670,092	(15,871,377)	-	(15,871,377)
Business-Type Activities:							
Downtown Development Authority	951,553	99,460	-	-	-	(852,093)	(852,093)
Urban Redevelopment Authority	991,414	-	-	-	-	(991,414)	(991,414)
Stormwater	1,534,161	1,737,932	-	-	-	203,771	203,771
Total Business-Type Activities	3,477,128	1,837,392	-	-	-	(1,639,736)	(1,639,736)
Total - Primary Government	\$ 38,113,367	\$ 6,251,437	\$ 2,680,725	\$ 11,670,092	(15,871,377)	(1,639,736)	(17,511,113)
GENERAL REVENUES:							
Taxes:							
Property					14,841,729	-	14,841,729
Insurance premium					2,611,023	-	2,611,023
Other					7,190,566	-	7,190,566
Interest earned					383,392	318,355	701,747
Miscellaneous					1,482,104	6,728	1,488,832
Gain on sale of capital assets					51,251	-	51,251
Total General Revenues					26,560,065	325,083	26,885,148
Transfers					(2,493,447)	2,493,447	-
Total General Revenues and Transfers					24,066,618	2,818,530	26,885,148
Change in Net Position					8,195,241	1,178,794	9,374,035
NET POSITION BEGINNING OF YEAR					101,187,578	1,585,425	102,773,003
NET POSITION END OF YEAR					\$ 109,382,819	\$ 2,764,219	\$ 112,147,038

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	American Rescue Plan Fund	SPLOST 2017 Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 23,160,858	\$ 7,642,203	\$ 9,761,790	\$ -	\$ 2,510,394	\$ 43,075,245
Investments	3,752,877	-	-	-	-	3,752,877
Receivables:						
Taxes	338,491	-	-	-	31,579	370,070
Accounts	1,234,698	-	-	-	1,320,791	2,555,489
Intergovernmental	2,765	-	-	975,717	-	978,482
Due from other funds	640,897	-	-	800	9,889	651,586
Prepaid items	424,214	-	-	-	-	424,214
TOTAL ASSETS	\$ 29,554,800	\$ 7,642,203	\$ 9,761,790	\$ 976,517	\$ 3,872,653	\$ 51,807,963
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 555,591	\$ 282,666	\$ -	\$ 292,407	\$ 492,153	\$ 1,622,817
Retainage payable	-	-	-	307,294	-	307,294
Accrued salaries payable	224,977	-	-	-	-	224,977
Accrued expenditures	292,222	-	-	-	-	292,222
Due to other funds	15,601	-	-	613,630	27,195	656,426
Unearned revenue	-	7,359,537	-	-	207,354	7,566,891
TOTAL LIABILITIES	1,088,391	7,642,203	-	1,213,331	726,702	10,670,627
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,039,048	-	-	-	-	1,039,048
TOTAL DEFERRED INFLOWS OF RESOURCES	1,039,048	-	-	-	-	1,039,048
FUND BALANCES						
Nonspendable:						
Prepaid items	424,214	-	-	-	-	424,214
Restricted:						
Capital construction	-	-	9,761,790	-	2,835,659	12,597,449
Law enforcement	-	-	-	-	116,420	116,420
Culture and recreation	-	-	-	-	318,385	318,385
Committed:						
Capital construction	2,646,928	-	-	-	-	2,646,928
Employee flexible spending	30,140	-	-	-	-	30,140
Equipment purchases	-	-	-	-	160,200	160,200
Assigned:						
SDS Settlement	1,260,470	-	-	-	-	1,260,470
Gateway construction	-	-	-	5,500	-	5,500
Train viewing platform	-	-	-	48,016	-	48,016
FY 2024 budget	809,872	-	-	-	-	809,872
Unassigned (deficit)	22,255,737	-	-	(290,330)	(284,713)	21,680,694
TOTAL FUND BALANCES (DEFICIT)	27,427,361	-	9,761,790	(236,814)	3,145,951	40,098,288
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 29,554,800	\$ 7,642,203	\$ 9,761,790	\$ 976,517	\$ 3,872,653	\$ 51,807,963

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2023*

TOTAL GOVERNMENTAL FUND BALANCES	\$	40,098,288
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Cost	\$	138,302,729
Less accumulated depreciation		<u>(73,422,661)</u>
		64,880,068
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes and franchise taxes		1,039,048
Internal service funds are used by management to charge the costs of financing and workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		
		2,633,314
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and therefore are not reported in the funds.		
Deferred outflows of resources-pension items	\$	3,087,587
Deferred inflows of resources-pension items		(267,755)
Net pension liability		<u>(1,304,712)</u>
		1,515,120
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Financed purchase		(104,196)
Compensated absences		<u>(678,823)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>109,382,819</u>

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	American Rescue Plan Fund	SPLOST 2017 Fund	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 22,459,932	\$ -	\$ -	\$ -	\$ 1,935,707	\$ 24,395,639
Licenses and permits	1,248,849	-	-	-	-	1,248,849
Intergovernmental	643,028	3,685,783	5,049,180	1,223,964	3,522,260	14,124,215
Charges for services	386,618	-	-	-	-	386,618
Interest income	382,890	-	207,585	-	12,446	602,921
Fines and forfeitures	2,642,238	-	-	-	84,869	2,727,107
Miscellaneous	386,954	-	-	-	43,044	429,998
TOTAL REVENUES	28,150,509	3,685,783	5,256,765	1,223,964	5,598,326	43,915,347
EXPENDITURES						
Current:						
General government	5,828,551	-	-	82,556	88,560	5,999,667
Public safety	9,938,724	-	-	747,683	27,469	10,713,876
Public works	5,478,229	1,654,659	-	5,446,785	127,163	12,706,836
Culture and recreation	1,986,856	-	-	595,892	3,587,779	6,170,527
Debt service:						
Principal retirement	-	-	-	22,379	-	22,379
Interest and fiscal charges	-	-	-	6,986	-	6,986
TOTAL EXPENDITURES	23,232,360	1,654,659	-	6,902,281	3,830,971	35,620,271
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,918,149	2,031,124	5,256,765	(5,678,317)	1,767,355	8,295,076
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	61,484	-	-	-	-	61,484
Issuance of financed purchase	-	-	-	126,575	-	126,575
Transfers in	2,169,242	-	-	5,924,663	1,709,034	9,802,939
Transfers out	(1,968,883)	(2,031,124)	(6,020,406)	-	(2,625,973)	(12,646,386)
TOTAL OTHER FINANCING SOURCES (USES)	261,843	(2,031,124)	(6,020,406)	6,051,238	(916,939)	(2,655,388)
NET CHANGE IN FUND BALANCES	5,179,992	-	(763,641)	372,921	850,416	5,639,688
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	22,247,369	-	10,525,431	(609,735)	2,295,535	34,458,600
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 27,427,361	\$ -	\$ 9,761,790	\$ (236,814)	\$ 3,145,951	\$ 40,098,288

See accompanying notes to the basic financial statements.

City of Duluth, 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 June 30, 2023

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 5,639,688
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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	\$ (4,189,699)	
Capital outlay	<u>6,388,493</u>	2,198,794
Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.		247,678
The net effect of disposals of capital assets is to decrease net position		(10,233)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of financed purchase	\$ (126,575)	
Repayment of financed purchase principal	<u>22,379</u>	(104,196)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences		(35,130)
Some expenses reported in the Statement of Activities, related to the change in the net pension liability and the related deferred inflows and outflows of resources, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in net pension liability and related deferred inflows and deferred outflows		177,748
The internal service funds used by management to charge the costs of certain financing and workers' compensation to individual funds are included in the government-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		
		<u>80,892</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 8,195,241</u></u>

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2023

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash	\$ 868,508	\$ 16,479,748	\$ 1,115,210	\$ 18,463,466	\$ 534,971
Accounts receivable	112	-	17,928	18,040	54,151
Notes receivable, current portion	131,124	-	-	131,124	-
Due from other funds	440	-	48	488	4,452
Total Current Assets	1,000,184	16,479,748	1,133,186	18,613,118	593,574
Noncurrent Assets:					
Notes receivable	4,948,478	-	-	4,948,478	-
Capital assets:					
Nondepreciable capital assets	128,795	5,002,573	-	5,131,368	1,654,854
Depreciable capital assets, net	6,348,679	3,201,789	710,008	10,260,476	437,766
Total Noncurrent Assets	11,425,952	8,204,362	710,008	20,340,322	2,092,620
TOTAL ASSETS	12,426,136	24,684,110	1,843,194	38,953,440	2,686,194
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	-	3,890	-	3,890	-
Pension related items	-	-	45,022	45,022	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	3,890	45,022	48,912	-
LIABILITIES					
Current Liabilities:					
Accounts payable	115,122	298,788	23,868	437,778	2,203
Retainage payable	-	79,579	-	79,579	-
Due to other funds	-	-	28	28	72
Claims payable	-	-	-	-	50,605
Accrued interest payable	-	182,948	-	182,948	-
Revenue bonds payable, current portion	29,766	1,961,000	-	1,990,766	-
Total Current Liabilities	144,888	2,522,315	23,896	2,691,099	52,880
Noncurrent Liabilities:					
Revenue bonds payable	8,590,283	24,908,010	-	33,498,293	-
Net pension liability	-	-	30,014	30,014	-
Total Noncurrent Liabilities	8,590,283	24,908,010	30,014	33,528,307	-
TOTAL LIABILITIES	8,735,171	27,430,325	53,910	36,219,406	52,880
DEFERRED INFLOWS OF RESOURCES					
Pension related items	-	-	18,727	18,727	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	18,727	18,727	-
NET POSITION					
Net investment in capital assets	(2,142,575)	(2,251,692)	710,008	(3,684,259)	2,092,620
Unrestricted	5,833,540	(490,633)	1,105,571	6,448,478	540,694
TOTAL NET POSITION	\$ 3,690,965	\$ (2,742,325)	\$ 1,815,579	\$ 2,764,219	\$ 2,633,314

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
OPERATING REVENUES					
Stormwater fees	\$ -	\$ -	\$ 1,737,932	\$ 1,737,932	\$ -
Charges for services	-	-	-	-	15,000
Taxes	99,460	-	-	99,460	-
Other	-	-	-	-	1,095,150
TOTAL OPERATING REVENUES	99,460	-	1,737,932	1,837,392	1,110,150
OPERATING EXPENSES					
Administration	-	-	398,995	398,995	-
Costs of sales and services	-	-	1,037,240	1,037,240	-
Depreciation	579,894	19,822	97,926	697,642	48,625
Claims	-	-	-	-	1,331,134
Other	370,282	360,428	-	730,710	-
TOTAL OPERATING EXPENSES	950,176	380,250	1,534,161	2,864,587	1,379,759
OPERATING INCOME (LOSS)	(850,716)	(380,250)	203,771	(1,027,195)	(269,609)
NON-OPERATING REVENUE (EXPENSE)					
Interest and fiscal charges	(1,377)	(611,164)	-	(612,541)	-
Miscellaneous	6,493	-	235	6,728	-
Interest income	116,054	202,301	-	318,355	501
TOTAL NON-OPERATING INCOME (LOSS)	121,170	(408,863)	235	(287,458)	501
INCOME (LOSS) BEFORE TRANSFERS	(729,546)	(789,113)	204,006	(1,314,653)	(269,108)
Transfers in	-	2,695,040	-	2,695,040	350,000
Transfers out	-	(201,593)	-	(201,593)	-
	-	2,493,447	-	2,493,447	350,000
CHANGE IN NET POSITION	(729,546)	1,704,334	204,006	1,178,794	80,892
NET POSITION:					
BEGINNING OF YEAR	4,420,511	(4,446,659)	1,611,573	1,585,425	2,552,422
END OF YEAR	\$ 3,690,965	\$ (2,742,325)	\$ 1,815,579	\$ 2,764,219	\$ 2,633,314

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received for operations	\$ 99,460	\$ -	\$ 1,739,448	\$ 1,838,908	\$ -
Cash paid for goods and services	(272,741)	(770,878)	(1,834,904)	(2,878,523)	-
Receipts from interfund charges	-	-	-	-	15,000
Cash paid for claims	-	-	-	-	(164,376)
NET CASH USED BY OPERATING ACTIVITIES	(173,281)	(770,878)	(95,456)	(1,039,615)	(149,376)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	2,695,040	-	2,695,040	350,000
Transfers to other funds	-	(201,593)	-	(201,593)	-
Issuance of notes receivable	(1,448,306)	-	-	(1,448,306)	-
Payments received on notes receivable	126,876	-	-	126,876	-
Miscellaneous receipts	6,493	-	235	6,728	-
NET CASH PROVIDED BY (USED BY) NONCAPITAL FINANCING ACTIVITIES	(1,314,937)	2,493,447	235	1,178,745	350,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(4,704)	(1,810,000)	-	(1,814,704)	-
Acquisition of capital assets	-	(3,220,035)	-	(3,220,035)	-
Interest paid on long-term debt	(1,377)	(611,196)	-	(612,573)	-
NET CASH PROVIDED BY (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	(6,081)	(5,641,231)	-	(5,647,312)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	116,054	202,301	-	318,355	501
NET CASH PROVIDED BY INVESTING ACTIVITIES	116,054	202,301	-	318,355	501
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,378,245)	(3,716,361)	(95,221)	(5,189,827)	201,125
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,246,753	20,196,109	1,210,431	23,653,293	333,846
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 868,508	\$ 16,479,748	\$ 1,115,210	\$ 18,463,466	\$ 534,971
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (850,716)	\$ (380,250)	\$ 203,771	\$ (1,027,195)	\$ (269,609)
Adjustments:					
Depreciation	579,894	19,822	97,926	697,642	48,625
Changes in assets and liabilities:					
Accounts receivable	(112)	-	1,516	1,404	52,872
Deferred outflows pension items	-	-	(17,666)	(17,666)	-
Due from other funds	-	-	28	28	(2,082)
Due to other funds	-	(7,500)	-	(7,500)	72
Accounts payable and claims payable	97,653	(389,463)	(437,045)	(728,855)	20,746
Retainage payable	-	(13,487)	-	(13,487)	-
Net pension liability	-	-	71,567	71,567	-
Deferred inflows pension items	-	-	(15,553)	(15,553)	-
NET CASH USED BY OPERATING ACTIVITIES	\$ (173,281)	\$ (770,878)	\$ (95,456)	\$ (1,039,615)	\$ (149,376)

See accompanying notes to the basic financial statements.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Duluth, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Duluth, Georgia was incorporated in 1876. The City operates under the Mayor-Council form of government and provides the following services to its citizens as authorized by its charter: public safety, public works, culture and recreation, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Duluth, Georgia (the “primary government”) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. In conformity with generally accepted accounting principles, all of the component units are reported as blended component units.

Component units of the City do not issue separately audited financial statements.

Due to restrictions of the state constitution relating to the issuance of municipal debt, the City created separate organizations to finance City services with revenue bonds or other nongeneral obligation financing and provide for multiyear contracting. Financing services provided by these organizations are solely for the benefit of the City. Organizations are blended into the City's primary government as an integral part of City operations although retaining separate legal identity.

The Duluth Governmental Finance Corporation (DGFC) is a blended component unit. It oversees funding for a public works facility. The Board consists of the Mayor and Council who have the ability to make all decisions for the Corporation. The DGFC serves only as a financing vehicle for property used by the City. The Corporation is presented as an internal service fund.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Downtown Development Authority (DDA) is a blended component unit. The City Council appoints all members of the Board of Directors of the DDA and the DDA's budget must be approved by the City Council. The DDA serves only as a financing vehicle for redevelopment property on behalf of the City. The DDA is presented as a proprietary fund.

The Urban Redevelopment Authority (URA) is a blended component unit. The City Council appoints all members of the Board of Directors of the URA and those board members may be removed by the City Council. The URA serves only as a financing vehicle for redevelopment property on behalf of the City. The URA is presented as a proprietary fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. 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.

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 those 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 activities and business-type activities in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term financing, compensated absences, pension liabilities, and claims, are recorded only when payment is due. Property taxes, sales taxes, franchise taxes, intergovernmental revenue, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, *“Accounting and Financial Reporting for Nonexchange Transactions”*, the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *American Rescue Plan (ARP) Fund* accounts for the revenue and expenditures related to the American Rescue Plan Act grant provided to the City from the United States Department of the Treasury.

The *SPLOST 2017 Fund* accounts for the financial resources provided from the 2017 voter approved one percent Special Purpose Local Option Sales Tax. Such resources are to be used for improvements to parking facilities, parks and recreation facilities, public safety facilities, and road improvements.

The *Other Capital Projects Fund* accounts for the construction of various capital projects funded through transfers from the general fund and intergovernmental agreements.

The City reports the following major enterprise funds:

The *Downtown Development Authority* (Blended Component Unit) provides financing for the City related to the development of downtown Duluth.

The *Urban Redevelopment Authority* (Blended Component Unit) provides financing for the City related to the redevelopment of certain areas within the City.

The *Stormwater Fund* accounts for the stormwater activities of the City, funded with a charge to citizens for this service.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City also reports the following fund types within the non-major governmental funds:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted or are committed by City Council to expenditures for specified purposes.

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

The City also reports the following:

Internal Service Funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City.

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 enterprise function and various other functions of the City. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of the enterprise funds are charges for goods or services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents and Investments

For purposes of the statement of cash flows, cash and cash equivalents include all short-term highly liquid investments with original maturities of three months or less. Instruments considered cash equivalents include: certificates of deposit, money market funds, and cash management pools.

The City's investments are recorded at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and recorded as expense or expenditure in the benefiting period.

G. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements and the proprietary fund statements of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and land improvements	10-40
Improvements other than buildings (infrastructure)	10-30
Furniture, machinery and equipment	3-7

I. Long-Term Obligations

In the government-wide financial statements and proprietary 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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

In the governmental fund statements, proceeds from the issuance of long-term debt and the related bond premiums and discounts are reported as other financing sources and uses. Bond issuance costs are reported as debt services expenditures.

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position and Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment, also through adoption of a resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City’s finance committee to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position and Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. The net investment in capital assets represents the book value of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

L. Deferred Outflows of Resource/Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has one item that qualifies for reporting in this category in addition to pension related amounts disclosed below. This item is the deferred charge on refunding reported in the business type activities on the statement of net position as well as statement of net position for proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or refunded debt.

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deferred Outflows of Resources/Deferred Inflows of Resources (Continued)

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of deferred inflows of resources, which arises only under the modified accrual basis of accounting and is found in the governmental funds. Under the modified accrual basis of accounting, the City reports unavailable revenues from property or other taxes as deferred inflows of resources as these amounts will not be recognized as an inflow of resources until the period that the amounts become available. The City has other deferred inflows of resources related to pensions as disclosed below.

The City also has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. See Note 9 for further detail.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Duluth Retirement Plan (the “Plan”) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Deficit Fund Equity

At June 30, 2023, the Rodgers Bridge Dog Park Fund had a deficit of \$284,713 and the Other Capital Projects Fund had a deficit of \$236,814. The deficits in these funds will be funded with budgeted financing through other funding or with transfers from other funds, if necessary. The Urban Redevelopment Authority had a deficit net position of \$2,742,325. The deficit will be funded with the sale or development of assets, transfers from other funds, or with budgeted financing through other funding.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

The City adopted annual budgets for the General, Special Revenue Funds, and the Capital Projects Funds (on a project-length basis) on an accounting basis which approximates generally accepted accounting principles in the United States of America (GAAP).

Generally, in January of each year, departmental budget meetings are held. After discussions, a proposed budget is presented before the Mayor and City Council during March. Public hearings are then held during the last of May and the first of June to allow citizens to voice their concerns and opinions. After further revision if any, the budget is adopted by the Mayor and Council prior to the start of the new fiscal year (i.e., July 1).

The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department/fund level by class. The legal level of control is at the fund/department level as specified by the Georgia State Code. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval subject to dollar amount limitations.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 2. LEGAL COMPLIANCE – BUDGETS (Continued)

Excess Expenditures Over Appropriations

For the year ended June 30, 2023, expenditures exceeded the budget by department as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Mayor and Council	
Other services and charges	\$ 3,194
City Clerk/Business Office	
Personal services	29,230
Other	
Building custodial services	40,362
Police/Admin	
Personal services	65,334
Other services and charges	38,020
Police/CID	
Other services and charges	247,962
Administration	
Personal services	52,937

These amounts were funded by greater than anticipated revenues and savings in other departments.

NOTE 3. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2023, the City had deposits with five (5) financial institutions collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. Additionally, the City had deposits with two (2) financial institutions that were collateralized by pledged securities, as defined above, such that all of the City's bank balances were insured and collateralized as defined by GASB and state statutes.

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3. DEPOSITS (Continued)

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.

At June 30, 2023, information on the credit risk and interest rate risk related to the City's investments is disclosed as follows:

Investment	Average Maturity	Credit Rating	Balance
US Treasury Notes	225 days	AAA	\$ 3,752,877

The City has \$6,620,196 of certificates of deposit. Those certificates of deposit are considered non-participating interest earning investment contracts, and are recorded at cost. The certificates of deposit are recorded as cash equivalents for financial reporting purposes. The City reports the U.S. Treasury notes as investments for financial reporting purposes.

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All of the City's investments (U.S. Treasury Notes) are classified in Level 1 of the fair value hierarchy.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4. RECEIVABLES

Receivables at June 30, 2023, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Other Capital Projects</u>	<u>Other Governmental Funds</u>
Receivables:			
Taxes	\$ 338,491	\$ -	\$ 31,579
Accounts	1,234,698	-	1,320,791
Intergovernmental	2,765	975,517	-
Less allowance for uncollectible	-	-	-
Net total receivable	<u>\$ 1,575,954</u>	<u>\$ 975,517</u>	<u>\$ 1,352,370</u>

	<u>Downtown Development Authority</u>	<u>Workers Compensation</u>	<u>Stormwater</u>
Receivables:			
Taxes	\$ -	\$ -	\$ -
Accounts	112	54,151	17,928
Intergovernmental	-	-	-
Less allowance for uncollectible	-	-	-
Net total receivable	<u>\$ 112</u>	<u>\$ 54,151</u>	<u>\$ 17,928</u>

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on January 1st. Tax bills are mailed on September 2nd and are due by November 30th. All unpaid taxes levied become delinquent on December 1st. A tax lien is filed with the Gwinnett County Superior Court for all delinquent bills as of February 10th. The City bills and collects its own property taxes. Property taxes levied for the year ended June 30, 2023 and not collected are recorded as receivables, net of estimated uncollectibles.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5. NOTES RECEIVABLE

The Downtown Development Authority issued four loans from 2015 bond proceeds to finance construction and development of three different properties within the redevelopment area known as The Block. The Downtown Development Authority has signed repayment schedules with two property owners at The Block (Dreamland Barbeque and Good Word) for repayment of the funds. The primary purpose of the notes is to promote development within the Block and the notes are not structured to be profit generating for the Authority. The Authority does not charge any interest during the draw phase of the loans. The Dreamland Barbeque note carries an interest rate of 3.0% and the Good Word notes carry interest rates of 5.5% and 3.0%, respectively.

In 2022, the Downtown Development Authority issued an additional loan to Jewel Box, LLC, for a maximum amount of \$1.9 million. Disbursements made to date total \$1,545,406. No repayment schedule has been established as this loan is in its draw phase. Once complete, an amortization schedule on the principal outstanding will be established at an interest rate of 3.5%.

Activity on the notes for the fiscal year ended June 30, 2023 is shown below.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Receivable:					
Dreamland Barbeque	\$ 1,251,913	\$ -	\$ 49,645	\$ 1,202,268	\$ 51,154
Good Word A	169,224	-	14,947	154,277	15,792
Good Word B	2,239,935	-	62,284	2,177,651	64,178
Jewel Box	97,100	1,448,306	-	1,545,406	-
Total	\$ 3,758,172	\$ 1,448,306	\$ 126,876	\$ 5,079,602	\$ 131,124

Future repayments to be received by the Downtown Development Authority are as follows:

Year Ending June 30,	Principal *	Interest	Total
2024	\$ 131,124	\$ 107,911	\$ 239,035
2025	135,523	103,513	239,036
2026	140,079	98,957	239,036
2027	144,797	94,238	239,035
2028	149,686	89,350	239,036
2029-2031	2,832,987	236,928	3,069,915
Total	\$ 3,534,196	\$ 730,897	\$ 4,265,093

** The Jewel Box note is excluded from the repayment schedule above as it is in its draw phase and no repayment schedule has been established.*

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 12,977,229	\$ 479,650	\$ -	\$ 39,525	\$ 13,496,404
Land improvements	116,985	-	-	-	116,985
Construction in progress	8,561,392	4,413,170	-	(7,949,835)	5,024,727
Total	<u>21,655,606</u>	<u>4,892,820</u>	<u>-</u>	<u>(7,910,310)</u>	<u>18,638,116</u>
Capital assets, being depreciated:					
Buildings	35,778,740	-	-	-	35,778,740
Improvements other than buildings	60,130,245	-	-	7,823,236	67,953,481
Land improvements	7,975,054	255,672	(40,050)	-	8,190,676
Furniture, machinery and equipment	9,900,513	1,240,001	(333,129)	87,074	10,894,459
Total	<u>113,784,552</u>	<u>1,495,673</u>	<u>(373,179)</u>	<u>7,910,310</u>	<u>122,817,356</u>
Less accumulated depreciation for:					
Buildings	(16,438,541)	(986,562)	-	-	(17,425,103)
Improvements other than buildings	(39,398,516)	(912,380)	-	-	(40,310,896)
Land improvements	(5,666,297)	(1,280,689)	36,866	-	(6,910,120)
Furniture, machinery and equipment	(9,104,052)	(1,058,693)	326,080	-	(9,836,665)
Total	<u>(70,607,406)</u>	<u>(4,238,324)</u>	<u>362,946</u>	<u>-</u>	<u>(74,482,784)</u>
Total assets being depreciated, net	<u>43,177,146</u>	<u>(2,742,651)</u>	<u>(10,233)</u>	<u>7,910,310</u>	<u>48,334,572</u>
Governmental activities capital assets, net	<u>\$ 64,832,752</u>	<u>\$ 2,150,169</u>	<u>\$ (10,233)</u>	<u>\$ -</u>	<u>\$ 66,972,688</u>
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 3,187,558	\$ 514,583	\$ -	\$ -	\$ 3,702,141
Construction in progress	1,750,475	2,705,452	-	(3,026,700)	1,429,227
Total	<u>4,938,033</u>	<u>3,220,035</u>	<u>-</u>	<u>(3,026,700)</u>	<u>5,131,368</u>
Capital assets, being depreciated:					
Buildings	6,996,132	-	-	-	6,996,132
Land improvements	5,052,924	-	-	3,026,700	8,079,624
Infrastructure	1,820,742	-	-	-	1,820,742
Furniture, machinery and equipment	28,480	-	-	-	28,480
Total	<u>13,898,278</u>	<u>-</u>	<u>-</u>	<u>3,026,700</u>	<u>16,924,978</u>
Less accumulated depreciation for:					
Buildings	(4,888,406)	(411,537)	-	-	(5,299,943)
Land improvements	(192,892)	(19,822)	-	-	(212,714)
Infrastructure	(858,980)	(264,385)	-	-	(1,123,365)
Furniture, machinery and equipment	(26,582)	(1,898)	-	-	(28,480)
Total	<u>(5,966,860)</u>	<u>(697,642)</u>	<u>-</u>	<u>-</u>	<u>(6,664,502)</u>
Total assets being depreciated, net	<u>7,931,418</u>	<u>(697,642)</u>	<u>-</u>	<u>3,026,700</u>	<u>10,260,476</u>
Business-Type activities capital assets, net	<u>\$ 12,869,451</u>	<u>\$ 2,522,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,391,844</u>

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,097,119
Public safety	1,123,023
Public works	899,888
Culture and recreation	615,833
Housing and development	502,461
Total depreciation expense - governmental activities	<u>\$ 4,238,324</u>
Business-type activities:	
Stormwater	\$ 97,926
Downtown Development Authority	579,894
Urban Redevelopment Authority	19,822
Total depreciation expense - business-type activities	<u>\$ 697,642</u>

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 643,693	\$ 926,845	\$ 891,715	\$ 678,823	\$ 678,823
Financed purchase	-	126,575	22,379	104,196	23,759
Net pension liability (asset)	(1,805,259)	4,211,105	1,101,134	1,304,712	-
Governmental activities long-term liabilities	<u>\$ (1,161,566)</u>	<u>\$ 5,264,525</u>	<u>\$ 2,015,228</u>	<u>\$ 2,087,731</u>	<u>\$ 702,582</u>
Business Activities:					
Bonds payable - direct placement	\$ 37,303,752	-	\$ 1,814,704	\$ 35,489,048	\$ 1,990,766
Premium on bonds	31	-	20	11	-
Net pension liability (asset)	(41,553)	94,039	22,472	30,014	-
Business-type activities long-term liabilities	<u>\$ 37,262,230</u>	<u>\$ 94,039</u>	<u>\$ 1,837,196</u>	<u>\$ 35,519,073</u>	<u>\$ 1,990,766</u>

The compensated absences and net pension liability (asset) for the governmental activities are funded by the General Fund.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7. LONG-TERM DEBT (Continued)

Financed Purchases from Direct Borrowings. The City entered into a financed purchase agreement for the acquisition of equipment (tasers) in March 2023 for the price of \$126,575 at an interest rate of 4.5%. As of June 30, 2023, the City had governmental activities equipment under financed purchase agreements with a net book value of \$104,196.

Future debt service requirements on the City's financed purchases are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 23,759	\$ 5,605	\$ 29,364
2025	25,225	4,140	29,365
2026	26,780	2,584	29,364
2027	28,432	932	29,364
Total	<u>\$ 104,196</u>	<u>\$ 13,261</u>	<u>\$ 117,457</u>

Bonds Payable – Direct Placement. Revenue bonds outstanding consist of debt issued by the blended component units. In general, revenues derived from the component units are pledged for the payments of revenue bond debt service. The debt was issued for the purposes of development of downtown areas and to fund a new public safety facility.

During fiscal year 2007, the Urban Redevelopment Authority issued the Series 2006 Revenue Bonds in order to finance the construction of a new city hall and purchase of its related real property. Interest rates on the Series 2006 Bonds range from 4.10% - 4.25% and the bonds are scheduled to mature in fiscal year 2024. The outstanding balance of the Series 2006 Bonds at year end is \$305,000.

During fiscal year 2009, the Downtown Development Authority issued the Series 2008 bonds in two series, 2008 Series A and 2008 Series B, in order to purchase a building still under construction in downtown Duluth for purposes of controlling the use of the building. At the same time, the Downtown Development Authority also entered into a bond agreement, the 2008 Series C bonds, with the seller of the building. The purpose of the 2008 Series C bonds is for the seller to pay the principal and interest on the 2008 Series B bonds until maturity or the bonds are redeemed. Each time the seller makes a payment on the 2008 Series B bonds (principal or interest), the payment is a reduction in the 2008 Series B bonds or related interest expense, and is treated as increase in the 2008 Series C Bonds. The 2008 Series C bonds will be fully retired from the selling price of the building no matter when, or for what price, the building is sold. The seller paid the 2008 Series B bonds in full during the fiscal year ended June 30, 2020, and the balance of the Series 2008 C bonds did not change during fiscal year 2023. The outstanding balance on the Series 2008 A bonds and the Series 2008 C bonds are \$29,765 and \$8,590,283, respectively.

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7. LONG-TERM DEBT (Continued)

Bonds Payable- Direct Placement (Continued)

During fiscal year 2013, the Urban Redevelopment Authority refunded most of its outstanding Series 2003 bonds with Series 2012 Refunding bonds issued in the amount of \$7,095,000. Interest rates on the Series 2012 bonds are 1.63% with annual maturities through fiscal year 2024. The net proceeds from the Series 2012 bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$725,942 and a present value savings, or economic gain, of \$654,799. The refunded bonds are considered defeased and thus the assets in the trust fund along with the \$735,000 in outstanding refunded bonds at June 30, 2023 are not reported in the City's financial statements. The outstanding balance of the Series 2012 Refunding bonds at year end is \$695,000.

During fiscal year 2021, the Urban Redevelopment Authority issued the Series 2021 bonds for \$27,250,000, in order to finance the construction and development of the City of Duluth 2021 Urban Redevelopment Plan and the Downtown Duluth/Buford Highway Corridor Redevelopment Plan projects. Interest rates on the Series 2021 bonds are initially 2.11%, but in March 2036 the rates will be reset to equal the current FHLB Des Moines advanced fixed rate plus one hundred-sixteen basis points. The bonds mature in fiscal year 2041. The outstanding balance of the Series 2021 bonds at year end is \$25,869,000.

Future debt service requirements on the bonds payable of the blended component units is as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,990,766	\$ 570,213	\$ 2,560,979
2025	1,005,000	525,559	1,530,559
2026	1,050,000	504,353	1,554,353
2027	1,176,000	482,198	1,658,198
2028	1,226,000	457,385	1,683,385
2029-2033	15,508,282	1,877,035	17,385,317
2034-2038	7,973,000	1,398,003	9,371,003
2039-2041	5,560,000	452,720	6,012,720
Total	\$ 35,489,048	\$ 6,267,466	\$ 41,756,514

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2023, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 72
General Fund	Other Capital Projects Fund	613,630
General Fund	Nonmajor Governmental Funds	27,195
Stormwater Fund	General Fund	48
Other Capital Projects Fund	General Fund	800
Downtown Development Authority	General Fund	440
Internal Service Funds	General Fund	4,452
Nonmajor Governmental Funds	General Fund	9,861
Nonmajor Governmental Funds	Stormwater Fund	28
	Total	<u><u>\$ 656,526</u></u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made.

Interfund transfers for the year ended June 30, 2023 were:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	American Rescue Plan Fund	\$ 2,031,124
General Fund	Nonmajor Governmental Funds	138,118
Other Capital Projects Fund	General Fund	4,025
Other Capital Projects Fund	2017 SPLOST Fund	4,939,730
Other Capital Projects Fund	Urban Redevelopment Authority	201,593
Other Capital Projects Fund	Nonmajor Governmental Funds	779,315
Internal Service Funds	General Fund	350,000
Urban Redevelopment Authority	General Fund	1,513,604
Urban Redevelopment Authority	Nonmajor Governmental Funds	1,181,436
Nonmajor Governmental Funds	General Fund	101,254
Nonmajor Governmental Funds	2017 SPLOST Fund	1,080,676
Nonmajor Governmental Funds	Nonmajor Governmental Funds	527,104
	Total	<u><u>\$ 12,847,979</u></u>

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2023 or for moving revenue to the fund in which expenditures were funded. Transfers from the 2009, 2014, and 2017 SPLOST Funds were to refund other capital project funds for allowable costs incurred in prior years on referendum approved projects. Transfer from the Tax Allocation District Fund to the Urban Redevelopment Fund was to transfer funds for the TAD Financed Series 2021 semiannual bond payment.

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a noncontributory defined benefit pension plan (the “City of Duluth Retirement Plan”), covering substantially all of the City’s employees. The City’s pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 1.5% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Council has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the employer and its plan members. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Plan Membership As of January 1, 2023, the date of the most recent actuarial valuation, there were 256 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not receiving benefits	88
Active plan members	150
	<u>270</u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the fiscal year ended June 30, 2023, the City's contribution rate was 6.00% of annual payroll. City contributions to the Plan were \$859,787 for the fiscal year ended June 30, 2023. Employees of the City of Duluth do not contribute to the Plan.

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2022 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2022.

Actuarial assumptions. The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.00% - 8.50%, including inflation
Investment rate of return	7.375%, net of investment expense, including inflation

Mortality rates were based on the sex-distinct Pri-2012 head-count weighted Health Mortality Table with rates multiplied by 1.25.

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2019. Cost of living adjustments were assumed to be -%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 are summarized in the table on the following page.

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability (Asset) of the City (Continued)

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	45%	6.40%
International equity	20%	6.80
Domestic fixed income	20%	0.40
Real estate	10%	3.90
Global fixed income	5%	0.46
Total	<u>100%</u>	

* Rates shown are net of the 2.25% assumed rate of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, which is zero, and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability (Asset) of the City (Continued)

Changes in the Net Pension Liability (Asset) of the City. The changes in the components of the net pension liability (asset) of the City for the fiscal year ended June 30, 2023 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/22	\$ 14,831,245	\$ 16,678,057	\$ (1,846,812)
Changes for the year:			-
Service cost	373,921	-	373,921
Interest	1,110,357	-	1,110,357
Differences between expected and actual experience	(320,703)	-	(320,703)
Contributions - employer	-	802,903	(802,903)
Net investment income	-	(2,793,295)	2,793,295
Benefit payments, including refunds of employee contributions	(298,969)	(298,969)	-
Administrative expense	-	(27,571)	27,571
Net changes	864,606	(2,316,932)	3,181,538
Balances at 6/30/23	<u>\$ 15,695,851</u>	<u>\$ 14,361,125</u>	<u>\$ 1,334,726</u>

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.375%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	<u>1% Decrease (6.375%)</u>	<u>Discount Rate (7.375%)</u>	<u>1% Increase (8.375%)</u>
City's net pension liability (asset)	\$ 3,637,305	\$ 1,334,726	\$ (567,518)

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability (Asset) of the City (Continued)

Changes in the Net Pension Liability (Asset) of the City (continued). Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2022 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2023, the City recognized pension expense of \$781,308. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 383,151	\$ (286,482)
Changes in assumptions	163,998	-
Net difference between projected and actual earnings on pension plan investments	1,886,510	-
City contributions subsequent to the measurement date	698,950	-
Total	<u>\$ 3,132,609</u>	<u>\$ (286,482)</u>

**CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

City contributions subsequent to the measurement date of \$698,950 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2024	\$ 533,402
2025	440,557
2026	429,185
2027	744,033
Total	<u>\$ 2,147,177</u>

NOTE 10. DEFINED CONTRIBUTION PLAN

The City also has established under authority of the City Council, the City of Duluth Deferred Contribution and Deferred Compensation Program (a defined contribution plan) (the "Program"). This Program is administered through Georgia Wealth Partners by OneAmerica. This Program covers substantially all employees and the City makes contribution after an employee's first year of service. Employees may contribute a maximum of \$18,000 for calendar year 2022 and 2023. Individuals who are 50 or older can defer an additional \$6,000. The City's contribution is limited to a maximum of 2% of gross wages or 50% of employee's contributions, whichever is less.

This Program may be amended by vote of the City Council. Contributions by the City for the current year were \$177,310, with employee contributions amounting to \$575,094.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11. JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the metro-Atlanta area is a member of the Atlanta Regional Commission (ARC). Membership in an ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. 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 an ARC. Dues are paid on behalf of the City by Gwinnett County, Georgia. Separate financial statements may be obtained from the Atlanta Regional Commission, 229 Peachtree Street, NE, STE 100, Atlanta, Georgia 30303.

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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, public entity risk pools currently operating as common risk management and insurance programs 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 claims of loss. The City is also to allow the pool's agent 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 workers' 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.

The City carries commercial insurance for other risks of losses, such as general property and liability insurance, and self insurance for workers' compensation. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12. RISK MANAGEMENT (Continued)

Effective April 1, 1994, the City established a self-insurance program for workers' compensation. The City's third-party administrator processes claims and assists the City in determining its premium on an annual basis. Instead of paying the premium to an insurance company, the City deposits the premium into its own workers' compensation loss account. At June 30, 2023, the City had accumulated \$407,337 in the account after the payment of claims and administrative fees.

Claim payable liability and related activity for the last two years was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
2023	\$ 32,062	\$ 96,155	\$ (77,612)	\$ 50,605
2022	\$ 31,969	\$ 1,997,598	\$ (2,061,629)	\$ 32,062

NOTE 13. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is involved in various claims and matters of litigation which, in the opinion of the City Attorneys, the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to disallowance of certain expenditures previously reimbursed by those agencies.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 14. RENTAL MOTOR VEHICLE EXCISE TAX

The City has levied an excise tax on the rental of motor vehicles. The Official Code of Georgia Annotated 48-13-93 requires that all motor vehicle excise taxes be expended or obligated contractually, in accordance with state law, for the promotion of tourism or the acquisition, construction, renovating, improving, maintenance and equipping of pedestrian walkways, installation of traffic lights, and streetlights associated with public safety facilities or public improvements for sports and recreational facilities. During the fiscal year ended June 30, 2023, the City collected \$100,857 in motor vehicle excise taxes and \$68,702 was expended in accordance with provisions of 48-13-93. The remaining fund balance of the Rental Motor Vehicle Excise Tax Fund has been restricted to pay for the management contract of the Red Clay Music Foundry.

NOTE 15. TAX ABATEMENTS

For the year ended June 30, 2023, City property tax revenues were reduced by \$105,916 under agreements entered into by the City's Tax Allocation District. Under the agreements, taxes on both real and personal property are reduced based on jobs created and investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

NOTE 16. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax. The Official Code of Georgia Annotated (O.C.G.A) 48-13-51 requires that all lodging taxes levied of 3% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the fiscal year ended June 30, 2023, the City collected \$224,195 in hotel/motel taxes. Of this amount, \$89,677 or 40% was used for the promotion of tourism, conventions, or trade shows and/or remitted to Explore Gwinnett in accordance with O.C.G.A 48-13-51 as of June 30, 2023 and \$138,825 was transferred to the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

City of Duluth, Georgia

Schedule of Changes in the City's Net Pension Liability (Asset) And Related Ratios

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 373,921	\$ 365,326	\$ 335,441	\$ 311,115	\$ 297,966
Interest on total pension liability	1,110,357	1,001,794	899,497	811,621	733,465
Differences between expected and actual experience	(320,703)	361,157	332,914	(89,753)	140,004
Changes of assumptions	-	-	-	491,994	-
Benefit payments, including refunds of employee contributions	(298,969)	(230,698)	(190,639)	(158,056)	(126,948)
Net change in total pension liability	864,606	1,497,579	1,377,213	1,366,921	1,044,487
Total pension liability - beginning	14,831,245	13,333,666	11,956,453	10,589,532	9,545,045
Total pension liability - ending (a)	\$ 15,695,851	\$ 14,831,245	\$ 13,333,666	\$ 11,956,453	\$ 10,589,532
Plan fiduciary net position					
Contributions - employer	\$ 802,903	\$ 753,583	\$ 741,088	\$ 671,082	\$ 690,786
Net investment income	(2,793,295)	3,189,353	1,133,632	341,864	920,333
Benefit payments, including refunds of employee contributions	(298,969)	(230,698)	(190,639)	(158,056)	(126,948)
Administrative expenses	(27,571)	(27,623)	(25,158)	(23,454)	(24,355)
Net change in plan fiduciary net position	(2,316,932)	3,684,615	1,658,923	831,436	1,459,816
Plan fiduciary net position - beginning	16,678,057	12,993,442	11,334,519	10,503,083	9,043,267
Plan fiduciary net position - ending (b)	\$ 14,361,125	\$ 16,678,057	\$ 12,993,442	\$ 11,334,519	\$ 10,503,083
City's net pension liability (asset) - ending (a) - (b)	\$ 1,334,726	\$ (1,846,812)	\$ 340,224	\$ 621,934	\$ 86,449
Plan fiduciary net position as a percentage of the total pension liability	91.5%	112.5%	97.4%	94.8%	99.2%
Covered payroll	\$ 9,356,088	\$ 9,288,849	\$ 8,886,537	\$ 8,280,620	\$ 8,478,757
City's net pension liability (asset) as a percentage of covered payroll	14.3%	-19.9%	3.8%	7.5%	1.0%
	2018	2017	2016	2015	
Total pension liability					
Service cost	\$ 312,812	\$ 318,689	\$ 291,136	\$ 281,147	
Interest on total pension liability	658,743	591,901	517,807	498,803	
Differences between expected and actual experience	(23,903)	72,404	250,924	(66,033)	
Changes of assumptions	161,311	-	-	(390,741)	
Benefit payments, including refunds of employee contributions	(127,649)	(113,395)	(94,236)	(61,694)	
Net change in total pension liability	981,314	869,599	965,631	261,482	
Total pension liability - beginning	8,563,731	7,694,132	6,728,501	6,467,019	
Total pension liability - ending (a)	\$ 9,545,045	\$ 8,563,731	\$ 7,694,132	\$ 6,728,501	
Plan fiduciary net position					
Contributions - employer	\$ 719,424	\$ 651,649	\$ 591,584	\$ 414,749	
Net investment income	1,150,219	704,845	43,008	545,407	
Benefit payments, including refunds of employee contributions	(127,649)	(113,395)	(94,236)	(61,694)	
Administrative expenses	(25,288)	(14,635)	(16,133)	(12,633)	
Net change in plan fiduciary net position	1,716,706	1,228,464	524,223	885,829	
Plan fiduciary net position - beginning	7,326,561	6,098,097	5,573,874	4,688,045	
Plan fiduciary net position - ending (b)	\$ 9,043,267	\$ 7,326,561	\$ 6,098,097	\$ 5,573,874	
City's net pension liability - ending (a) - (b)	\$ 501,778	\$ 1,237,170	\$ 1,596,035	\$ 1,154,627	
Plan fiduciary net position as a percentage of the total pension liability	94.7%	85.6%	79.3%	82.8%	
Covered payroll	\$ 7,840,209	\$ 7,729,957	\$ 7,630,679	6,915,892	
City's net pension liability as a percentage of covered payroll	6.4%	16.0%	20.9%	16.7%	

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

City of Duluth, Georgia
Schedule of City Contributions – Retirement Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 557,127	\$ 566,911	\$ 544,217	\$ 510,845	\$ 467,803
Contributions in relation to the actuarially determined contribution	<u>859,787</u>	<u>792,647</u>	<u>743,339</u>	<u>741,050</u>	<u>647,223</u>
Contribution excess	<u>\$ (302,660)</u>	<u>\$ (225,736)</u>	<u>\$ (199,122)</u>	<u>\$ (230,205)</u>	<u>\$ (179,420)</u>
Covered payroll	\$ 9,385,944	\$ 8,980,479	\$ 8,374,508	\$ 7,668,902	\$ 8,196,636
Contributions as a percentage of Covered payroll	9.2%	8.8%	8.9%	9.7%	7.9%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Actuarially determined contribution	\$ 445,635	\$ 424,502	\$ 445,633	\$ 450,318	
Contributions in relation to the actuarially determined contribution	<u>691,765</u>	<u>707,459</u>	<u>618,973</u>	<u>583,486</u>	
Contribution excess	<u>\$ (246,130)</u>	<u>\$ (282,957)</u>	<u>\$ (173,340)</u>	<u>\$ (133,168)</u>	
Covered payroll	\$ 7,566,881	\$ 7,861,148	\$ 7,828,117	\$ 6,681,276	
Contributions as a percentage of Covered payroll	9.1%	9.0%	7.9%	8.7%	

Notes to the Schedule

Valuation Date	January 1, 2023
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.375%
Projected Salary Increases	2.25% - plus service based merit increases
Cost-of-Living Adjustment	0.00%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	None remaining

The schedule will present 10 years of information once it is accumulated.

City of Duluth, Georgia
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 20,643,690	\$ 20,643,690	\$ 22,459,932	\$ 1,816,242
Licenses and permits	1,077,672	1,077,672	1,248,849	171,177
Charges for services	323,674	323,674	386,618	62,944
Fines and forfeitures	3,012,000	3,012,000	2,642,238	(369,762)
Intergovernmental	666,400	666,400	643,028	(23,372)
Interest income	79,000	79,000	382,890	303,890
Miscellaneous	239,560	239,560	386,954	147,394
TOTAL REVENUES	26,041,996	26,041,996	28,150,509	2,108,513
EXPENDITURES				
Current:				
General government:				
Mayor and Council:				
Personal services	85,360	84,660	72,781	11,879
Other services and charges	245,563	227,217	230,411	(3,194)
City Administrator:				
Personal services	821,309	835,796	833,107	2,689
Other services and charges	269,549	428,347	331,828	96,519
City Clerk/Business Office:				
Personal services	1,196,748	1,168,440	1,197,670	(29,230)
Other services and charges	1,481,834	1,638,686	1,458,529	180,157
City Clerk/Human Resources	305,775	326,311	238,423	87,888
Other:				
Public information and marketing	1,161,378	1,219,878	1,106,866	113,012
Building custodial services	52,078	49,658	90,020	(40,362)
Landscape maintenance	227,132	286,774	268,916	17,858
Contingency	50,000	50,000	-	50,000
Total general government	5,896,726	6,315,767	5,828,551	487,216

(continued)

City of Duluth, Georgia
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public safety:				
Municipal Court				
Personal services	\$ 628,546	\$ 628,546	\$ 612,314	\$ 16,232
Other services and charges	30,218	30,218	29,398	820
Police/Admin:				
Personal services	699,196	699,196	764,530	(65,334)
Other services and charges	304,624	317,389	355,409	(38,020)
Police/CID:				
Personal services	1,118,576	1,079,921	1,043,325	36,596
Other services and charges	93,378	92,205	340,167	(247,962)
Police/Uniform Division:				
Personal services	4,816,453	4,716,703	3,992,328	724,375
Other services and charges	200,839	191,912	125,204	66,708
Police/Other:				
Police vehicles	510,673	588,420	496,750	91,670
Police support services	3,449,286	3,382,286	2,179,299	1,202,987
Total public safety	<u>11,851,789</u>	<u>11,726,796</u>	<u>9,938,724</u>	<u>1,788,072</u>
Public works:				
Planning and Development				
Personal services	1,210,098	1,203,057	1,158,564	44,493
Other services and charges	818,566	841,936	725,289	116,647
Administration				
Personal services	1,729,419	1,631,337	1,684,274	(52,937)
Other services and charges	1,950,445	2,065,468	1,767,648	297,820
Supplies	73,450	46,395	38,529	7,866
Streets				
Building/grounds maintenance	113,881	113,881	103,925	9,956
Total public works	<u>5,895,859</u>	<u>5,902,074</u>	<u>5,478,229</u>	<u>423,845</u>

(continued)

City of Duluth, Georgia
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Culture and recreation:				
Parks/recreation admin				
Personal services	\$ 1,568,833	\$ 1,474,941	\$ 1,354,309	\$ 120,632
Other services and charges	432,532	453,637	427,859	25,778
Recreation operations	168,065	225,065	204,688	20,377
Total culture and recreation	<u>2,169,430</u>	<u>2,153,643</u>	<u>1,986,856</u>	<u>166,787</u>
TOTAL EXPENDITURES	<u>25,813,804</u>	<u>26,098,280</u>	<u>23,232,360</u>	<u>2,865,920</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>228,192</u>	<u>(56,284)</u>	<u>4,918,149</u>	<u>4,974,433</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	20,100	20,100	61,484	41,384
Transfers in	1,280,591	1,280,591	2,169,242	888,651
Transfers out	<u>(1,414,487)</u>	<u>(2,661,930)</u>	<u>(1,968,883)</u>	<u>693,047</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(113,796)</u>	<u>(1,361,239)</u>	<u>261,843</u>	<u>1,623,082</u>
NET CHANGE IN FUND BALANCES	<u>114,396</u>	<u>(1,417,523)</u>	<u>5,179,992</u>	<u>6,597,515</u>
FUND BALANCES - BEGINNING OF YEAR	<u>22,247,369</u>	<u>22,247,369</u>	<u>22,247,369</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 22,361,765</u></u>	<u><u>\$ 20,829,846</u></u>	<u><u>\$ 27,427,361</u></u>	<u><u>\$ 6,597,515</u></u>

City of Duluth, Georgia
American Rescue Plan Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental	\$ 5,528,538	\$ 5,528,538	\$ 3,685,783	\$ (1,842,755)
TOTAL REVENUES	<u>5,528,538</u>	<u>5,528,538</u>	<u>3,685,783</u>	<u>(1,842,755)</u>
EXPENDITURES				
Current:				
Public works	<u>5,528,538</u>	<u>3,497,414</u>	<u>1,654,659</u>	<u>1,842,755</u>
TOTAL EXPENDITURES	<u>5,528,538</u>	<u>3,497,414</u>	<u>1,654,659</u>	<u>1,842,755</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>2,031,124</u>	<u>2,031,124</u>	<u>-</u>
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>(2,031,124)</u>	<u>(2,031,124)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMBINING FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Police Federal Drug Fund – This fund is established to receive the proceeds of forfeitures under state, local and federal law, and the investment of those funds. The monies deposited into the fund are restricted to cover expenditures in support of the asset forfeiture program that are allowable under state statute.

Police State Drug and Escrow Fund – This fund is established to receive the proceeds of the state share of drug related forfeitures under state, local and federal law, and the investment of those funds. The monies deposited into the fund are restricted to cover expenditures in support of the drug related forfeiture program that are allowable under state statute.

Operation Drive Smart Fund – This fund accounts for the financial resources related to the Operation Drive Smart Grant, the Special Operations Unit Mounted Patrol, and fundraisers and donations restricted for various community policing programs.

Public Art Fund – This fund accounts for financial resources of both grants and donated funds that will be used for the acquisition, commissioning, performance, exhibition and conservation of public art in the City and is restricted by the revenue source.

Rental Motor Vehicle Tax Fund – This fund accounts for the financial resources from excise tax on motor vehicle rentals, restricted for use under state law.

Hotel/Motel Tax Fund – This fund accounts for the collection of hotel/motel taxes within the City, which are restricted for the promotion of tourism and culture and recreation.

Police Technology Fund – This fund accounts for the financial resources committed for use for police technology.

Opioid Settlement Fund – This fund accounts for the restricted resources from the national opioid settlement.

Capital Projects Funds

TAD Fund – This fund is used to account for the capital investment using tax increment funding to revitalize the City's commercial/downtown organized as a Tax Allocation District.

The Block Fund – This fund accounts for capital improvements to City owned properties that occupy a significant block area of downtown Duluth.

SPLOST 2009 Fund – This fund accounts for the financial resources provided from the 2009 voter approved one percent Special Purpose Local Option Sales Tax. Such resources are to be used for improvements to parks and recreation facilities, public safety building, road improvements, library facilities, and water improvements.

SPLOST 2014 Fund – This fund accounts for the financial resources provided from the 2014 voter approved one percent Special Purpose Local Option Sales Tax. Such resources are to be used for improvements to parking facilities, parks and recreation facilities, public safety building, road improvements, and administrative facilities.

SPLOST 2023 Fund – This fund accounts for the financial resources provided from the 2023 voter approved one percent Special Purpose Local Option Sales Tax. Such resources are to be used for improvements to parking facilities, parks and recreation facilities, public safety building, road improvements, and administrative facilities.

Rodgers Bridge Dog Park Fund – This fund accounts for the construction of the Rodgers Bridge Dog Park recreational area.

Hospital Connector Fund – This fund accounts for the construction of a ½ mile roadway that connects the roundabout and connecting roundabout.

City of Duluth, Georgia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2023

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS			
Cash	\$ 610,516	\$ 1,899,878	\$ 2,510,394
Accounts receivable	1,673	1,319,118	1,320,791
Taxes receivable	31,579	-	31,579
Due from other funds	5,651	4,238	9,889
TOTAL ASSETS	\$ 649,419	\$ 3,223,234	\$ 3,872,653
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 27,219	\$ 464,934	\$ 492,153
Due to other funds	27,195	-	27,195
Unearned revenue	-	207,354	207,354
TOTAL LIABILITIES	54,414	672,288	726,702
FUND BALANCES (DEFICIT)			
Restricted:			
Capital construction	-	2,835,659	2,835,659
Law enforcement	116,420	-	116,420
Culture and recreation	318,385	-	318,385
Committed:			
Equipment purchases	160,200	-	160,200
Unassigned (deficit)	-	(284,713)	(284,713)
TOTAL FUND BALANCES	595,005	2,550,946	3,145,951
TOTAL LIABILITIES, AND FUND BALANCES	\$ 649,419	\$ 3,223,234	\$ 3,872,653

City of Duluth, Georgia
*Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2023*

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
REVENUES			
Taxes	\$ 325,052	\$ 1,610,655	\$ 1,935,707
Intergovernmental	-	3,522,260	3,522,260
Fines and forfeitures	84,869	-	84,869
Interest income	-	12,446	12,446
Miscellaneous	43,044	-	43,044
TOTAL REVENUES	452,965	5,145,361	5,598,326
EXPENDITURES			
Current:			
General government	-	88,560	88,560
Public safety	27,469	-	27,469
Public works	-	127,163	127,163
Culture and recreation	236,471	3,351,308	3,587,779
TOTAL EXPENDITURES	263,940	3,567,031	3,830,971
EXCESS OF REVENUES OVER EXPENDITURES	189,025	1,578,330	1,767,355
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,709,034	1,709,034
Transfers out	(138,119)	(2,487,854)	(2,625,973)
TOTAL OTHER FINANCING SOURCES (USES)	(138,119)	(778,820)	(916,939)
NET CHANGE IN FUND BALANCES	50,906	799,510	850,416
FUND BALANCES - BEGINNING OF YEAR	544,099	1,751,436	2,295,535
FUND BALANCES - END OF YEAR	\$ 595,005	\$ 2,550,946	\$ 3,145,951

City of Duluth, Georgia
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2023

	Police Federal Drug Fund	Police State Drug and Escrow Fund	Operation Drive Smart Fund	Public Art Fund	Rental Motor Vehicle Tax Fund	Hotel/Motel Tax Fund	Police Technology Fund	Opioid Settlement Fund	Total Non-major Special Revenue Funds
ASSETS									
Cash	\$ 9,653	\$ 57,440	\$ 60,734	\$ 61,021	\$ 218,061	\$ 40,725	\$ 162,882	\$ -	\$ 610,516
Accounts receivable	-	-	-	-	-	-	-	1,673	1,673
Taxes receivable	-	-	-	-	10,892	20,687	-	-	31,579
Due from other funds	-	-	-	-	-	-	5,651	-	5,651
TOTAL ASSETS	<u>\$ 9,653</u>	<u>\$ 57,440</u>	<u>\$ 60,734</u>	<u>\$ 61,021</u>	<u>\$ 228,953</u>	<u>\$ 61,412</u>	<u>\$ 168,533</u>	<u>\$ 1,673</u>	<u>\$ 649,419</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ -	\$ 213	\$ -	\$ 2,250	\$ 191	\$ 24,565	\$ -	\$ -	\$ 27,219
Due to other funds	-	12,867	-	-	5,995	-	8,333	-	27,195
TOTAL LIABILITIES	<u>-</u>	<u>13,080</u>	<u>-</u>	<u>2,250</u>	<u>6,186</u>	<u>24,565</u>	<u>8,333</u>	<u>-</u>	<u>54,414</u>
FUND BALANCES									
Restricted:									
Law enforcement	9,653	44,360	60,734	-	-	-	-	1,673	116,420
Culture and recreation	-	-	-	58,771	222,767	36,847	-	-	318,385
Committed:									
Equipment purchases	-	-	-	-	-	-	160,200	-	160,200
TOTAL FUND BALANCES	<u>9,653</u>	<u>44,360</u>	<u>60,734</u>	<u>58,771</u>	<u>222,767</u>	<u>36,847</u>	<u>160,200</u>	<u>1,673</u>	<u>595,005</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,653</u>	<u>\$ 57,440</u>	<u>\$ 60,734</u>	<u>\$ 61,021</u>	<u>\$ 228,953</u>	<u>\$ 61,412</u>	<u>\$ 168,533</u>	<u>\$ 1,673</u>	<u>\$ 649,419</u>

City of Duluth, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Special Revenue Funds
For the Year Ended June 30, 2023

	Police Federal Drug Fund	Police State Drug and Escrow Fund	Operation Drive Smart Fund	Public Art Fund	Rental Motor Vehicle Tax Fund	Hotel/Motel Tax Fund	Police Technology Fund	Opioid Settlement Fund	Total Non-major Special Revenue Funds
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 100,857	\$ 224,195	\$ -	\$ -	\$ 325,052
Fines and forfeitures	1,188	-	-	-	-	-	83,681	-	84,869
Other	-	33,831	2,640	4,900	-	-	-	1,673	43,044
TOTAL REVENUES	<u>1,188</u>	<u>33,831</u>	<u>2,640</u>	<u>4,900</u>	<u>100,857</u>	<u>224,195</u>	<u>83,681</u>	<u>1,673</u>	<u>452,965</u>
EXPENDITURES									
Current:									
Public safety	-	3,471	2,956	-	-	-	21,042	-	27,469
Culture and recreation	-	-	-	78,092	68,702	89,677	-	-	236,471
TOTAL EXPENDITURES	<u>-</u>	<u>3,471</u>	<u>2,956</u>	<u>78,092</u>	<u>68,702</u>	<u>89,677</u>	<u>21,042</u>	<u>-</u>	<u>263,940</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,188</u>	<u>30,360</u>	<u>(316)</u>	<u>(73,192)</u>	<u>32,155</u>	<u>134,518</u>	<u>62,639</u>	<u>1,673</u>	<u>189,025</u>
OTHER FINANCING USES									
Transfers out	-	(5,294)	-	-	-	(132,825)	-	-	(138,119)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(5,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(132,825)</u>	<u>-</u>	<u>-</u>	<u>(138,119)</u>
NET CHANGE IN FUND BALANCES	<u>1,188</u>	<u>25,066</u>	<u>(316)</u>	<u>(73,192)</u>	<u>32,155</u>	<u>1,693</u>	<u>62,639</u>	<u>1,673</u>	<u>50,906</u>
FUND BALANCES - BEGINNING OF YEAR	<u>8,465</u>	<u>19,294</u>	<u>61,050</u>	<u>131,963</u>	<u>190,612</u>	<u>35,154</u>	<u>97,561</u>	<u>-</u>	<u>544,099</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,653</u>	<u>\$ 44,360</u>	<u>\$ 60,734</u>	<u>\$ 58,771</u>	<u>\$ 222,767</u>	<u>\$ 36,847</u>	<u>\$ 160,200</u>	<u>\$ 1,673</u>	<u>\$ 595,005</u>

City of Duluth, Georgia
Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2023

	TAD	The Block	SPLOST 2009	SPLOST 2014	SPLOST 2023	Rodgers Bridge Dog Park Fund	Hospital Connector	Total Non-major Capital Projects Funds
ASSETS								
Cash	\$ 545,803	\$ 40,238	\$ 93,798	\$ 311,128	\$ 593,060	\$ 315,851	\$ -	\$ 1,899,878
Accounts receivable	-	-	-	-	1,247,494	71,624	-	1,319,118
Due from other funds	-	-	-	-	-	-	4,238	4,238
TOTAL ASSETS	<u>\$ 545,803</u>	<u>\$ 40,238</u>	<u>\$ 93,798</u>	<u>\$ 311,128</u>	<u>\$ 1,840,554</u>	<u>\$ 387,475</u>	<u>\$ 4,238</u>	<u>\$ 3,223,234</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464,834	\$ 100	\$ 464,934
Unearned revenue	-	-	-	-	-	207,354	-	207,354
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>672,188</u>	<u>100</u>	<u>672,288</u>
FUND BALANCES (DEFICIT)								
Restricted:								
Capital construction	545,803	40,238	93,798	311,128	1,840,554	-	4,138	2,835,659
Unassigned (deficit)	-	-	-	-	-	(284,713)	-	(284,713)
TOTAL FUND BALANCES (DEFICIT)	<u>545,803</u>	<u>40,238</u>	<u>93,798</u>	<u>311,128</u>	<u>1,840,554</u>	<u>(284,713)</u>	<u>4,138</u>	<u>2,550,946</u>
TOTAL LIABILITIES, AND FUND BALANCES	<u>\$ 545,803</u>	<u>\$ 40,238</u>	<u>\$ 93,798</u>	<u>\$ 311,128</u>	<u>\$ 1,840,554</u>	<u>\$ 387,475</u>	<u>\$ 4,238</u>	<u>\$ 3,223,234</u>

City of Duluth, Georgia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-major Capital Projects Funds For the Year Ended June 30, 2023

	TAD	The Block	SPLOST 2009	SPLOST 2014	SPLOST 2023	Rodgers Bridge Dog Park Fund	Hospital Connector	Total Non-major Capital Projects Funds
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 1,839,351	\$ 1,682,909	\$ -	\$ 3,522,260
Interest income	-	-	2,232	9,011	1,203	-	-	12,446
Property taxes	1,610,655	-	-	-	-	-	-	1,610,655
TOTAL REVENUES	1,610,655	-	2,232	9,011	1,840,554	1,682,909	-	5,145,361
EXPENDITURES								
Capital outlay:								
General government	88,560	-	-	-	-	-	-	88,560
Public works	-	-	-	-	-	-	127,163	127,163
Culture and recreation	-	-	-	-	-	3,351,308	-	3,351,308
TOTAL EXPENDITURES	88,560	-	-	-	-	3,351,308	127,163	3,567,031
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,522,095	-	2,232	9,011	1,840,554	(1,668,399)	(127,163)	1,578,330
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	1,564,151	144,883	1,709,034
Transfers out	(1,393,348)	-	(267,072)	(827,434)	-	-	-	(2,487,854)
TOTAL OTHER FINANCING SOURCES (USES)	(1,393,348)	-	(267,072)	(827,434)	-	1,564,151	144,883	(778,820)
NET CHANGE IN FUND BALANCES	128,747	-	(264,840)	(818,423)	1,840,554	(104,248)	17,720	799,510
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	417,056	40,238	358,638	1,129,551	-	(180,465)	(13,582)	1,751,436
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 545,803	\$ 40,238	\$ 93,798	\$ 311,128	\$ 1,840,554	\$ (284,713)	\$ 4,138	\$ 2,550,946

City of Duluth, Georgia
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Duluth Governmental Finance Corporation	Workers' Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash	\$ -	\$ 407,337	\$ 127,634	\$ 534,971
Accounts receivable	-	54,151	-	54,151
Due from other funds	-	-	4,452	4,452
Total Current Assets	-	461,488	132,086	593,574
Noncurrent Assets:				
Capital assets:				
Nondepreciable capital assets	1,654,854	-	-	1,654,854
Depreciable capital assets, net	437,766	-	-	437,766
Total Noncurrent Assets	2,092,620	-	-	2,092,620
TOTAL ASSETS	2,092,620	461,488	132,086	2,686,194
LIABILITIES				
Current Liabilities:				
Accounts payable	-	-	2,203	2,203
Claims payable	-	50,605	-	50,605
Due to other funds	-	-	72	72
Total Current Liabilities	-	50,605	2,275	52,880
TOTAL LIABILITIES	-	50,605	2,275	52,880
NET POSITION				
Investment in capital assets	2,092,620	-	-	2,092,620
Unrestricted	-	410,883	129,811	540,694
TOTAL NET POSITION	\$ 2,092,620	\$ 410,883	\$ 129,811	\$ 2,633,314

City of Duluth, Georgia

Combining Statement of Revenues, Expenses, and Changes in Net Position Internal Service Funds For the Year Ended June 30, 2023

	Duluth Governmental Finance Corporation	Workers' Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ 15,000	\$ 15,000
Other	-	1,095,150	-	1,095,150
TOTAL OPERATING REVENUES	-	1,095,150	15,000	1,110,150
OPERATING EXPENSES				
Claims	-	1,315,373	15,761	1,331,134
Depreciation	48,625	-	-	48,625
TOTAL OPERATING EXPENSES	48,625	1,315,373	15,761	1,379,759
OPERATING LOSS	(48,625)	(220,223)	(761)	(269,609)
NONOPERATING INCOME				
Transfers in	-	350,000	-	350,000
Interest income	-	501	-	501
CHANGE IN NET POSITION	(48,625)	130,278	(761)	80,892
NET POSITION:				
BEGINNING OF YEAR	2,141,245	280,605	130,572	2,552,422
END OF YEAR	\$ 2,092,620	\$ 410,883	\$ 129,811	\$ 2,633,314

City of Duluth, Georgia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Duluth Governmental Finance Corporation	Workers' Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund charges	\$ -	\$ -	\$ 15,000	\$ 15,000
Cash payments for claims	-	(148,808)	(15,568)	(164,376)
NET CASH USED IN OPERATING ACTIVITIES	-	(148,808)	(568)	(149,376)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	501	-	501
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	501	-	501
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	350,000	-	350,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	350,000	-	350,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	201,693	(568)	201,125
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	205,644	128,202	333,846
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 407,337</u>	<u>\$ 127,634</u>	<u>\$ 534,971</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	\$ (48,625)	\$ (220,223)	\$ (761)	\$ (269,609)
Adjustments:				
Depreciation	48,625	-	-	48,625
Change in assets and liabilities:				
Decrease in accounts receivable	-	52,872	-	52,872
Increase in due from other funds	-	-	(2,082)	(2,082)
Increase in accounts and claims payable	-	18,543	2,203	20,746
Increase in due to other funds	-	-	72	72
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ (148,808)</u>	<u>\$ (568)</u>	<u>\$ (149,376)</u>

SCHEDULES

City of Duluth, Georgia
Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2009 Issue
For the Year Ended June 30, 2023

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Library	\$ 1,340,000	\$ 1,195,363	\$ 1,193,284	\$ -	\$ 1,193,284
Public Safety Building	1,240,000	1,117,547	1,117,547	-	1,117,547
Recreational Facilities	7,800,000	7,057,079	7,057,079	-	7,057,079
Transportation	8,200,000	7,404,453	7,404,453	-	7,404,453
Sewer	1,340,000	1,005,415	646,932	267,072	914,004
	<u>\$ 19,920,000</u>	<u>\$ 17,779,857</u>	<u>\$ 17,419,295</u>	<u>\$ 267,072</u> ⁽¹⁾	<u>\$ 17,686,367</u>

(1) Reported as a transfer as amount was transferred to another fund to reimburse previous allowable expenditures.

City of Duluth, Georgia
Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2014 Issue
For the Year Ended June 30, 2023

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Parking Facilities	\$ 3,048,184	\$ 2,805,616	\$ 2,805,616	\$ -	\$ 2,805,616
Public Safety Facilities and Equipment	725,757	651,368	651,368	-	651,368
Recreational Facilities and Equipment	725,757	641,768	185,322	456,358	641,680
Transportation	9,870,305	8,750,217	8,159,954	288,520	8,448,474
Administration Facilities and Equipment	145,152	129,376	46,820	82,556	129,376
	<u>\$ 14,515,155</u>	<u>\$ 12,978,345</u>	<u>\$ 11,849,080</u>	<u>\$ 827,434</u> (1)	<u>\$ 12,676,514</u>

(1) Reported as a transfer as amount was transferred to another fund to reimburse previous allowable expenditures.

City of Duluth, Georgia
Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2017 Issue
For the Year Ended June 30, 2023

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
Parking Facilities	\$ 4,397,227	\$ 5,260,039	\$ 4,987,551	\$ -	\$ 4,987,551
Public Safety Facilities and Equipment	5,042,154	6,061,875	3,740,753	640,132	4,380,885
Recreational Facilities and Equipment	1,172,594	1,831,242	437,821	926,544	1,364,365
Transportation	16,132,218	19,340,266	7,543,159	4,453,730	11,996,889
	<u>\$ 26,744,193</u>	<u>\$ 32,493,422</u>	<u>\$ 16,709,284</u>	<u>\$ 6,020,406</u> ⁽¹⁾	<u>\$ 22,729,690</u>

(1) Reported as a transfer as amount was transferred to another fund to reimburse previous allowable expenditures.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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 Duluth, Georgia**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Duluth, Georgia (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 9, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 9, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

**Honorable Mayor and Members
of the City Council
City of Duluth, Georgia**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Duluth, Georgia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 9, 2024

City of Duluth, Georgia

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Agency or Pass- Through Grantor Number	Total Expenditures
U.S. DEPARTMENT OF THE TREASURY			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 3,685,783
Total U.S. Department of the Treasury			<u>3,685,783</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Atlanta Regional Commission			
Highway Planning and Construction	20.205	0014160-1	<u>1,094,443</u>
Total U.S. Department of Transportation			<u>1,094,443</u>
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607	20023154	<u>6,400</u>
Total U.S. Department of Justice			<u>6,400</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,786,626</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF DULUTH, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(1) Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related fund liability is incurred.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report. These programs are operated according to Federal regulations promulgated by the Federal agency providing the funding.

The City did not pass any federal awards through to sub-recipients.

Indirect Cost Rate

The City has elected not to utilize the 10% de minimis indirect cost rate.

**CITY OF DULUTH, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major federal programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified? _____ yes X none reported

Type of auditor’s report issued on compliance for

Major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2.CFR 200.516(a)?

_____ yes X no

Identification of major program:

Assistance Listing Number
21.027

Name of Federal Program or Cluster
COVID-19- Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

**CITY OF DULUTH, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

None.

Section III – Federal Awards Findings and Questioned Costs

None.

**CITY OF DULUTH, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

None noted in the prior year audit.