

# **CITY OF DULUTH, GEORGIA**

## ***ANNUAL FINANCIAL REPORT***

**FOR THE FISCAL YEAR ENDED**

June 30, 2012

**CITY OF DULUTH, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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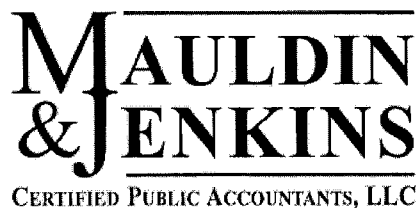
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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the **City of Duluth, Georgia** as of and for the year ended June 30, 2012, which collectively comprise the City of Duluth, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Duluth, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Duluth, Georgia as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 10), Schedule of Funding Progress (on page 39), and the budgetary comparison information (on pages 40 through 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Duluth, Georgia. 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
December 27, 2012

**CITY OF DULUTH, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

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As management of the City of Duluth, Georgia, 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, 2012. 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 this 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 of the City exceeded its liabilities at June 30, 2012 by \$89,596,451 (net assets), of this amount, \$15,627,071 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets increased by \$3,521,443 during the fiscal year ended June 30, 2012; \$475,860 of the increase is attributable to business type activities with the remainder of \$3,045,583 attributable to governmental activities.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$21,192,976 an increase of \$90,450 in comparison with the prior year. This increase is attributable to revenue from the settlement of the SDS lawsuit with Gwinnett County offset by increased expenditures on capital projects.
- The unassigned fund balance for the General Fund at June 30, 2012 was \$8,372,928 which was 51% of total General Fund expenditures and transfers-out for the year.
- The City's total long term debt experienced a net decrease of \$369,536 during the fiscal year ended June 30, 2012. This decrease was due to principal payments at scheduled maturity during the year. The City did not acquire any new debt during the current fiscal year.
- The City's Component Units (Urban Redevelopment Authority and Downtown Development Authority) total long term liabilities experienced a net decrease of \$845,908 during the fiscal year ended June 30, 2012. The decrease was due to repayment of bonds at scheduled maturity during the year.

**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 assets and the statement of activities, which are described below.

- 1) The "statement of net assets" presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

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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).

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, and code enforcement. Business-type activities include stormwater and solid waste services.

The government-wide financial statements include not only the City itself, but also its component units. Component units are legally separate organizations that due to the significance of their operational or financial relationship with the City they are included as part of this report. The two component units of the City are the Downtown Development Authority and the Urban Redevelopment Authority, which are reported in separate columns in the government-wide statements.

The government-wide financial statements can be found on pages 11 and 12 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 37 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 all three 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 13-16 of this report.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

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Proprietary Funds: The City maintains two different types of proprietary funds, two 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 solid waste activities and stormwater fees. 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 Worker's 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.

The proprietary fund financial statements provide information for solid waste services and stormwater fees.

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 17-19 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 20-38 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 39-42 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 43-60 of this report.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$89,596,451 and \$86,075,008 at June 30, 2012 and 2011, respectively. The following is a condensed version of the government-wide statement of net assets.

**City of Duluth – Net Assets (\$000)**

	Governmental Activities		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	\$ 24,286	\$ 23,751	\$ 576	\$ 82	\$ 24,862	\$ 23,833
Capital assets	67,695	65,292	-	-	67,695	66,053
Total assets	<u>91,981</u>	<u>89,043</u>	<u>576</u>	<u>82</u>	<u>92,557</u>	<u>89,886</u>
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	397	1,626	-	-	397	1,626
Other liabilities	2,545	1,424	18	-	2,563	1,424
Total liabilities	<u>2,942</u>	<u>3,050</u>	<u>18</u>	<u>-</u>	<u>2,960</u>	<u>3,050</u>
<b>Net assets:</b>						
Invested in capital assets,						
net of related debt	66,915	64,142	-	-	66,915	64,142
Restricted	7,054	9,805	-	-	7,054	9,805
Unrestricted	15,070	12,046	558	82	15,628	12,128
Total net assets	<u>\$ 89,039</u>	<u>\$ 85,993</u>	<u>\$ 558</u>	<u>\$ 82</u>	<u>\$ 89,597</u>	<u>\$ 86,075</u>

The largest portion of the City's net assets (75.0%) 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.

The City does have \$780,598 restricted for debt service. The City also has net assets of \$6,007,139 and \$267,015 which are restricted by enabling legislation for disbursement on capital projects and law enforcement, respectively. The remaining balance of unrestricted net assets \$15,627,071 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all categories of net assets for governmental activities. The same situation held true for the prior fiscal year.

**CITY OF DULUTH, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

Governmental activities: Governmental activities increased the City's net assets by \$3,045,583 and business-type activities increased the City's net assets by \$475,860. Much of the increase in governmental activities net assets came from the proceeds of the Service Delivery Strategy (SDS) lawsuit settlement with Gwinnett County. The increase in business-type activities is attributable to the new stormwater fund starting operations in FY 2012.

The following condensed financial information was derived from the government-wide statement of activities and summarizes changes in net assets for the year ended June 30, 2012 and 2011.

**City of Duluth – Changes in Net Assets (\$000)**

	Governmental Activities		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 3,068	\$ 3,497	\$ 779	\$ -	\$ 3,847	\$ 3,497
Operating grants and contributions	3,959	745	-	-	3,959	745
Capital grants and contributions	3,736	3,227	-	-	3,736	3,227
General revenues:						
Property taxes	5,701	6,296	-	-	5,701	6,296
Insurance premium tax	1,248	1,191	-	-	1,248	1,191
Other taxes	4,399	4,295	-	-	4,399	4,295
Other	555	438	-	-	555	438
Total revenues	<u>22,667</u>	<u>19,689</u>	<u>779</u>	<u>-</u>	<u>23,446</u>	<u>19,689</u>
Expenses						
General government	4,408	4,558	-	-	4,408	4,558
Public safety	8,340	8,621	-	-	8,340	8,621
Housing & development	1	180	-	-	1	180
Public works	5,255	5,105	-	-	5,255	5,105
Culture & recreation	1,576	1,685	-	-	1,576	1,685
Interest on long term debt	43	57	-	-	43	57
Stormwater	-	-	303	-	303	-
Total expenses	<u>19,621</u>	<u>20,206</u>	<u>303</u>	<u>-</u>	<u>19,924</u>	<u>20,206</u>
Change in net assets	<u>3,046</u>	<u>(517)</u>	<u>476</u>	<u>-</u>	<u>3,521</u>	<u>(517)</u>
Net assets-July 1	<u>85,993</u>	<u>86,510</u>	<u>82</u>	<u>82</u>	<u>86,075</u>	<u>86,592</u>
Net assets-June 30	<u>\$ 89,039</u>	<u>\$ 85,993</u>	<u>\$ 558</u>	<u>\$ 82</u>	<u>\$ 89,596</u>	<u>\$ 86,075</u>

Governmental activities revenues totaled \$22,666,863 for fiscal year 2012. Property taxes are the largest revenue source for governmental activities, accounting for 25% of total revenues. Operating grants, capital grants (which include sales taxes from the County) and charges for services are the second, third, and fourth largest revenue source accounting for 17%, 16%, and 14%, respectively, of governmental revenues for the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Governmental activities expenses totaled \$19,621,280 for fiscal year 2012. Of the expenses, 43% is related to public safety. In addition, public works and general government accounted for 27% and 22% of total governmental expenses for the year, respectively. Overall expenses decreased at the City as compared to the prior year.

Business-type activities: Business-type activities increased the City's net assets by \$475,860 due to the new stormwater funds charges of \$778,816 and expenses of \$302,956. Note the City's solid waste fund had no revenues or expenses for FY 2012.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to insure 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 \$21,192,976 an increase of \$90,450 or 0.43% in comparison with the prior year. Approximately 36% of the fund balance or \$7,659,819 is classified as unassigned. This unassigned fund balance is net of \$710,409 in fund balance deficits to be funded by future revenues or transfers. The remaining fund balance is classified as follows; non-spendable form (\$574,777), restricted (\$7,054,752), committed (2,135,544) and assigned (3,768,084).

The General Fund is the chief operating fund of the City, at the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,372,928. 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 51% of total General Fund expenditures plus transfers-out.

The fund balance of the City's General Fund increased by \$2,709,230 during the current fiscal year. Key factors in this activity are as follows:

- Overall General Fund revenue increased by \$1,427,950 or 8.9%
- Intergovernmental revenues increased by \$2,371,470 over the prior year. This was due to the settlement of the SDS lawsuit with Gwinnett County.
- Property tax revenues declined by \$493,557 due to a decline in the assessed value of the digest due to the current real estate environment.
- Revenue for fines and forfeitures decreased by \$384,879 from the prior year. This was due to the State not renewing the City's radar license, preventing the City from using radar to issue speeding citations. Radar was reissued during the fiscal year 2012.
- Transfers in increased by \$1,765,665 over the prior year.

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.

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At the fiscal year end, the Worker's Compensation Fund has unrestricted net assets of \$551,164. Because the City self insures for worker's compensation this balance is planned to be used for paying claims and purchasing 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 \$2,627,494. The Health Reimbursement Fund has unrestricted net assets of \$54,871. The Solid Waste Management Fund has unrestricted net assets of \$81,669 and the Stormwater Fund has unrestricted net assets of \$475,860.

**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 increased expenditures by \$152,445 or 0.84% and net transfers in/out by \$2,914,743 or 155%.

During the year, General Fund revenues were more than budgetary projections and expenditures were less than budgetary estimates. Actual revenues were \$1,812,943 more than estimates mainly due to the Service Delivery Strategy settlement between the City and Gwinnett County. Expenditures were \$2,345,166 less than budgetary appropriations due to continued city wide effort by staff to limit salary and benefit cost where possible, reductions in the use of outside consultants, and payouts for court ticket add-on fees attributed to the Service Delivery Strategy dispute with Gwinnett County.

**Capital Assets and Debt Administration**

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$67,695,226, net of accumulated depreciation. The investment in capital assets includes land, plant and buildings, machinery, equipment and fixtures, streets and drainage, construction in progress. The majority of the increase in governmental capital assets is attributable to ongoing construction projects (Irvingdale Sidewalks and McClure Bridge Road roundabout). Capital assets had a net overall increase of \$2,402,392.

**City of Duluth – Capital Assets (\$000)**

	<b>Governmental Activities</b>	
	2012	2011
Land and improvements	\$ 12,361	\$ 12,100
Buildings	35,063	35,088
Improvement other than buildings	54,000	53,363
Land Improvements	4,116	872
Furniture, machinery, and equipment	6,121	5,487
Construction in progress	2,636	1,863
Less accumulated depreciation	(46,602)	(43,482)
Total	<u>\$ 67,695</u>	<u>\$ 65,291</u>

Additional information on the City's capital assets can be found in Note 5 Capital Assets on pages 30 and 31 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Long-term debt: At June 30, 2012, the City had no bonded debt outstanding. The City has one outstanding capital lease totaling \$780,598, of which \$383,209 is due and payable within one year. This is a net decrease of \$369,536 during fiscal year 2012 due to principal payments at scheduled maturity during the year. The component units of the City, the Downtown Development Authority and the Urban Redevelopment Authority have outstanding revenue bonds of \$12,826,536 and \$10,125,000, respectively. This represents a net decrease of \$845,810 during the fiscal year 2012 also due to repayment of bonds at scheduled maturity during the year.

Additional information on the City's long-term debt can be found in Note 6 on pages 31 through 33 of this report.

**Economic Factors and Next Year's Budget and Rates**

Like many other cities in the country, the City of Duluth has experienced the effects of the downturn in the economy. The residential values of all communities have felt the biggest impact. The 2012 property tax revenue decreased by \$594,800 or 9% from the previous year due to the decline in the assessed value of the City's tax digest. The Council does not anticipate increasing the millage rate at this time. It is projected that property tax revenue will remain flat or increase only slightly due to changes in housing market values. On a more positive note, several of the City's revenue have increased slightly or remained consistent with that of the previous year. Although, some continue to decline, such as investment income which was down 27% from the prior year, due to the continued decline in interest rates and court fines which were down 18% from the prior year, due to loss of radar permit during the Service Delivery Strategy (SDS) lawsuit with Gwinnett County.

In February of 2012, the cities settled their SDS lawsuit with Gwinnett County. As part of the settlement the City received a one-time payment of \$1,707,404. This one-time payment was for reimbursement of legal fees and payment of police and planning and development services for the first three years of the 10 year agreement that had passed since the SDS agreement was to go into effect. Additionally, over the remaining 7 years of the SDS agreement, the City will receive reimbursement from the County for its E911 expenditures, estimated to be as much as \$2,271,556 and City taxpayers will see a 1.6 mill reduction in their county property tax bills.

In November of 2011 a new City Manager was hired and took over city operations on January of 2012. The City continues to focus on developing its downtown with the implementation of an economic development program designed to attract a diverse group of business. The City is currently working to upgrade and redesign several of the City owned properties that occupy a block in the downtown area. The City is reviewing both its alcohol ordinance and building regulations in an effort to create a more business friendly environment that will attract new business. The Planning staff continues to work on several projects in the downtown area that will improve the flow of traffic and make the area more pedestrian friendly. Sidewalks have been added to the Hill area community, Davenport Road, Ivindale Road and replaced sidewalks on West Lawrenceville and McClure Bridge Road. Another effort that is current under way is the evaluation of the City's Economic Development, Public Works and Parks and Recreation Departments. While this evaluation is not yet complete, the focus is on improving the efficiency of the staff and better utilization of resources. This effort should help the City to provide better services to the citizens of Duluth.

**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 Clerk, Attn: Kenneth Sakmar, Budget and Accounting Manager, 3167 Main Street, Duluth, Georgia 30096.

## **BASIC FINANCIAL STATEMENTS**

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**City of Duluth, Georgia**  
*Statement of Net Assets*  
June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Urban Redevelopment Authority
<b>ASSETS</b>					
Cash	\$ 21,692,247	\$ 549,894	\$ 22,242,141	\$ 406,075	\$ -
Accounts receivable	1,786,872	26,140	1,813,012	-	-
Taxes receivable	232,200	-	232,200	-	-
Prepaid items	574,777	-	574,777	-	-
Nondepreciable capital assets	14,996,528	-	14,996,528	5,525	1,659,102
Depreciable capital assets, net	52,698,698	-	52,698,698	6,378,826	-
Deferred charges	-	-	-	30,062	141,485
<b>TOTAL ASSETS</b>	<b>91,981,322</b>	<b>576,034</b>	<b>92,557,356</b>	<b>6,820,488</b>	<b>1,800,587</b>
<b>LIABILITIES</b>					
Accounts payable	1,258,577	18,505	1,277,082	826	-
Accrued expenses	399,385	-	399,385	-	-
Accrued interest payable	-	-	-	20,705	33,954
Noncurrent liabilities:					
Bonds payable due within one year	-	-	-	672,782	670,000
Bonds payable due in more than one year	-	-	-	12,153,755	9,455,658
Capital lease payable due within one year	383,209	-	383,209	-	-
Capital lease payable due in more than one year	397,389	-	397,389	-	-
Compensated absences payable due within one year	503,840	-	503,840	-	-
<b>TOTAL LIABILITIES</b>	<b>2,942,400</b>	<b>18,505</b>	<b>2,960,905</b>	<b>12,848,068</b>	<b>10,159,612</b>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt	66,914,628	-	66,914,628	(6,442,186)	(8,466,556)
Restricted for debt service	780,598	-	780,598	-	-
Restricted for capital construction	6,007,139	-	6,007,139	-	-
Restricted for law enforcement	267,015	-	267,015	-	-
Unrestricted	15,069,542	557,529	15,627,071	414,606	107,531
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 89,038,922</b>	<b>\$ 557,529</b>	<b>\$ 89,596,451</b>	<b>\$ (6,027,580)</b>	<b>\$ (8,359,025)</b>

See accompanying notes to the basic financial statements.



**City of Duluth, Georgia**  
*Statement of Activities*  
For the Year Ended June 30, 2012

Net (Expense) Revenue and Changes in Net Assets									
Component Units								Component Units	
		Program Revenues			Primary Government			Urban	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Redevelopment Authority
Expenses									
PRIMARY GOVERNMENT:									
Governmental Activities:									
General government	\$ 4,408,080	\$ 430,660	\$ -	\$ -	\$ (3,977,420)	\$ -	\$ (3,977,420)	\$ -	\$ -
Public safety	8,339,811	2,323,574	2,528,332	229,991	(3,257,915)	-	(3,257,915)	-	-
Public works	5,254,617	4,137	1,385,955	2,059,789	(1,804,736)	-	(1,804,736)	-	-
Culture and recreation	1,575,702	309,863	44,541	1,446,716	225,418	-	225,418	-	-
Housing and development	514	-	-	-	(514)	-	(514)	-	-
Interest on long-term obligations	42,555	-	-	-	(42,555)	-	(42,555)	-	-
Total Governmental Activities	19,621,280	3,068,234	3,958,828	3,736,496	(8,857,722)	-	(8,857,722)	-	-
Business-Type Activities:									
Solid Waste	-	-	-	-	-	-	-	-	-
Stormwater	302,956	778,816	-	-	-	475,860	475,860	-	-
Total Business-Type Activities	302,956	778,816	-	-	-	475,860	475,860	-	-
Total - Primary Government	\$ 19,924,236	\$ 3,847,050	\$ 3,958,828	\$ 3,736,496	(8,857,722)	475,860	(8,381,862)	-	-
Component Units:									
Downtown Development Authority	\$ 1,777,590	-	\$ -	668,214	-	-	-	(1,109,376)	-
Urban Redevelopment Authority	461,423	-	-	1,079,830	-	-	-	-	618,407
Total - Component Units	\$ 2,239,013	\$ -	\$ -	\$ 1,748,044	-	-	-	(1,109,376)	618,407
GENERAL REVENUES:									
Taxes:									
Property					5,701,402	-	5,701,402	-	-
Insurance premium					1,247,652	-	1,247,652	-	-
Other					4,399,001	-	4,399,001	-	-
Interest earned					99,281	-	99,281	1,029	-
Miscellaneous					455,969	-	455,969	94,330	-
Total General Revenues					11,903,305	-	11,903,305	95,359	-
Change in Net Assets					3,045,583	475,860	3,521,443	(1,014,017)	618,407
NET ASSETS (DEFICIT) BEGINNING OF YEAR									
					85,993,339	81,669	86,075,008	(5,013,563)	(8,977,432)
NET ASSETS (DEFICIT) END OF YEAR									
					\$ 89,038,922	\$ 557,529	\$ 89,596,451	\$ (6,027,580)	\$ (8,359,025)

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2012*

	<b>General Fund</b>	<b>McClure Bridge W/Lawrenceville Fund</b>	<b>SPLOST 2009 Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash	\$ 15,173,427	\$ -	\$ 2,786,137	\$ 3,090,670	\$ 21,050,234
Receivables:					
Taxes	228,952	-	-	3,248	232,200
Accounts	942,455	-	642,882	201,322	1,786,659
Due from other funds	46,619	-	-	31,856	78,475
Prepaid items	268,698	-	-	306,079	574,777
<b>TOTAL ASSETS</b>	<b>\$ 16,660,151</b>	<b>\$ -</b>	<b>\$ 3,429,019</b>	<b>\$ 3,633,175</b>	<b>\$ 23,722,345</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 355,731	\$ 391,130	\$ -	\$ 508,789	\$ 1,255,650
Accrued salaries payable	156,448	-	-	-	156,448
Accrued expenditures	119,501	-	-	90,172	209,673
Due to other funds	11,103	-	-	67,372	78,475
Deferred revenues	829,123	-	-	-	829,123
<b>TOTAL LIABILITIES</b>	<b>1,471,906</b>	<b>391,130</b>	<b>-</b>	<b>666,333</b>	<b>2,529,369</b>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Prepays	268,698	-	-	306,079	574,777
Restricted:					
Debt service	780,598	-	-	-	780,598
Capital construction	-	-	3,429,019	2,578,120	6,007,139
Law enforcement	-	-	-	267,015	267,015
Committed:					
Capital construction	2,033,923	-	-	-	2,033,923
Greenspace preservation	-	-	-	59,467	59,467
Tree preservation	-	-	-	9,754	9,754
Public works	-	-	-	8,000	8,000
Equipment purchases	-	-	-	24,400	24,400
Assigned:					
Fiscal year 2013 operations	3,732,098	-	-	-	3,732,098
Railway museum	-	-	-	1,866	1,866
Gateway construction	-	-	-	5,500	5,500
Software purchases	-	-	-	28,620	28,620
Unassigned	8,372,928	(391,130)	-	(321,979)	7,659,819
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>15,188,245</b>	<b>(391,130)</b>	<b>3,429,019</b>	<b>2,966,842</b>	<b>21,192,976</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,660,151</b>	<b>\$ -</b>	<b>\$ 3,429,019</b>	<b>\$ 3,633,175</b>	<b>\$ 23,722,345</b>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2012*

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		\$ 21,192,976
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$ 109,981,829	
Less accumulated depreciation	<u>(44,914,097)</u>	65,067,732
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes and franchise taxes		829,123
An internal service fund is 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 Assets.		
		3,233,529
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	\$ (780,598)	
Compensated absences	<u>(503,840)</u>	<u>(1,284,438)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 89,038,922</u></b>

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, 2012*

	General Fund	McClure Bridge W/Lawrenceville Fund	SPLOST 2009 Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 11,258,918	\$ -	\$ -	\$ 34,974	\$ 11,293,892
Licenses and permits	410,457	-	-	-	410,457
Intergovernmental	2,469,648	-	3,694,690	1,467,639	7,631,977
Charges for services	397,638	-	-	-	397,638
Interest income	113,966	-	11,518	11,178	136,662
Fines and forfeitures	2,260,139	-	-	-	2,260,139
Miscellaneous	450,665	-	-	26,845	477,510
<b>TOTAL REVENUES</b>	<b>17,361,431</b>	<b>-</b>	<b>3,706,208</b>	<b>1,540,636</b>	<b>22,608,275</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	3,405,443	-	668	-	3,406,111
Public safety	7,378,723	-	-	296,086	7,674,809
Public works	3,378,523	-	-	401,362	3,779,885
Culture and recreation	1,337,632	-	-	-	1,337,632
<b>Capital outlay</b>	<b>-</b>	<b>2,350,697</b>	<b>-</b>	<b>3,222,852</b>	<b>5,573,549</b>
<b>Debt service:</b>					
Principal retirement	369,536	-	-	-	369,536
Interest and fiscal charges	42,555	-	-	-	42,555
<b>TOTAL EXPENDITURES</b>	<b>15,912,412</b>	<b>2,350,697</b>	<b>668</b>	<b>3,920,300</b>	<b>22,184,077</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,449,019</b>	<b>(2,350,697)</b>	<b>3,705,540</b>	<b>(2,379,664)</b>	<b>424,198</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,921,302	2,174,331	-	3,982,487	8,078,120
Transfers out	(661,091)	-	(3,411,730)	(4,339,047)	(8,411,868)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,260,211</b>	<b>2,174,331</b>	<b>(3,411,730)</b>	<b>(356,560)</b>	<b>(333,748)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,709,230</b>	<b>(176,366)</b>	<b>293,810</b>	<b>(2,736,224)</b>	<b>90,450</b>
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<b>12,479,015</b>	<b>(214,764)</b>	<b>3,135,209</b>	<b>5,703,066</b>	<b>21,102,526</b>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 15,188,245</b>	<b>\$ (391,130)</b>	<b>\$ 3,429,019</b>	<b>\$ 2,966,842</b>	<b>\$ 21,192,976</b>

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, 2012*

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 90,450</b>
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	\$ (3,243,309)
Capital outlay/donations	5,699,390
Gain (loss) on disposition of asset(s)	<u>(1,318)</u>
	2,454,763
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.	54,163
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	369,536
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(27,881)
The internal service funds used by management to charge the costs of certain financing and workers' compensation to individual funds are not reported in the government-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.	<u>104,552</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 3,045,583</u></u>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Statement of Net Assets*  
*Proprietary Funds*  
*June 30, 2012*

	Enterprise Funds			
	Stormwater Fund	Non-major Solid Waste Management Fund	Total	Internal Service Funds
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	\$ 468,225	\$ 81,669	\$ 549,894	\$ 642,013
Accounts receivable	26,140	-	26,140	213
<b>Total Current Assets</b>	<u>494,365</u>	<u>81,669</u>	<u>576,034</u>	<u>642,226</u>
<b>Noncurrent Assets:</b>				
<b>Capital assets:</b>				
Nondepreciable capital assets	-	-	-	1,654,856
Depreciable capital assets, net	-	-	-	972,638
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,627,494</u>
<b>TOTAL ASSETS</b>	<u>494,365</u>	<u>81,669</u>	<u>576,034</u>	<u>3,269,720</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	18,505	-	18,505	2,927
Claims payable	-	-	-	33,264
<b>TOTAL LIABILITIES</b>	<u>18,505</u>	<u>-</u>	<u>18,505</u>	<u>36,191</u>
<b>NET ASSETS</b>				
Invested in capital assets	-	-	-	2,627,494
Unrestricted	475,860	81,669	557,529	606,035
<b>TOTAL NET ASSETS</b>	<u>\$ 475,860</u>	<u>\$ 81,669</u>	<u>\$ 557,529</u>	<u>\$ 3,233,529</u>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended June 30, 2012*

	Enterprise Funds			
	Stormwater Fund	Non-major Solid Waste Management Fund	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Stormwater fees	\$ 778,816	\$ -	\$ 778,816	\$ -
Charges for services	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>778,816</b>	<b>-</b>	<b>778,816</b>	<b>-</b>
<b>OPERATING EXPENSES</b>				
Costs of sales and services	233,875	-	233,875	-
Administration	69,081	-	69,081	-
Supplies and equipment	-	-	-	-
Depreciation	-	-	-	51,831
Claims	-	-	-	181,790
<b>TOTAL OPERATING EXPENSES</b>	<b>302,956</b>	<b>-</b>	<b>302,956</b>	<b>233,621</b>
<b>OPERATING INCOME (LOSS)</b>	<b>475,860</b>	<b>-</b>	<b>475,860</b>	<b>(233,621)</b>
<b>NON-OPERATING INCOME</b>				
Interest income	-	-	-	4,425
<b>TOTAL NON-OPERATING INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,425</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>475,860</b>	<b>-</b>	<b>475,860</b>	<b>(229,196)</b>
Transfers in	-	-	-	333,748
<b>CHANGE IN NET ASSETS</b>	<b>475,860</b>	<b>-</b>	<b>475,860</b>	<b>104,552</b>
<b>NET ASSETS:</b>				
<b>BEGINNING OF YEAR</b>	<b>-</b>	<b>81,669</b>	<b>81,669</b>	<b>3,128,977</b>
<b>END OF YEAR</b>	<b>\$ 475,860</b>	<b>\$ 81,669</b>	<b>\$ 557,529</b>	<b>\$ 3,233,529</b>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Year Ended June 30, 2012*

	<b>Enterprise Funds</b>			
	<b>Stormwater Fund</b>	<b>Non-major Solid Waste Management Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from operations	\$ 752,676	\$ -	\$ 752,676	\$ -
Cash payments for goods and services	(284,451)	-	(284,451)	(146,741)
<b>NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES</b>	<u>468,225</u>	<u>-</u>	<u>468,225</u>	<u>(146,741)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers from Other Funds	-	-	-	333,748
<b>NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,748</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	-	-	-	4,425
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,425</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	468,225	-	468,225	191,432
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>-</u>	<u>81,669</u>	<u>81,669</u>	<u>450,581</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 468,225</u>	<u>\$ 81,669</u>	<u>\$ 549,894</u>	<u>\$ 642,013</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 475,860	\$ -	\$ 475,860	\$ (233,621)
Adjustments:				
Depreciation	-	-	-	51,831
Increase or decrease in assets/liabilities:				
Accounts receivable	(26,140)	-	(26,140)	(213)
Accounts payable	18,505	-	18,505	35,262
<b>NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES</b>	<u>\$ 468,225</u>	<u>\$ -</u>	<u>\$ 468,225</u>	<u>\$ (146,741)</u>

See accompanying notes to the basic financial statements.



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the component units are presented as one blended component unit and two discretely presented 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 non-general obligation financing and provide for multi-year 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, if they only are for the benefit of the City. If the organizations provide services in addition to the financing, such as redevelopment, the component units do not meet the criteria for blending, but are financially dependent upon the City, and are discretely presented.

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. The Corporation is presented as an internal service fund.

The Downtown Development Authority (DDA) is a discretely presented component unit. It provides various oversight services for the citizens of the City related to the development of downtown Duluth. 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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

The Urban Redevelopment Authority (URA) is a discretely presented component unit. It provides various services related to the redevelopment of certain areas within the City. 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.

**B. Government-wide and Fund Financial Statements**

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

**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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 compensated absences 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.

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 ***McClure Bridge West Lawrenceville Fund*** accounts for the reconstruction project at McClure Bridge and West Lawrenceville road.

The ***SPLOST 2009 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 sewer improvements.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The City reports the following non major enterprise funds:

The *Stormwater Fund* accounts for the City's stormwater fees collected on the annual property tax billing and used for the cost of the stormwater program.

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 fund types:

The *Solid Waste Management Fund* is the City's non-major enterprise fund and accounts for its garbage collection operations.

*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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**D. Cash 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.

**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."

**G. 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.

**F. 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 and liabilities 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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. 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 estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

**H. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt using the effective interest method.

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 expenditures.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. 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.

**J. Net Assets 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 assets."

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities 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.
- **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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Net Assets and Fund Equity (Continued)**

- **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.

**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 Assets** - Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, 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 assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Deficit Fund Equity**

At June 30, 2012, McClure Bridge W/ Lawrenceville Reconstruction Fund had a deficit of \$391,130; the H.E.A.T. Grant Fund had a deficit of \$17,066; the Grants Fund had a deficit of \$13,984; the Rodgers Bridge Trail & Trailhead Fund had deficit of \$2; The CDBG Improvements Fund had deficit of \$548; the Buford Highway Medians Fund had a deficit of \$16,040; the SR 120 Sidewalks to Monarch Fund had a deficit of \$5,728; the Other Capital Projects Fund had a deficit of \$5,053; the WP Jones Activity Building Fund had a deficit of \$113,957; the Rodgers Bridge Dog Park Fund had a deficit of \$2,700; the Transportation Infrastructure Improvements fund had a deficit of \$130,951; and the Block fund had a deficit of \$15,950. The deficits in these funds will be funded with transfers from other funds or with budgeted financing through grants or other funding.



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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.

**NOTE 3.      DEPOSITS**

**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) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The State of Georgia requires financial institutions to pledge securities at 110% of a local government's deposits. At June 30, 2012, all of the deposits of the City were fully collateralized in accordance with the state statutes.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2012, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>2009 SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Stormwater</u>
Receivables:				
Taxes	\$ 228,952	\$ -	\$ 3,248	\$ -
Accounts	<u>942,455</u>	<u>642,882</u>	<u>201,322</u>	<u>26,140</u>
Gross receivables	1,171,407	642,882	204,570	26,140
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u><u>\$ 1,171,407</u></u>	<u><u>\$ 642,882</u></u>	<u><u>\$ 204,570</u></u>	<u><u>\$ 26,140</u></u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1<sup>st</sup>. Tax bills are mailed on September 1<sup>st</sup> and are due by November 30th. All unpaid taxes levied become delinquent on December 1. A tax lien is filed with the Gwinnett County Superior Court for all delinquent bills as of February 10<sup>th</sup>. The City bills and collects its own property taxes. Property taxes levied for the year ending June 30, 2012 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, 2012**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 11,983,238	\$ 260,524	\$ -	\$ -	\$ 12,243,762
Land improvements	116,985	-	-	-	116,985
Construction in progress	1,863,063	1,909,895	-	(1,137,177)	2,635,781
Total	<u>13,963,286</u>	<u>2,170,419</u>	<u>-</u>	<u>(1,137,177)</u>	<u>14,996,528</u>
Capital assets, being depreciated:					
Buildings	35,088,409	-	(25,000)	-	35,063,409
Improvements other than buildings	53,362,575	636,478	-	-	53,999,053
Land improvements	872,531	2,355,009	-	888,832	4,116,372
Furniture, machinery and equipment	5,487,334	537,484	(151,582)	248,345	6,121,580
Total	<u>94,810,849</u>	<u>3,528,971</u>	<u>(176,582)</u>	<u>1,137,177</u>	<u>99,300,414</u>
Less accumulated depreciation for:					
Building	(6,562,618)	(955,346)	25,000	-	(7,492,964)
Improvements other than buildings	(32,256,706)	(1,712,864)	-	-	(33,969,570)
Land improvements	(58,606)	(55,537)	-	-	(114,143)
Furniture, machinery and equipment	(4,603,912)	(571,393)	150,264	-	(5,025,041)
Total	<u>(43,481,842)</u>	<u>(3,295,140)</u>	<u>175,264</u>	<u>-</u>	<u>(46,601,717)</u>
Total assets being depreciated, net	<u>51,329,007</u>	<u>233,832</u>	<u>(1,318)</u>	<u>1,137,177</u>	<u>52,698,698</u>
Governmental activities capital assets, net	<u>\$ 65,292,293</u>	<u>\$ 2,404,251</u>	<u>\$ (1,318)</u>	<u>\$ -</u>	<u>\$ 67,695,226</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Component Units:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,664,627	\$ -	\$ -	\$ 1,664,627
Construction in progress	-	-	-	-
Total	<u>1,664,627</u>	<u>-</u>	<u>-</u>	<u>1,664,627</u>
Capital assets, being depreciated:				
Buildings	<u>6,996,132</u>	<u>-</u>	<u>-</u>	<u>6,996,132</u>
Less accumulated depreciation:				
Buildings	<u>(205,769)</u>	<u>(411,537)</u>	<u>-</u>	<u>(617,306)</u>
Component units capital assets, net	<u>\$ 8,454,990</u>	<u>\$ (411,537)</u>	<u>\$ -</u>	<u>\$ 8,043,453</u>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 5. CAPITAL ASSETS (Continued)**

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

Governmental activities:	
General government	\$ 834,234
Public safety	673,938
Housing and development	4,779
Public works	1,533,038
Culture and recreation	<u>249,151</u>
Total depreciation expense - governmental activities	<u>\$ 3,295,140</u>

**NOTE 6. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 475,959	\$ 584,730	\$ 556,849	\$ 503,840	\$ 503,840
Leases payable	<u>1,150,134</u>	<u>-</u>	<u>369,536</u>	<u>780,598</u>	<u>383,209</u>
Governmental activities long-term liabilities	<u>\$ 1,626,093</u>	<u>\$ 584,730</u>	<u>\$ 926,385</u>	<u>\$ 1,284,438</u>	<u>\$ 887,049</u>
<b>Component Units</b>					
Bonds payable	\$ 23,797,346	\$ 439,316	\$ 1,285,126	\$ 22,951,536	\$ 1,342,782
Premium on bonds	<u>757</u>	<u>-</u>	<u>98</u>	<u>659</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 23,798,103</u>	<u>\$ 439,316</u>	<u>\$ 1,285,224</u>	<u>\$ 22,952,195</u>	<u>\$ 1,342,782</u>

The compensated absence liability is usually paid by the General Fund.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 6. LONG-TERM DEBT (Continued)**

**Bonds Payable.** Revenue bonds outstanding consist of debt issued by the 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 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. 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 Bond will be fully retired from the selling price of the building no matter when, or for what price, the building is sold.

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

Fiscal Year	Principal	Interest	Total
2013	\$ 1,342,782	\$ 923,318	\$ 2,266,100
2014	1,423,940	807,503	2,231,443
2015	1,484,191	744,921	2,229,112
2016	1,554,325	679,826	2,234,151
2017	5,469,346	538,139	6,007,485
2018-2022	7,119,055	1,320,479	8,439,534
2023-2027	2,346,229	161,320	2,507,549
2028-2029	2,211,668	2,076	2,213,744
	<u>\$ 22,951,536</u>	<u>\$ 5,177,582</u>	<u>\$ 28,129,118</u>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 6. LONG-TERM DEBT (Continued)**

**Capital Lease Payable.** The City's capital lease involves a lease-to-purchase of software. This lease calls for annual payments of \$412,091 bearing interest of 3.7% annum maturing April 14, 2014. This includes the purchase of software only in the amount of \$1,990,122.

The following is a schedule of future minimum lease payments under lease as of June 30, 2012:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 383,209	\$ 28,882	\$ 412,091
2014	397,389	14,703	412,092
	<u>\$ 780,598</u>	<u>\$ 43,585</u>	<u>\$ 824,183</u>

**NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2012, is as follows:

<u>Receivable From</u>	<u>Payable To</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ 11,103	\$ 11,103
Other Governmental Funds	46,619	20,753	67,372
Total	<u>\$ 46,619</u>	<u>\$ 31,856</u>	<u>\$ 78,475</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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

Interfund transfers for the year ended June 30, 2012 were:

Transfers To	Transfers From			Total
	General Fund	SPLOST 2009 Fund	Other Governmental Funds	
General Fund	\$ -	\$ -	\$ 1,921,302	\$ 1,921,302
McClure Bridge W/ Lawrenceville	-	1,996,766	177,565	2,174,331
Other Governmental Funds	661,091	1,414,964	1,906,432	3,982,487
Internal Service Fund	-	-	333,748	333,748
Total	<u>\$ 661,091</u>	<u>\$ 3,411,730</u>	<u>\$ 4,339,047</u>	<u>\$ 8,411,868</u>

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2012 or for moving revenue to the fund in which expenditures were funded.

**NOTE 8. DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

The City's defined benefit pension plan, City of Duluth Retirement Plan (the "Plan"), provides retirement, disability, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association (GMA). The benefit provisions and all other requirements are established by City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information to the Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303.

At January 1, 2012, the time of the last actuarial valuation, the Plan membership consisted of:

Disabled employees, retirees, and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits not yet receiving them	32
Active employees	<u>128</u>
Total Participants	<u>169</u>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)**

**B. Funding Policy**

The funding policy of the Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 6.60% of annual covered payroll.

**C. Annual Pension Cost**

The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The recommended contribution for fiscal year 2012 was determined as part of the January 1, 2012 actuarial valuation. The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

Year Ended June 30,	Annual Pension Cost	Percentage Contributed	Net Pension Asset
2010	422,091	100%	\$ -
2011	454,048	100%	-
2012	443,093	100%	-

As of the most recent valuation date, January 1, 2012, the funded status of the Plan was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
1/1/2012	\$ 3,195,216	3,906,392	81.79%	\$ (711,176)	6,503,213	10.94%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 January 1, 2012.



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)**

**C. Annual Pension Cost (Continued)**

The assumptions used in the January 1, 2012 actuarial valuation are as follows.

*Actuarial Assumptions*

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Determined by rolling forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. Actuarial value is adjusted if necessary to be within 50% of market value for 2009, 44% for 2010, 38% for 2011, 32% for 2012, 26% for 2013, and 20% for 2014 and later years.
Assumed Rate of Return	
On Investments	7.75%
Projected Salary Increases	4-6% plus age and service based merit increases (includes inflation at a rate of 3.5%)
Cost-of-living Adjustment	None
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	13 years

**NOTE 9. 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). This Program is administered through GMA by MetLife Resources. 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 \$16,500 for calendar years 2011 and 2012. Individuals who are 50 or older can defer an additional \$5,500. Individuals within 3 years of retirement (62 years of age) can contribute the lesser of (1) \$33,000 for calendar year 2011 and \$34,000 for 2012, or (2) the normal annual limit, plus the total amount of underutilized contributions from the prior year. The City's contribution is limited to a maximum of 2% of gross wages or 50% of employee's contributions, whichever is less.

This plan may be amended by vote of the City Council. Contributions by the City for the current year were \$75,309, with employee contributions amounting to \$255,958.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE 10. 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, 40 Courtland Street, NE, Atlanta, Georgia 30303.

**NOTE 11. 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 worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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, 2012**

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**NOTE 11. 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, 2012, the City had accumulated \$585,371 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>
2012	\$ 472	\$ 152,913	\$ (120,121)	\$ 33,264
2011	\$ -	\$ 144,457	\$ (143,985)	\$ 472

**NOTE 12. 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.

**NOTE 13. SUBSEQUENT EVENT**

On December 4, 2012 the City's Urban Redevelopment Authority refinanced the outstanding Series 2008B bonds with the issuance of the Series 2012 bonds. The par amount of the 2012 bonds is \$7,095,000 with annual payments beginning June 1, 2013 and the final payment due June 1, 2024. The proceeds were placed in a trust fund in order to pay off the Series 2008B bonds as they become due.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF DULUTH, GEORGIA

## Schedule of Funding Progress City of Duluth Retirement Plan

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Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
1/1/2010	\$ 2,092,934	\$ 2,912,587	71.86%	\$ (819,653)	\$ 6,626,659	12.37%
1/1/2011	2,614,133	3,328,171	78.55%	(714,038)	6,365,281	11.22%
1/1/2012	3,195,216	3,906,392	81.79%	(711,176)	6,503,213	10.94%

Actuarial assumptions used in the calculation of above amounts are disclosed in the notes to the financial statements.

**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, 2012*

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 11,292,600	\$ 11,292,600	\$ 11,258,918	\$ (33,682)
Licenses and permits	383,300	383,300	410,457	27,157
Charges for services	369,700	372,700	397,638	24,938
Fines and forfeitures	2,971,000	2,971,000	2,260,139	(710,861)
Intergovernmental	4,000	4,000	2,469,648	2,465,648
Interest income	154,000	154,000	113,966	(40,034)
Miscellaneous	361,010	370,888	450,665	79,777
<b>TOTAL REVENUES</b>	<b>15,535,610</b>	<b>15,548,488</b>	<b>17,361,431</b>	<b>1,812,943</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government:				
Mayor and Council				
Personal services	49,927	50,007	43,496	6,511
Other services and charges	355,608	362,796	295,746	67,050
City Administrator				
Personal services	201,222	260,561	253,026	7,535
Other services and charges	98,400	91,400	45,513	45,887
City Clerk/Business Office				
Personal services	948,296	947,665	897,008	50,657
Other services and charges	1,097,150	1,099,993	938,526	161,467
City Clerk/Human resources	202,683	204,367	173,645	30,722
Other				
Public information & marketing	595,017	602,455	566,075	36,380
Consolidated services:				
Custodial services	147,748	126,544	94,240	32,304
Landscape maintenance	86,660	98,179	98,168	11
Contingency	200,000	106,000	-	106,000
Total general government	<b>3,982,711</b>	<b>3,949,967</b>	<b>3,405,443</b>	<b>544,524</b>

**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, 2012*

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
Public safety:				
Municipal Court				
Personal services	\$ 517,589	\$ 521,703	\$ 501,032	\$ 20,671
Other services and charges	1,523,284	1,522,844	626,131	896,713
Police / Admin				
Personal services	522,959	526,831	486,685	40,146
Other services and charges	355,490	355,365	314,211	41,154
Police / CID				
Personal services	660,532	665,539	638,926	26,613
Other services and charges	18,875	18,875	12,889	5,986
Police / Uniform Division				
Personal services	3,077,646	3,092,965	2,942,430	150,535
Other services and charges	112,430	100,325	97,811	2,514
Police / Community Policing Division				
Personal services	362,707	361,337	280,881	80,456
Other services and charges	28,589	28,589	24,976	3,613
Police / Other				
Police vehicles	336,597	410,132	394,648	15,484
Police Support Services	1,117,580	1,110,005	1,015,303	94,702
Red light monitoring system	172,260	172,260	42,800	129,460
Total public safety	<u>8,806,538</u>	<u>8,886,770</u>	<u>7,378,723</u>	<u>1,508,047</u>
Public works:				
Planning & Development				
Personal services	661,954	667,720	598,165	69,555
Other services and charges	346,280	380,065	367,647	12,418
Downtown Development Authority	668,310	668,310	668,214	96
Urban Redevelopment Authority	767,625	767,625	767,625	-
Administration				
Personal services	787,580	787,446	692,472	94,974
Other services and charges	270,426	283,691	183,330	100,361
Supplies	17,650	38,115	32,721	5,394
Streets				
Building / grounds maintenance	71,085	71,085	68,349	2,736
Total public works	<u>3,590,910</u>	<u>3,664,057</u>	<u>3,378,523</u>	<u>285,534</u>

**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, 2012*

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
Culture and recreation:				
Parks / Recreation Admin				
Personal services	\$ 923,349	\$ 944,941	\$ 941,768	\$ 3,173
Other services and charges	243,701	248,614	247,374	1,240
Recreation operations	145,831	151,136	148,490	2,646
Total culture and recreation	<u>1,312,881</u>	<u>1,344,691</u>	<u>1,337,632</u>	<u>7,059</u>
<b>Debt service:</b>				
Principal retirement	369,537	369,537	369,536	1
Interest and fiscal charges	42,556	42,556	42,555	1
Total debt service	<u>412,093</u>	<u>412,093</u>	<u>412,091</u>	<u>2</u>
<b>TOTAL EXPENDITURES</b>	<u>18,105,133</u>	<u>18,257,578</u>	<u>15,912,412</u>	<u>2,345,166</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,569,523)</u>	<u>(2,709,090)</u>	<u>1,449,019</u>	<u>4,158,109</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	104,000	1,958,460	1,921,302	(37,158)
Transfers out	<u>(1,986,623)</u>	<u>(926,340)</u>	<u>(661,091)</u>	<u>265,249</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,882,623)</u>	<u>1,032,120</u>	<u>1,260,211</u>	<u>228,091</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(4,452,146)</u>	<u>(1,676,970)</u>	<u>2,709,230</u>	<u>4,386,200</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>12,479,015</u>	<u>12,479,015</u>	<u>12,479,015</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 8,026,869</u>	<u>\$ 10,802,045</u>	<u>\$ 15,188,245</u>	<u>\$ 4,386,200</u>



## **COMBINING FUND STATEMENTS AND SCHEDULES**

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# NONMAJOR GOVERNMENTAL FUNDS

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## Special Revenue Funds

**Greenspace Program Fund** – This fund accounts for the funds, donated to the City and committed to be used to increase greenspace in the City.

**Landscaping Tree Fund** – This fund accounts for the financial resources donated to the City and committed to be used for landscaping and tree maintenance.

**Sidewalk Fund** – This fund accounts for the financial resources donated to the City and committed to be used to maintain City sidewalks.

**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 & 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 & donations restricted for various community policing programs.

**H.E.A.T. Grant Fund** – This fund accounts for the financial resources related to the H.E.A.T. Grant restricted to be spent on public safety programs.

**Byrne Recovery JAG Grant Fund** – This fund accounts for the financial resources received from a justice grant restricted for public safety.

**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.

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

**Grants Fund** – This fund accounts for activities carried out by the City under the terms and restrictions of various intergovernmental grants.

## Capital Projects Funds

**SPLOST 1997 Fund** – This fund is used to account for the realignment of SR120 project using the SPLOST 1997 program funds.

**SPLOST 2001 Fund** – This fund is used to account for the financial resources related to the SPLOST 2001 program.

**SPLOST 2005 Fund** – This fund is used to account for the financial resources related to the SPLOST 2005 program.

**Railway Museum Access Rd. Fund** – This fund is used to account for the construction of the Railway Museum Access Rd.

# NONMAJOR GOVERNMENTAL FUNDS

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## Capital Projects Funds (Continued)

**Taylor Park Playground Fund** – This fund accounts for the construction of the playgrounds at Taylor Park.

**Rogers Bridge Trail & Trailhead Fund** - This fund accounts for the construction of the Rogers Bridge Trail and Trailhead.

**CDBG Improvements Fund** – This fund is used to account for the projects constructed with funds from the Community Development Block Grant.

**Buford Highway Corridor Study Fund** – This fund accounts for the study regarding the possible redevelopment potential of the corridor.

**Buford Highway Medians Fund** – This fund is used to account for the construction of medians for Buford Highway.

**Buford Hwy/SR120 Gateway to Downtown Fund** – This fund accounts for the construction of the Buford Hwy/SR120 Gateway to Downtown project.

**SR120 Sidewalks to Monarch Fund** – This fund accounts for the construction of the SR120 Sidewalks to Monarch project.

**2009 SPLOST Vehicles Fund** – This fund is used to account for the purchase of vehicles from the 2009 SPLOST referendum

**Living Memorial Fund** – This fund is used to account for the construction of a veteran memorial project.

**Gateway Entrance Fund** – This fund is used to account for the construction of a gateway entrance sign.

**Citywide Software Fund** – This fund is used to account for the new software project for the City information system.

**Other Capital Projects Fund** – This fund is used to account for the construction of capital projects with SPLOST funds.

**WP Jones Activity Building Fund** – This fund is used to account for the construction of an activity building at the WP Jones Park.

**City Hall Design Build Fund** – This fund is used to account for the design, construction and equipment purchases of City Hall.

**Rodgers Bridge Dog Park Fund** – This fund is used to account for the construction of a public dog park recreational area.

**Bunten Road Storage Facility** – This fund is used to account for the construction of a storage facility at Bunten Road Park

**Transportation and Infrastructure Improvements Fund** – This fund is used to account for infrastructure repairs and upgrades to McClure Bridge Road.

**Downtown Parking Fund** – This fund is used to account for the demolition of a downtown building and the construction of a parking lot.

**Block Fund** – This fund is used to account for repair and upgrades to City owned properties that occupy a single block.

**City of Duluth, Georgia**  
*Combining Balance Sheet*  
*Non-major Governmental Funds*  
*June 30, 2012*

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
<b>ASSETS</b>			
Cash	\$ 454,740	\$ 2,635,930	\$ 3,090,670
Taxes receivable	3,248	-	3,248
Accounts receivable	4,251	197,071	201,322
Prepaid items	-	306,079	306,079
Due from other funds	6,865	24,991	31,856
<b>TOTAL ASSETS</b>	<u>\$ 469,104</u>	<u>\$ 3,164,071</u>	<u>\$ 3,633,175</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,046	\$ 506,743	\$ 508,789
Accrued expenditures	90,172	-	90,172
Due to other funds	39,300	28,072	67,372
<b>TOTAL LIABILITIES</b>	<u>131,518</u>	<u>534,815</u>	<u>666,333</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Prepays	-	306,079	306,079
Restricted:			
Capital construction	-	2,578,120	2,578,120
Law enforcement	267,015	-	267,015
Committed:			
Greenspace preservation	59,467	-	59,467
Tree preservation	9,754	-	9,754
Public works	8,000	-	8,000
Equipment purchases	24,400	-	24,400
Assigned:			
Railway museum	-	1,866	1,866
Gateway construction	-	5,500	5,500
Software purchases	-	28,620	28,620
Unassigned	(31,050)	(290,929)	(321,979)
<b>TOTAL FUND BALANCES</b>	<u>337,586</u>	<u>2,629,256</u>	<u>2,966,842</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 469,104</u>	<u>\$ 3,164,071</u>	<u>\$ 3,633,175</u>

**City of Duluth, Georgia**  
*Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances*  
*Non-major Governmental Funds*  
*For the Year Ended June 30, 2012*

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 34,974	\$ -	\$ 34,974
Intergovernmental	811,607	656,032	1,467,639
Charges for services	-	-	-
Interest income	-	11,178	11,178
Miscellaneous	22,145	4,700	26,845
<b>TOTAL REVENUES</b>	<u>868,726</u>	<u>671,910</u>	<u>1,540,636</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Public safety	296,086	-	296,086
Public works	401,362	-	401,362
<b>Capital outlay</b>	<u>-</u>	<u>3,222,852</u>	<u>3,222,852</u>
<b>TOTAL EXPENDITURES</b>	<u>697,448</u>	<u>3,222,852</u>	<u>3,920,300</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>171,278</u>	<u>(2,550,942)</u>	<u>(2,379,664)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	800,394	3,182,093	3,982,487
Transfers out	<u>(1,075,055)</u>	<u>(3,263,992)</u>	<u>(4,339,047)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(274,661)</u>	<u>(81,899)</u>	<u>(356,560)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(103,383)	(2,632,841)	(2,736,224)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>440,969</u>	<u>5,262,097</u>	<u>5,703,066</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 337,586</u></u>	<u><u>\$ 2,629,256</u></u>	<u><u>\$ 2,966,842</u></u>

**City of Duluth, Georgia**  
*Combining Balance Sheet*  
*Non-major Special Revenue Funds*  
*June 30, 2012*

	Greenspace Program Fund	Landscaping Tree Fund	Sidewalk Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	H.E.A.T Grant Fund	Byrne Recovery JAG Grant Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Grants Fund	Total Non-major Special Revenue Funds
<b>ASSETS</b>												
Cash	\$ 59,467	\$ 9,754	\$ 8,000	\$ 45,874	\$ 159,128	\$ 115,459	\$ -	\$ -	\$ 39,523	\$ 17,535	\$ -	\$ 454,740
Taxes receivable	-	-	-	-	-	-	-	-	3,248	-	-	3,248
Accounts receivable	-	-	-	-	-	-	4,251	-	-	-	-	4,251
Due from other funds	-	-	-	-	-	-	-	-	-	6,865	-	6,865
<b>TOTAL ASSETS</b>	<b>\$ 59,467</b>	<b>\$ 9,754</b>	<b>\$ 8,000</b>	<b>\$ 45,874</b>	<b>\$ 159,128</b>	<b>\$ 115,459</b>	<b>\$ 4,251</b>	<b>\$ -</b>	<b>\$ 42,771</b>	<b>\$ 24,400</b>	<b>\$ -</b>	<b>\$ 469,104</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>LIABILITIES</b>												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,046	\$ -	\$ -	\$ 2,046
Accrued expenditures	-	-	-	-	90,172	-	-	-	-	-	-	90,172
Due to other funds	-	-	-	3,999	-	-	21,317	-	-	-	13,984	39,300
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,999</b>	<b>90,172</b>	<b>-</b>	<b>21,317</b>	<b>-</b>	<b>2,046</b>	<b>-</b>	<b>13,984</b>	<b>131,518</b>
<b>FUND BALANCES (DEFICIT)</b>												
Restricted:												
Law enforcement	-	-	-	41,875	68,956	115,459	-	-	40,725	-	-	\$ 267,015
Committed:												
Greenspace preservation	59,467	-	-	-	-	-	-	-	-	-	-	59,467
Tree preservation	-	9,754	-	-	-	-	-	-	-	-	-	9,754
Public works	-	-	8,000	-	-	-	-	-	-	-	-	8,000
Equipment purchases	-	-	-	-	-	-	-	-	-	24,400	-	24,400
Unassigned	-	-	-	-	-	-	(17,066)	-	-	-	(13,984)	(31,050)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>59,467</b>	<b>9,754</b>	<b>8,000</b>	<b>41,875</b>	<b>68,956</b>	<b>115,459</b>	<b>(17,066)</b>	<b>-</b>	<b>40,725</b>	<b>24,400</b>	<b>(13,984)</b>	<b>337,586</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 59,467</b>	<b>\$ 9,754</b>	<b>\$ 8,000</b>	<b>\$ 45,874</b>	<b>\$ 159,128</b>	<b>\$ 115,459</b>	<b>\$ 4,251</b>	<b>\$ -</b>	<b>\$ 42,771</b>	<b>\$ 24,400</b>	<b>\$ -</b>	<b>\$ 469,104</b>

**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, 2012*

	Greenspace Program Fund	Landscaping Tree Fund	Sidewalk Fund	Police Drug Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	H.E.A.T Grant Fund	Byrne Recovery JAG Grant Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Grants Fund	Total Non-major Special Revenue Funds
<b>REVENUES</b>													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,974	\$ -	\$ -	\$ 34,974
Intergovernmental	-	-	-	-	-	-	39,000	19,684	-	-	-	752,923	811,607
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	15,813	6,332	-	-	-	-	-	22,145
<b>TOTAL REVENUES</b>	-	-	-	-	-	15,813	45,332	19,684	-	34,974	-	752,923	868,726
<b>EXPENDITURES</b>													
Current:													
Public safety	-	-	-	-	62,330	-	41,828	117,840	65	74,023	-	-	296,086
Public works	-	1,452	-	-	-	-	-	-	-	-	-	399,910	401,362
<b>TOTAL EXPENDITURES</b>	-	1,452	-	-	62,330	-	41,828	117,840	65	74,023	-	399,910	697,448
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(1,452)	-	-	(62,330)	15,813	3,504	(98,156)	(65)	(39,049)	-	353,013	171,278
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfers in	-	-	-	-	-	-	-	83,080	-	-	66,102	651,212	800,394
Transfers out	-	-	-	-	(3,999)	-	-	-	-	-	(63,000)	(1,008,056)	(1,075,055)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-	(3,999)	-	-	83,080	-	-	3,102	(356,844)	(274,661)
<b>NET CHANGE IN FUND BALANCES</b>	-	(1,452)	-	-	(66,329)	15,813	3,504	(15,076)	(65)	(39,049)	3,102	(3,831)	(103,383)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	59,467	11,206	8,000	-	108,204	53,143	111,955	(1,990)	65	79,774	21,298	(10,153)	440,969
<b>FUND BALANCES - END OF YEAR</b>	\$ 59,467	\$ 9,754	\$ 8,000	\$ 41,875	\$ 41,875	\$ 68,956	\$ 115,459	\$ (17,066)	\$ -	\$ 40,725	\$ 24,400	\$ (13,984)	\$ 337,586

**City of Duluth, Georgia**  
Combining Balance Sheet  
Non-major Capital Projects Funds  
June 30, 2012

	SFLOST 1997	SFLOST 2001	SFLOST 2005	Railway Museum Access Rd.	Taylor Park Playground	Rogers Bridge Trail & Trailhead	Community Development Block Grant Improvements	Buford Hwy Corridor Study	Buford Hwy Medians
<b>ASSETS</b>									
Cash	\$ 1,524,573	\$ -	\$ 1,068,604	\$ 1,866	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	6,767	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,524,573</b>	<b>\$ -</b>	<b>\$ 1,075,371</b>	<b>\$ 1,866</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ 21,824	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 548	\$ -	\$ 16,040
Due to other funds	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>21,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>548</b>	<b>-</b>	<b>16,040</b>
<b>FUND BALANCES (DEFICIT)</b>									
Nonspendable:									
Prepays	-	-	-	-	-	-	-	-	-
Restricted:									
Capital construction	1,502,749	-	1,075,371	-	-	-	-	-	-
Assigned:									
Railway museum	-	-	-	1,866	-	-	-	-	-
Gateway construction	-	-	-	-	-	-	-	-	-
Software purchases	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(2)	(548)	-	(16,040)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>1,502,749</b>	<b>-</b>	<b>1,075,371</b>	<b>1,866</b>	<b>-</b>	<b>(2)</b>	<b>(548)</b>	<b>-</b>	<b>(16,040)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 1,524,573</b>	<b>\$ -</b>	<b>\$ 1,075,371</b>	<b>\$ 1,866</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**City of Duluth, Georgia**  
Combining Balance Sheet  
Non-major Capital Projects Funds  
June 30, 2012

	Buford Hwy/ SR120 Gateway to Downtown Fund	SR120 Sidewalks to Monarch Fund	2009 SPLOST Vehicles	Living Memorial	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	City Hall Design Build
<b>ASSETS</b>									
Cash	\$ -	\$ -	\$ -	\$ -	\$ 5,500	\$ 28,620	\$ 6,767	\$ -	\$ -
Prepaid items	-	-	-	-	-	306,079	-	-	-
Accounts receivable	-	-	-	-	-	-	197,071	-	-
Due from other funds	-	-	-	-	-	-	18,224	-	-
<b>TOTAL ASSETS</b>	\$ -	\$ -	\$ -	\$ -	\$ 5,500	\$ 334,699	\$ 222,062	\$ -	\$ -
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204,771	\$ 113,957	\$ -
Due to other funds	-	5,728	-	-	-	-	22,344	-	-
<b>LIABILITIES</b>	-	5,728	-	-	-	-	227,115	113,957	-
<b>FUND BALANCES (DEFICIT)</b>									
Nonspendable:									
Prepays	-	-	-	-	-	306,079	-	-	-
Restricted:									
Capital construction	-	-	-	-	-	-	-	-	-
Assigned:									
Railway museum	-	-	-	-	-	-	-	-	-
Gateway construction	-	-	-	-	5,500	-	-	-	-
Software purchases	-	-	-	-	-	28,620	-	-	-
Unassigned	-	(5,728)	-	-	-	-	(5,053)	(113,957)	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	-	(5,728)	-	-	5,500	334,699	(5,053)	(113,957)	-
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	\$ -	\$ -	\$ -	\$ -	\$ 5,500	\$ 334,699	\$ 222,062	\$ -	\$ -

**City of Duluth, Georgia**  
Combining Balance Sheet  
Non-major Capital Projects Funds  
June 30, 2012

	Rodgers Bridge Dog Park	Buntzen Road Storage Facility	Transportation Infrastructure Improvements	Downtown Parking	Block	Total Non-major Capital Projects Funds
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	2,635,930
Prepaid items	-	-	-	-	-	306,079
Accounts receivable	-	-	-	-	-	197,071
Due from other funds	-	-	-	-	-	24,991
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,164,071</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 2,700	\$ -	\$ 130,951	\$ -	\$ 15,950	\$ 506,743
Due to other funds	-	-	-	-	-	28,072
<b>LIABILITIES</b>	<b>2,700</b>	<b>-</b>	<b>130,951</b>	<b>-</b>	<b>15,950</b>	<b>534,815</b>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable:						
Prepaids	-	-	-	-	-	306,079
Restricted:						
Capital construction	-	-	-	-	-	2,578,120
Assigned:						
Railway museum	-	-	-	-	-	1,866
Gateway construction	-	-	-	-	-	5,500
Software purchases	-	-	-	-	-	28,620
Unassigned	(2,700)	-	(130,951)	-	(15,950)	(290,929)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(2,700)</b>	<b>-</b>	<b>(130,951)</b>	<b>-</b>	<b>(15,950)</b>	<b>2,629,256</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,164,071</b>

# 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, 2012

	SFLOST 1997	SFLOST 2001	SFLOST 2005	Railway Museum Access Rd.	Taylor Park Playground	Rogers Bridge Trail & Trailhead	Community Development Block Grant Improvements	Buford Hwy Corridor Study	Buford Hwy Medians
<b>REVENUES</b>									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	23,000	\$ -	\$ -	\$ -
Interest income	5,650	530	4,998	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>5,650</b>	<b>530</b>	<b>4,998</b>	<b>-</b>	<b>-</b>	<b>23,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>									
Capital outlay:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	17,888	-	-	-	-	60,478	48,579	1,095	20,190
Culture and recreation	-	-	312,205	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>17,888</b>	<b>-</b>	<b>312,205</b>	<b>-</b>	<b>-</b>	<b>60,478</b>	<b>48,579</b>	<b>1,095</b>	<b>20,190</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(12,238)</b>	<b>530</b>	<b>(307,207)</b>	<b>-</b>	<b>-</b>	<b>(37,478)</b>	<b>(48,579)</b>	<b>(1,095)</b>	<b>(20,190)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	73,896	-	71,361	124,070	48,373	128,355	6,990
Transfers out	-	(939,342)	(1,404,506)	-	(71,361)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(939,342)</b>	<b>(1,330,610)</b>	<b>-</b>	<b>-</b>	<b>124,070</b>	<b>48,373</b>	<b>128,355</b>	<b>6,990</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(12,238)</b>	<b>(938,812)</b>	<b>(1,637,817)</b>	<b>-</b>	<b>-</b>	<b>86,592</b>	<b>(206)</b>	<b>127,260</b>	<b>(13,200)</b>
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<b>1,514,987</b>	<b>938,812</b>	<b>2,713,188</b>	<b>1,866</b>	<b>-</b>	<b>(86,594)</b>	<b>(342)</b>	<b>(127,260)</b>	<b>(2,840)</b>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 1,502,749</b>	<b>\$ -</b>	<b>\$ 1,075,371</b>	<b>\$ 1,866</b>	<b>\$ -</b>	<b>\$ (2)</b>	<b>\$ (548)</b>	<b>\$ -</b>	<b>\$ (16,040)</b>

**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, 2012

	Buford Hwy/ SR120 Gateway to Downtown Fund	SR120 Sidewalks to Monarch Fund	2009 SPLOST Vehicles	Living Memorial	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	City Hall Design Build
<b>REVENUES</b>									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 633,032	\$ -	\$ -
Interest income	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	4,700	-	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	4,700	-	-	633,032	-	-
<b>EXPENDITURES</b>									
Capital outlay:									
General government	-	-	-	-	-	122,432	-	-	-
Public safety	-	-	258,177	-	-	-	-	-	-
Public works	23,666	-	-	-	-	-	1,004,999	-	-
Culture and recreation	-	-	-	32,468	-	-	-	401,885	-
<b>TOTAL EXPENDITURES</b>	23,666	-	258,177	32,468	-	122,432	1,004,999	401,885	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(23,666)	-	(258,177)	(27,768)	-	(122,432)	(371,967)	(401,885)	-
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	25,619	2,709	258,177	4,000	-	-	1,333,003	287,928	2,297
Transfers out	-	-	-	-	-	-	(846,247)	-	(1,394)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	25,619	2,709	258,177	4,000	-	-	486,756	287,928	903
<b>NET CHANGE IN FUND BALANCES</b>	1,953	2,709	-	(23,768)	-	(122,432)	114,789	(113,957)	903
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	(1,953)	(8,437)	-	23,768	5,500	457,131	(119,842)	-	(903)
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ -	\$ (5,728)	\$ -	\$ -	\$ 5,500	\$ 334,699	\$ (5,053)	\$ (113,957)	\$ -

# 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, 2012

	Rodgers Bridge Dog Park	Bunten Road Storage Facility	Transportation Infrastructure Improvements	Downtown Parking	Block	Total Non-major Capital Projects Funds
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	656,032
Interest income	-	-	-	-	-	11,178
Miscellaneous	-	-	-	-	-	4,700
<b>TOTAL REVENUES</b>	-	-	-	-	-	671,910
<b>EXPENDITURES</b>						
<b>Capital outlay:</b>						
General government	-	-	-	-	18,950	141,382
Public safety	-	-	-	-	-	258,177
Public works	-	-	197,633	97,610	-	1,472,138
Culture and recreation	604,597	-	-	-	-	1,351,155
<b>TOTAL EXPENDITURES</b>	604,597	-	197,633	97,610	18,950	3,222,852
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(604,597)	-	(197,633)	(97,610)	(18,950)	(2,550,942)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	615,097	18,056	75,402	103,760	3,000	3,182,093
Transfers out	-	-	(1,142)	-	-	(3,263,992)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	615,097	18,056	74,260	103,760	3,000	(81,899)
<b>NET CHANGE IN FUND BALANCES</b>	10,500	18,056	(123,373)	6,150	(15,950)	(2,632,841)
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	(13,200)	(18,056)	(7,578)	(6,150)	-	5,262,097
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ (2,700)	\$ -	\$ (130,951)	\$ -	\$ (15,950)	\$ 2,629,256

**City of Duluth, Georgia**  
*Combining Statement of Net Assets*  
*Internal Service Funds*  
*June 30, 2012*

	<b>Duluth Governmental Finance Corporation</b>	<b>Worker's Compensation Fund</b>	<b>Health Reimbursement Fund</b>	<b>Total Internal Service Funds</b>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	\$ -	\$ 585,371	56,642	\$ 642,013
Accounts Receivable	-	-	213	213
<b>Total Current Assets</b>	<b>-</b>	<b>585,371</b>	<b>56,855</b>	<b>642,226</b>
<b>Noncurrent Assets:</b>				
<b>Capital assets:</b>				
Nondepreciable capital assets	1,654,856	-	-	1,654,856
Depreciable capital assets, net	972,638	-	-	972,638
<b>Total Noncurrent Assets</b>	<b>2,627,494</b>	<b>-</b>	<b>-</b>	<b>2,627,494</b>
<b>TOTAL ASSETS</b>	<b>2,627,494</b>	<b>585,371</b>	<b>56,855</b>	<b>3,269,720</b>
<b>Current Liabilities:</b>				
Accounts payable	-	943	1,984	2,927
Claims payable	-	33,264	-	33,264
<b>Total Current Liabilities</b>	<b>-</b>	<b>34,207</b>	<b>1,984</b>	<b>36,191</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>34,207</b>	<b>1,984</b>	<b>36,191</b>
<b>NET ASSETS</b>				
Invested in capital assets	2,627,494	-	-	2,627,494
Unrestricted	-	551,164	54,871	606,035
<b>TOTAL NET ASSETS</b>	<b>\$ 2,627,494</b>	<b>\$ 551,164</b>	<b>\$ 54,871</b>	<b>\$ 3,233,529</b>

**City of Duluth, Georgia**  
*Combining Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2012*

	<b>Duluth Governmental Finance Corporation</b>	<b>Worker's Compensation Fund</b>	<b>Health Reimbursement Fund</b>	<b>Total Internal Service Funds</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<b>TOTAL OPERATING REVENUES</b>	-	-	-	-
<b>OPERATING EXPENSES</b>				
Claims	-	152,913	28,877	181,790
Depreciation	51,831	-	-	51,831
<b>TOTAL OPERATING EXPENSES</b>	51,831	152,913	28,877	233,621
<b>OPERATING (LOSS)</b>	(51,831)	(152,913)	(28,877)	(233,621)
<b>NON-OPERATING INCOME</b>				
Interest income	-	4,425	-	4,425
<b>TOTAL NON-OPERATING INCOME</b>	-	4,425	-	4,425
<b>(LOSS) BEFORE TRANSFERS</b>	(51,831)	(148,488)	(28,877)	(229,196)
Transfers in	-	250,000	83,748	333,748
<b>CHANGE IN NET ASSETS</b>	(51,831)	101,512	54,871	104,552
<b>NET ASSETS:</b>				
<b>BEGINNING OF YEAR</b>	2,679,325	449,652	-	3,128,977
<b>END OF YEAR</b>	<u>\$ 2,627,494</u>	<u>\$ 551,164</u>	<u>\$ 54,871</u>	<u>\$ 3,233,529</u>

**City of Duluth, Georgia**  
*Combining Statement of Cash Flows*  
*Internal Service Funds*  
*For the Year Ended June 30, 2012*

	<b>Duluth Governmental Finance Corporation</b>	<b>Worker's Compensation Fund</b>	<b>Health Reimbursement Fund</b>	<b>Total Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash payments for claims	\$ -	\$ (119,635)	\$ (27,106)	\$ (146,741)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	-	(119,635)	(27,106)	(146,741)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers from Other Funds	-	250,000	83,748	333,748
<b>NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES</b>	-	250,000	83,748	333,748
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	-	4,425	-	4,425
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	-	4,425	-	4,425
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	134,790	56,642	191,432
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	-	450,581	-	450,581
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 585,371</u>	<u>\$ 56,642</u>	<u>\$ 642,013</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>				
Operating (loss)	\$ (51,831)	\$ (152,913)	\$ (28,877)	\$ (233,621)
Adjustments:				
Depreciation	51,831	-	-	51,831
Change in assets and liabilities:				
Increase Accounts receivable	-	-	(213)	(213)
Increase Accounts and claims payable	-	33,278	1,984	35,262
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ (119,635)</u>	<u>\$ (27,106)</u>	<u>\$ (146,741)</u>



**City of Duluth, Georgia**  
*Statement of Cash Flows*  
**Component Units - Proprietary Fund Types**  
For the Year Ended June 30, 2012

	Component Units		
	Downtown Development Authority	Urban Redevelopment Authority	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for operations	\$ 94,330	\$ -	\$ 94,330
Cash paid for operations	(30,347)	-	(30,347)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>63,983</u>	<u>-</u>	<u>63,983</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Payments from the other governments	718,214	1,079,830	1,798,044
Payments to other governments	(752,923)	-	(752,923)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(34,709)</u>	<u>1,079,830</u>	<u>1,045,121</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on long-term debt	(205,810)	(640,000)	(845,810)
Interest paid on long-term debt	(569,559)	(439,830)	(1,009,389)
<b>NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(775,369)</u>	<u>(1,079,830)</u>	<u>(1,855,199)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	1,029	-	1,029
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>1,029</u>	<u>-</u>	<u>1,029</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(745,066)	-	(745,066)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,151,141</u>	<u>-</u>	<u>1,151,141</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 406,075</u>	<u>\$ -</u>	<u>\$ 406,075</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>			
Operating (loss)	\$ (375,358)	\$ (23,789)	\$ (399,147)
Adjustments:			
Amortization and depreciation	439,341	23,789	463,130
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 63,983</u>	<u>\$ -</u>	<u>\$ 63,983</u>

## **SCHEDULES**

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**City of Duluth, Georgia**  
*Schedule of Expenditures of*  
*Special Purpose Local Option Sales Tax Proceeds*  
*1997 Issue*  
*For the Year Ended June 30, 2012*

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
SR 120 Realignment & Hill St.	\$ 1,646,184	\$ 1,646,184	\$ 308,986 <sup>1</sup>	\$ 17,888	\$ 326,875
	<u>\$ 1,646,184</u>	<u>\$ 1,646,184</u>	<u>\$ 308,986</u>	<u>\$ 17,888</u>	<u>\$ 326,875</u>

Note: This project comes from a reallocation of 1997 SPLOST proceeds by Gwinnett County during fiscal year 2007, in which the City received an allocation of \$1,646,184.

<sup>1</sup> Prior years expenditures have been adjusted by \$10,900 for checks that were voided after the expenditures were reported.

**City of Duluth, Georgia**  
*Schedule of Expenditures of*  
*Special Purpose Local Option Sales Tax Proceeds*  
*2001 Issue*  
*For the Year Ended June 30, 2012*

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
TRANSPORTATION					
Main Street	\$ 600,000	\$ 600,000	\$ 150,000	\$ 450,000	\$ 600,000
Hospital Connector	419,935	170,167	-	170,167	170,167
W. Lawrenceville R/W	116,000	116,000	116,000	-	116,000
Intersection Study	9,000	9,000	-	9,000	9,000
Ridgeway LCI Match	11,000	227,612	-	227,612	227,612
Davenport LCI Match	10,565	82,563	-	82,563	82,563
Hill Area CDBG Match	40,000	40,000	40,000	-	40,000
Rogers Bridge Road	16,764	16,764	16,764	-	16,764
Resurfacing - 06	50,000	39,181	39,181	-	39,181
Resurfacing - 07	50,000	-	-	-	-
Resurfacing - Hill Area	-	60,819	60,819	-	60,819
Engineering Davenport & Pine Needle	15,231	-	-	-	-
Davenport Road	125,000	125,000	125,000	-	125,000
Davenport Road	-	128,249	128,249	-	128,249
Subtotal	1,463,495	1,615,355	676,013	939,342	1,615,355
RECREATION FACILITIES					
Rogers Bridge Park	230,000	230,000	230,000	-	230,000
Rogers Bridge Park	171,280	171,280	171,280	-	171,280
W P Jones Park	468,773	468,773	468,773	-	468,773
Water Reuse Line	75,000	75,000	75,000	-	75,000
Water Reuse Line (Interior)	25,000	6,436	6,436	-	6,436
Bunten Restrooms/Maintenance Building	360,155	259,860	259,860	-	259,860
Taylor Park Restrooms	150,000	150,000	150,000	-	150,000
Taylor Park Restrooms (Additional Cost)	70,800	110,038	110,038	-	110,038
Master Park Plan	-	36,500	36,500	-	36,500
Taylor Park Playground	-	111,109	111,109	-	111,109
Subtotal	1,551,008	1,618,996	1,618,996	-	1,618,996
	\$ 3,014,503	\$ 3,234,351	\$ 2,295,009	\$ 939,342 *	\$ 3,234,351

\* 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*  
*2005 Issue*  
*For the Year Ended June 30, 2012*

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Administrative Building (City Hall)	\$ 7,000,000	\$ 7,394,807	\$ 7,072,649	\$ 310,812	\$ 7,383,461
Public Safety Building	5,962,836	6,296,229	6,367,589 <sup>1</sup>	(71,361)	6,296,228
Recreational Facilities	550,000	585,094	416,455	91,107	507,562
Transportation	2,100,000	2,214,055	724,013	1,130,680	1,854,693
Other	-	-	- <sup>2</sup>	-	-
	<u>\$ 15,612,836</u>	<u>\$ 16,490,185</u>	<u>\$ 14,580,706</u>	<u>\$ 1,461,238</u>	<u>\$ 16,041,944</u>
Reconciliation to Financial Statements					
Expenditures				\$ 312,205	
Net transfers out				1,330,610	
Adjust expenditures for 2005 SPLOST reporting error					
prior years - not reported on the above schedule.				(181,577)	
				<u>\$ 1,461,238</u>	

<sup>1</sup> Prior years expenditures have been adjusted by \$176,998 for duplicate expenditures

<sup>2</sup> Prior years expenditures have been adjusted by \$17 for bank fee that were netted against interest revenue

**City of Duluth, Georgia**  
*Schedule of Expenditures of*  
*Special Purpose Local Option Sales Tax Proceeds*  
*2009 Issue*  
*For the Year Ended June 30, 2012*

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Library	\$ 1,340,000	\$ 1,340,000	\$ 14,526	\$ 103,760	\$ 118,286
Public Safety Building	1,240,000	1,240,000	519,754	329,537	849,291
Recreational Facilities	7,800,000	7,800,000	1,616,753	921,081	2,537,834
Transportation	8,200,000	8,200,000	2,152,383	2,238,928	4,391,311
Sewer	1,340,000	1,340,000	-	-	-
	<u>\$ 19,920,000</u>	<u>\$ 19,920,000</u>	<u>\$ 4,303,416</u>	<u>\$ 3,593,306 *</u>	<u>\$ 7,896,722</u>

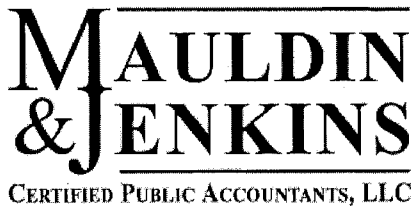
\* Reported as a transfer as amount was transferred to another fund to reimburse previous allowable expenditures.

Reconciliation to Financial Statements

Expenditures	\$ 668
Transfers out	3,411,730
Adjust expenditures for 2005 SPLOST reporting error by County	181,577
Bank and SPLOST audit fees netted against interest income	(669)
	<u>\$ 3,593,306</u>

## **COMPLIANCE SECTION**

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**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***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2012-1, to be a material weakness.



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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

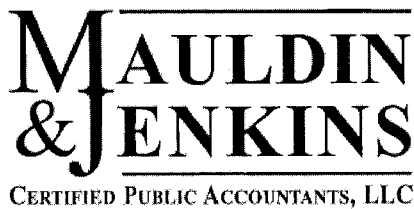
We noted certain matters that we reported to management of the City in a separate letter dated December 27, 2012.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Mayor, and City Council and others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 27, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the City of Duluth, Georgia's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

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### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report is intended solely for the information and use of the management, Mayor and City Council and other within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 27, 2012

# CITY OF DULUTH, GEORGIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Identification Number	Federal Expenditures
U.S. Department of Transportation			
Highway Safety Cluster			
Pass through Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	GA-2011-316-00402	\$ 200
State and Community Highway Safety	20.600	GA-2011-316-00352	38,800
State and Community Highway Safety	20.600	GA-2011-316-00423	7,507
State and Community Highway Safety	20.600	GA-2012-316-00363	10,671
Total Highway Safety Cluster			<u>57,178</u>
Highway Planning and Construction Cluster			
Pass through Georgia Department of Transportation			
Highway Planning and Construction	20.205	CSHPP-0007-00(548)	111,070
Highway Planning and Construction	20.205	CSCMQ-0006-00(838)	29,597
Highway Planning and Construction	20.205	TEE-0008-00(147)	543,246
Total Highway Planning and Construction Cluster			<u>683,913</u>
Total U.S. Department of Transportation			<u>741,091</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	N/A	<u>2,922</u>
			<u>2,922</u>
Justice Assistance Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-1668	65
Total Justice Assistance Program Cluster			<u>65</u>
Total U.S. Department of Justice			<u>2,987</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 744,078</u></u>

The accompanying notes are an integral part of this Schedule.

**CITY OF DULUTH, GEORGIA**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**(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.

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

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Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:  
Material weaknesses identified?   X   yes        no

Significant deficiencies identified not considered  
to be material weaknesses?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

Federal Awards

Internal Control over major programs:  
Material weaknesses identified?        yes   X   no

Significant deficiencies identified not considered  
to be material weaknesses?        yes   X   none reported

Type of auditor’s report issued on compliance for  
major programs Unqualified

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?        yes   X   no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?        yes   X   no

**CITY OF DULUTH, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**Section II – Financial Statement Findings**

**2012-1. Recording on Unearned Revenue**

**Criteria:** : Internal controls should be in place to ensure that the amounts reported as revenue, and any potential unearned revenue, are appropriate in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recognized as they are earned, irrespective of the availability of the revenue.

**Condition:** The City's Stormwater Fund required a significant adjustment after year end in order to properly record revenue and eliminate deferred revenue.

**Context/Cause:** During the course of our test work, we noted that the revenue for billings in the Stormwater fund were being deferred if not received within 60 days after year end using a concept from the modified accrual basis of accounting. As the Stormwater Fund is an enterprise fund, it should use full accrual accounting in reporting its activity. This oversight by the City resulted from these fees being billed with property taxes and thus accounted for like taxes, which are reported in governmental funds which would follow the modified accrual basis of accounting.

**Effects:** An audit adjustment of \$26,631 was needed to correctly report revenue and eliminate unearned revenue as of June 30, 2012.

**Recommendation:** We recommend the City begin to account for the stormwater utility fees using full accrual and no longer record unearned revenue related to these fees.

**Response:** The City agrees with the above recommendation and will account for the stormwater utility fees using full accrual accounting.

**Section III – Federal Award Findings and Questioned Costs**

**None reported**

**Section IV – Status of Prior Audit Findings**

**2011-1 Fund Balance**

**Condition:** The City's fund balance as of the beginning of the year, in the trial balance, did not agree to the prior year issued financial statements.

**Auditee Response/Status:** This was a one time isolated case as a year end closing entry was not provided to the auditors. Finding not repeated this year.