CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

June 30, 2010

CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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, 2010, which collectively comprise 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 above 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, 2010, 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 February 18, 2011, 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.

The Management's Discussion and Analysis on pages 3 through 10, the Schedule of Funding Progress on page 39, and budgetary comparison information on pages 40 through 42 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 non-major 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 combining non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 18, 2011

As management of the City of Duluth, 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, 2010. 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 indentify 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, 2010 by $86,591,702 (net assets), of this amount, $13,908,328 (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 $694,602 during the fiscal year ended June 30, 2010; much of this increase ($640,014) is attributable to governmental activities.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of $20,605,300 a decrease of $706,951 in comparison with the prior year. This decrease is attributable mainly to the expenditures on various capital projects.
- The unreserved fund balance for the General Fund at June 30, 2010 was $12,255,526 which was 76% of total General Fund expenditures and transfers-out for the year. The unreserved General Fund balance at June 30, 2009 was $11,777,841.
- The City's total long term debt experienced a net decrease of $508,056 during the fiscal year ended June 30, 2010. 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 $445,957 during the fiscal year ended June 30, 2010. 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 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 sanitation 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 a separate column 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 38 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 four funds which are considered to be major funds.

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

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary Funds: The City maintains two different types of proprietary funds, an enterprise fund and two internal service funds. Enterprise funds charge a fee for services to outside customers. The City uses an enterprise fund to account for its solid waste activities. 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 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, which is considered to be a non-major fund of the City.

The two 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, capital projects, internal service funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 43-58 of this report.

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 $86,591,702 and $85,897,100 at June 30, 2010 and 2009, 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	
	2010	2009 (Restated)	2010	2009	2010	2009 (Restated)
Assets:						
Current and other assets	$ 23,152	$ 23,604	$ 82	$ 27	$ 23,234	$ 23,631
Capital assets	66,572	66,053	-	-	66,572	66,053
Total assets	89,724	89,657	82	27	89,806	89,684
Liabilities:						
Long-term liabilities outstanding	2,036	2,852	-	-	2,036	2,852
Other liabilities	1,178	935	-	-	1,178	935
Total liabilities	3,214	3,787	-	-	3,214	3,787
Net assets:						
Invested in capital assets, net of related debt	64,981	63,954	-	-	64,981	63,954
Restricted	7,702	8,141	-	-	7,702	8,141
Unrestricted	13,827	13,775	82	27	13,909	13,802
Total net assets	$ 86,510	$ 85,870	$ 82	$ 27	$ 86,592	$ 85,897

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 also has net assets of $7,702,229 which are restricted by enabling legislation for expenditure on capital projects. The remaining balance of unrestricted net assets $13,908,328 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.

Governmental activities: Governmental activities increased the City's net assets by $640,014 and business-type activities increased the City's net assets by $54,588. Much of the increase in governmental activities net assets

came from the City retiring its OPEB plan and the associated liability for these benefits. The increase in business-type activities net assets came from charges for services.

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, 2010 and 2009.

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

	Governmental Activities		Business-Type		Total	
	2010	2009 (Restated)	2010	2009	2010	2009 (Restated)
Revenues						
Program revenues:						
Charges for services	$ 5,123	$ 4,439	$ 58	$ 47	$ 5,181	$ 4,486
Operating grants and contributions	3,714	3,795	-	-	3,714	3,795
Capital grants and contributions	-	305	-	-	-	305
General revenues:						
Property taxes	5,958	6,108	-	-	5,958	6,108
Insurance premium tax	1,227	1,238	-	-	1,227	1,238
Other taxes	3,766	4,045	-	-	3,766	4,045
Other	583	871	-	-	583	871
Total revenues	20,371	20,801	58	47	20,429	20,848
Expenses						
General government	4,030	3,985	-	-	4,030	3,985
Public safety	8,849	9,686	-	-	8,849	9,686
Housing & development	137	184	-	-	137	184
Public works	5,070	6,721	-	-	5,070	6,721
Culture & recreation	1,571	1,934	-	-	1,571	1,934
Interest on long term debt	74	10	-	-	74	10
Solid waste	-	-	3	35	3	35
Total expenses	19,731	22,520	3	35	19,734	22,555
Change in net assets	640	(1,719)	55	12	695	(1,707)
Net assets-July 1 (adjusted)	85,870	87,589	27	15	85,897	87,604
Net assets-June 30	$ 86,510	$ 85,870	$ 82	$ 27	$ 86,592	$ 85,897

Governmental activities revenues totaled approximately $20,371,000 for fiscal year 2010. Property taxes are the largest revenue source for governmental activities, accounting for 29.2% of total revenues. Charges for services and operating grants (which include sales taxes from the County) are the second and third largest revenue source accounting for 25.1% and 18.2%, respectively, of governmental revenues for the year.

Governmental activities expenses totaled approximately $19,731,000 for fiscal year. Of the expenses, 44.8% is related to public safety. In addition, public works and general government accounted for 25.7% and 20.4% of total governmental expenses for the year. Overall expenses decreased at the City in response to budget cuts as a result of the economic conditions.

Business-type activities: Business-type activities increased the City's net assets by $54,581, due to fees and the sale of garbage bags.

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, unreserved 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 $20,605,300 a decrease of $706,951 or 3.3% in comparison with the prior year. Approximately 96% of the fund balance or $19,791,347 is classified as unreserved. The combined unreserved fund balance consists of the General Fund's-undesignated of $12,255,526, special revenue funds-undesignated of $533,252 and capital projects funds-undesignated of $7,002,569. The remainder of fund balance is reserved to indicate it is not available for new spending because it has been committed for prepaid items of $813,953.

The General Fund is the chief operating fund of the City, at the end of the current fiscal year, unreserved fund balance of the General Fund was $12,255,526. As a measure of the General Fund's liquidity, it would be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 76% of total General Fund expenditures plus transfers-out, which compares to 60% in the prior year.

The fund balance of the City's General Fund increased by $535,874 during the current fiscal year. Key factors in this activity are as follows:

- Overall General Fund revenue increased by $41,651 or 0.26%
- Revenue for taxes decreased by $390,476 (3.46%) over the prior year. This was mainly due to the decline in the tax digest due to the struggling economy.
- Revenue for fines and forfeitures increased by $424,433 or 11.7% from the prior year.
- Interest income from investments decreased by $169,374 or 37.15% and charges for services decreased by $52,811 or 13.58% both due predominately to the down economy.
- Overall General Fund revenues exceeded expenditures by $380,584.

Overall total expenditures (and transfers out) of the General Fund decreased $3,113,826 when compared to the prior year. While General Fund expenditures decreased by $426,070, transfers out decreased by $2,687,756. The decrease was mainly due to the decline in capital projects, the expense incurred in the prior year for new software upgrades at the City, and fewer debt service payments.

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.

At the fiscal year end, the Worker's Compensation Fund has unrestricted net assets of $590,315. Because the City self insures for worker's compensation this balance is restricted 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 $2,731,157. The Solid Waste Management Fund has an unrestricted net assets of $81,669, which is from franchise fees and the sale of garbage bags.

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.

During the year, General Fund revenues were greater than budgetary projections and expenditures were less than budgetary estimates. Actual revenues were $873,359 higher than estimates and expenditures were $2,269,417 less than budgetary appropriations.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2010, amounted to $66,571,701, net of 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 completion of the new software upgrades, purchase of police vehicles and equipment, and purchase of several pieces of land. These acquisitions were offset by depreciation causing a net overall increase of $518,811.

City of Duluth – Capital Assets ($000)

	Governmental Activities	
	2010	2009
Land and improvements	$ 12,114	$ 9,834
Buildings	34,976	34,976
Improvement other than buildings	53,130	53,130
Land Improvements	872	-
Furniture, machinery, and equipment	6,263	4,601
Construction in progress	700	1,877
Less accumulated depreciation	(41,484)	(38,365)
Total	$66,571	$66,053

Additional information on the City's capital assets can be found in Note 5 Capital Assets on pages 29 and 30 of this report.

Long-term debt: At June 30, 2010, the City had no bonded debt outstanding. The City has two outstanding capital leases totaling $1,590,556, of which $440,422 is due and payable within one year. The component units of the City, the Downtown Development Authority and the Urban Redevelopment Authority have outstanding revenue bonds of $12,944,955 and $11,380,859, respectively. Amounts due within one year are Downtown Development Authority $368,561 and the Urban Redevelopment Authority $615,000 on the outstanding revenue bonds.

The City's total long term debt (capital leases) experienced a net decrease of $508,056 during the fiscal year ended June 30, 2010. This decrease was due to principal payments at scheduled maturity during the year. The City did not acquire any new debt during the fiscal year

The City's Component Units (Urban Redevelopment Authority and Downtown Development Authority) total long term liabilities experienced a net decrease of $445,958 during the fiscal year ended June 30, 2010. The decrease was 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 Long-term Debt on pages 30 through 32 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Duluth's population has continued to grow, along with the diverse ethnicity of that population. Duluth's population grew 24% between 2000 and 2007. This growth has resulted in both a greater demand for services and an increased tax base to help support this growth. Property tax revenues 2010 declined by $390,476 or 3.5% from the previous year. The City is home to a diverse population; however the struggling economy had driven down the median household income and the median house value which has impacted the City's overall tax digest and revenue.

The City's elected officials consider many factors, including those mentioned above when developing the annual budget. In response the recent changes in the economy, higher unemployment, and changes in the tax base the City Council was forced to vote and pass a millage rate increase from 5.191 mills to 5.991 mills for the 2010 property tax billing. This was the first millage rate increase since 2001.

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

City of Duluth, Georgia

Statement of Net Assets

June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Urban Redevelopment Authority
ASSETS					
Cash	$ 20,365,684	$ 81,669	$ 20,447,353	$ 1,318,419	$ -
Accounts receivable	881,100	-	881,100	5,690	-
Taxes receivable	1,091,158	-	1,091,158	-	-
Prepaid items	813,953	-	813,953	-	-
Nondepreciable capital assets	12,813,611	-	12,813,611	7,001,657	1,659,102
Depreciable capital assets, net	53,758,090	-	53,758,090	-	-
Deferred charges	-	-	-	86,597	190,405
TOTAL ASSETS	89,723,596	81,669	89,805,265	8,412,363	1,849,507
LIABILITIES					
Accounts payable	547,393	-	547,393	21,255	-
Accrued expenses	630,841	-	630,841	-	-
Unearned revenue	-	-	-	5,690	-
Accrued interest payable	-	-	-	23,176	38,060
Noncurrent liabilities:					
Net OPEB obligation due in more than one year	-	-	-	-	-
Bonds payable due within one year	-	-	-	368,561	615,000
Bonds payable due in more than one year	-	-	-	12,576,394	10,765,859
Capital lease payable due within one year	440,422	-	440,422	-	-
Capital lease payable due in more than one year	1,150,134	-	1,150,134	-	-
Compensated absences payable due within one year	444,773	-	444,773	-	-
TOTAL LIABILITIES	3,213,563	-	3,213,563	12,995,076	11,418,919
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	64,981,145	-	64,981,145	(5,943,298)	(9,721,757)
Restricted for capital projects	7,702,229	-	7,702,229	-	-
Unrestricted	13,826,659	81,669	13,908,328	1,360,585	152,345
TOTAL NET ASSETS (DEFICIT)	$ 86,510,033	$ 81,669	$ 86,591,702	$ (4,582,713)	$ (9,569,412)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Activities

For the Year Ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Urban Redevelopment Authority
PRIMARY GOVERNMENT:									
Governmental Activities:									
General government	$ 4,029,796	$ 466,491	$ -	$ -	$ (3,563,305)	$ -	$ (3,563,305)	$ -	$ -
Public safety	8,848,763	4,387,120	445,458	-	(4,016,185)	-	(4,016,185)	-	-
Public works	5,070,279	-	1,663,799	-	(3,406,480)	-	(3,406,480)	-	-
Culture and recreation	1,570,708	269,791	1,604,935	-	304,018	-	304,018	-	-
Housing and development	137,597	-	-	-	(137,597)		(137,597)		
Interest on long-term obligations	74,071	-	-	-	(74,071)	-	(74,071)	-	-
Total Governmental Activities	19,731,214	5,123,402	3,714,192	-	(10,893,620)	-	(10,893,620)	-	-
Business-Type Activities:									
Solid Waste	3,052	57,640	-	-	-	54,588	54,588	-	-
Total Business-Type Activities	3,052	57,640	-	-	-	54,588	54,588	-	-
Total - Primary Government	$ 19,734,266	$ 5,181,042	$ 3,714,192	$ -	(10,893,620)	54,588	(10,839,032)	-	-
Component Units:									
Downtown Development Authority	$ 714,430	$ -	$ -	$ 446,806	-	-	-	(267,624)	-
Urban Redevelopment Authority	512,713	-	-	1,083,545	-	-	-	-	570,832
Total - Component Units	$ 1,227,143	$ -	$ -	$ 1,530,351.00	-	-	-	(267,624)	570,832
		GENERAL REVENUES:							
		Taxes:							
		Property			5,958,284	-	5,958,284	-	-
		Insurance premium			1,226,513	-	1,226,513	-	-
		Other			3,766,462	-	3,766,462	-	-
		Interest earned			339,887	-	339,887	3,120	-
		Miscellaneous			242,488	-	242,488	66,084	-
		Total General Revenues			11,533,634	-	11,533,634	69,204	-
		Change in Net Assets			640,014	54,588	694,602	(198,420)	570,832
		NET ASSETS (DEFICIT) BEGINNING OF YEAR, AS RESTATED			85,870,019	27,081	85,897,100	(4,384,293)	(10,140,244)
		NET ASSETS (DEFICIT) END OF YEAR			$ 86,510,033	$ 81,669	$ 86,591,702	$ (4,582,713)	$ (9,569,412)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Balance Sheet

Governmental Funds

June 30, 2010

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	City Hall Design-Build Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 12,060,478	$ 3,626,211	714,221	$ -	$ 3,374,459	$ 19,775,369
Receivables:						
Taxes	1,088,252	-	-	-	2,906	1,091,158
Accounts	-	-	855,035	-	26,065	881,100
Due from other funds	909,248	-	-	-	26,772	936,020
Prepaid items	263,011	-	-	-	550,942	813,953
TOTAL ASSETS	$ 14,320,989	$ 3,626,211	$ 1,569,256	$ -	$ 3,981,144	$ 23,497,600
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 416,442	$ -	$ -	$ -	$ 130,951	$ 547,393
Accrued salaries payable	400,227	-	-	-	-	400,227
Accrued expenditures	194,949	-	-	-	35,665	230,614
Due to other funds	12,788	-	-	115,032	808,200	936,020
Deferred revenues	778,046	-	-	-	-	778,046
TOTAL LIABILITIES	1,802,452	-	-	115,032	974,816	2,892,300
FUND BALANCES (DEFICIT)						
Reserved for prepaid items	263,011	-	-	-	550,942	813,953
Unreserved:						
Undesignated, reported in:						
General Fund	12,255,526	-	-	-	-	12,255,526
Special Revenue Funds	-	-	-	-	533,252	533,252
Capital Projects Funds	-	3,626,211	1,569,256	(115,032)	1,922,134	7,002,569
TOTAL FUND BALANCES (DEFICIT)	12,518,537	3,626,211	1,569,256	(115,032)	3,006,328	20,605,300
TOTAL LIABILITIES AND FUND BALANCES	$ 14,320,989	$ 3,626,211	$ 1,569,256	$ -	$ 3,981,144	$ 23,497,600

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, 2010

TOTAL GOVERNMENTAL FUND BALANCES		$ 20,605,300
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	$ 103,637,417	
Less accumulated depreciation	(39,796,873)	63,840,544
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes and franchise taxes		778,046
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.		3,321,472
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	$ (1,590,556)	
Compensated absences	(444,773)	(2,035,329)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 86,510,033

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, 2010

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	City Hall Design-Build Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 10,890,480	$ -	$ -	$ -	$ 37,157	$ 10,927,637
Licenses and permits	456,188	-	-	-	-	456,188
Intergovernmental	71,861	-	3,426,519	-	162,805	3,661,185
Charges for services	335,976	-	-	-	235,650	571,626
Interest income	286,549	21,152	7,658	-	19,925	335,284
Fines and forfeitures	4,062,612	-	-	-	-	4,062,612
Miscellaneous	270,437	-	-	-	25,058	295,495
TOTAL REVENUES	16,374,103	21,152	3,434,177	-	480,595	20,310,027
EXPENDITURES						
Current:						
General government	3,377,351	-	-	-	-	3,377,351
Public safety	7,878,168	-	-	-	285,199	8,163,367
Public works	3,021,161	-	-	-	95,031	3,116,192
Culture and recreation	1,134,712	-	-	-	-	1,134,712
Capital outlay	-	315,865	-	46,851	4,280,513	4,643,229
Debt service:						
Principal retirement	508,056	-	-	-	-	508,056
Interest and fiscal charges	74,071	-	-	-	-	74,071
TOTAL EXPENDITURES	15,993,519	315,865	-	46,851	4,660,743	21,016,978
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	380,584	(294,713)	3,434,177	(46,851)	(4,180,148)	(706,951)
OTHER FINANCING SOURCES (USES)						
Transfers in	712,129	-	-	-	3,525,660	4,237,789
Transfers out	(556,839)	(731,886)	(2,678,579)	-	(270,485)	(4,237,789)
TOTAL OTHER FINANCING SOURCES (USES)	155,290	(731,886)	(2,678,579)	-	3,255,175	-
NET CHANGE IN FUND BALANCES	535,874	(1,026,599)	755,598	(46,851)	(924,973)	(706,951)
FUND BALANCES (DEFICIT)- BEGINNING OF YEAR, AS RESTATED	11,982,663	4,652,810	813,658	(68,181)	3,931,301	21,312,251
FUND BALANCES (DEFICIT) - END OF YEAR	$ 12,518,537	$ 3,626,211	$ 1,569,256	$ (115,032)	$ 3,006,328	$ 20,605,300

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, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (706,951)
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 are 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	$ (3,139,433)	
Capital outlay/donations	3,722,506	
Gain (loss) on disposition of asset(s)	(12,108)	570,965
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		
Property taxes and franchise taxes		23,622
OPEB Obligations did not require the use of current financial resources and therefore were not reported as expenditures in governmental funds. The plan was cancelled during the fiscal year with no future obligation.		320,000
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.		508,056
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.		(10,131)
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.		(65,547)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 640,014

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Net Assets

Proprietary Funds

June 30, 2010

	Enterprise Funds		
	Solid Waste Management Fund	Total	Internal Service Funds
ASSETS			
Current Assets:			
Cash	$ 81,669	$ 81,669	$ 590,315
Total Current Assets	81,669	81,669	590,315
Noncurrent Assets:			
Capital assets:			
Nondepreciable capital assets	-	-	1,654,856
Depreciable capital assets, net	-	-	1,076,301
Total Noncurrent Assets	-	-	2,731,157
TOTAL ASSETS	81,669	81,669	3,321,472
TOTAL LIABILITIES	-	-	-
NET ASSETS			
Invested in capital assets	-	-	2,731,157
Unrestricted	81,669	81,669	590,315
TOTAL NET ASSETS	$ 81,669	$ 81,669	$ 3,321,472

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, 2010

	Enterprise Funds		Internal Service Funds
	Solid Waste Management Fund	Total	
OPERATING REVENUES			
Charges for services	$ 57,640	$ 57,640	$ 32,976
TOTAL OPERATING REVENUES	57,640	57,640	32,976
OPERATING EXPENSES			
Costs of sales and services	-	-	11,824
Administration	-	-	39,148
Supplies	3,052	3,052	-
Depreciation	-	-	52,154
TOTAL OPERATING EXPENSES	3,052	3,052	103,126
OPERATING INCOME (LOSS)	54,588	54,588	(70,150)
NON-OPERATING INCOME			
Interest income	-	-	4,603
TOTAL NON-OPERATING INCOME	-	-	4,603
CHANGE IN NET ASSETS	54,588	54,588	(65,547)
NET ASSETS:			
BEGINNING OF YEAR	27,081	27,081	3,387,019
END OF YEAR	$ 81,669	$ 81,669	$ 3,321,472

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2010

	Enterprise Funds		
	Solid Waste Management Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 68,977	$ 68,977	$ 32,976
Cash payments for goods and services	(3,052)	(3,052)	(104,995)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	65,925	65,925	(72,019)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	-	4,603
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-	4,603
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,925	65,925	(67,416)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	15,744	15,744	657,731
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 81,669	$ 81,669	$ 590,315
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	$ 54,588	$ 54,588	$ (70,150)
Adjustments:			
Depreciation	-	-	52,154
Increase or decrease in assets/liabilities:			
Accounts receivable	11,337	11,337	-
Accounts payable	-	-	(233)
Claims payable	-	-	(53,790)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 65,925	$ 65,925	$ (72,019)

See accompanying notes to the basic financial statements.

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.

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 proprietary funds 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.

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. 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 ***SPLOST 2005 Fund*** accounts for the financial resources provided from the 2004 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 and the administrative building.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The ***City Hall Design-Build Fund*** accounts for the financial resources provided for the building of the new city hall.

The City's lone enterprise fund, the ***Solid Waste Management Fund***, is a major enterprise fund which accounts for the City's garbage collection operations.

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 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 finance by propriety and fiduciary funds.

The City also reports the following fund types:

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.

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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."

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (continued)

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:

Asset	Years
Buildings	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.

I. Compensated Absences

Accumulated sick pay benefits have not been recorded as a liability because these benefits are paid upon the illness of an employee and the amount of such payments cannot be reasonably estimated. Accumulated unpaid vacation costs are accrued when incurred in the government-wide and proprietary financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Assets and Fund Equity

Net assets in the statement of net assets are distinguished between amounts invested in capital assets, net of any related debt; amounts restricted for use by third parties or outside requirements; and amounts that are unrestricted. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Deficit Fund Equity

At June 30, 2009, the City Hall Design-Build Fund had a deficit of $115,032; the Buford Hwy/SR120 Gateway to Downtown Fund had a deficit of $76,731; the SR120 Sidewalks to Monarch Fund had a deficit of $74,896; the Grants Fund had a deficit of $10,153; the S. Hudgens Park Restroom & Concession Fund had a deficit of $189,205; the Taylor Park Playground Fund had a deficit of $219,817; the Rogers Bridge Trail & Trailhead Fund had a deficit of $36,744; the Buford Highway Corridor Study had a deficit of $127,260; the Buford Highway Medians Fund had a deficit of $28,370; the Other Capital Projects Fund had a deficit of $47,092; the WP Jones Activity Building Fund had a deficit of $29,579; the Rodgers Bridge Dog Park Fund had a deficit of $7,950; the Bunten Road Storage Facility Fund had a deficit of $3,400; and the Transportation and Infrastructure Improvements Fund had a deficit of $20,822. The deficits in these funds will be funded with transfers from other funds or with budgeted financing through grants or other funding.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

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 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).

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2010.

Streets:	
Building/grounds maintenance	1,533
Other financing Uses:	
Transfers out	325,989

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, 2010, all of the deposits of the City were fully collateralized in accordance with the state statutes with the exception of $55,285 of deposits which were not collateralized.

NOTE 4. RECEIVABLES

Receivables at June 30, 2010, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	2009 SPLOST Fund	Other Governmental Funds	Total
Receivables:				
Taxes	$ 1,088,252	-	2,906	$ 1,091,158
Accounts	-	855,035	26,065	881,100
Gross Receivables	1,088,252	855,035	28,971	1,972,258
Less allowance for uncollectibles	-	-	-	-
Net total receivables	$ 1,088,252	855,035	28,971	$ 1,972,258

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1st. Tax bills are mailed on September 1st 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 10th. The City bills and collects its own property taxes. Property taxes levied for the year ending June 30, 2010 and not collected are recorded as receivables, net of estimated uncollectibles.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 is as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	$ 9,716,331	$ 2,280,617	$ -	$ -	$ 11,996,948
Land improvements	116,985	-	-	-	116,985
Construction in Progress	1,876,613	1,112,442	-	(2,289,377)	699,678
Total	11,709,929	3,393,059	-	(2,289,377)	12,813,611
Capital assets, being depreciated:					
Buildings	34,976,394	-	-	-	34,976,394
Improvements other than buildings	53,130,310	-	-	-	53,130,310
Land Improvements	-	-	-	872,531	872,531
Furniture, machinery and equipment	4,600,765	329,447	(84,323)	1,416,846	6,262,734
Total	92,707,469	329,447	(84,323)	2,289,377	95,241,969
Less accumulated depreciation for:					
Building	(4,728,511)	(965,294)	-	-	(5,693,805)
Improvements other than buildings	(30,280,017)	(1,707,221)	-	-	(31,987,238)
Land Improvements	-	(8,831)	-	-	(8,831)
Furniture, machinery and equipment	(3,355,980)	(510,242)	72,215	-	(3,794,007)
Total	(38,364,508)	(3,191,588)	72,215	-	(41,483,880)
Total assets being depreciated, net	54,342,961	(2,862,140)	(12,108)	2,289,377	53,758,090
Governmental activities capital assets, net	$ 66,052,890	$ 530,919	$ (12,108)	$ -	$ 66,571,701

Component Units:	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	$ 1,659,102	$ 5,525	$ -	$ 1,664,627
Construction in progress	6,996,132	-	-	6,996,132
Total	8,655,234	5,525	-	8,660,759
Component units capital assets, net	$ 8,655,234	$ 5,525	$ -	$ 8,660,759

NOTE 5. CAPITAL ASSETS (Continued)

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

General government	$ 518,554
Public safety	676,786
Housing and development	106,394
Public works	1,535,011
Culture and recreation	354,843
Total depreciation expense - governmental activities	$ 3,191,588

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 434,642	$ 509,627	$ 499,496	$ 444,773	$ 444,773
Net OPEB Obligation	320,000	-	320,000	-	-
Leases payable	2,098,612	-	508,056	1,590,556	440,422
Governmental activities long-term liabilities	$ 2,853,254	$ 509,627	$ 1,327,552	$ 2,035,329	$ 885,195
Component Units					
Bonds payable	$ 24,770,804	$ 408,221	$ 854,071	$ 24,324,954	$ 983,561
Premium on bonds	968	-	108	860	-
Business-type activities long-term liabilities	$ 24,771,772	$ 408,221	$ 854,179	$ 24,325,814	$ 983,561

The compensated absence liability is usually paid by the General Fund. The City OPEB plan was terminated in FY 2010 – see further discussion in Note 13.

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 building no matter when the building is sold.

Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. Specifically, the bond indentures for the bonds require project, bond (sinking), and various construction accounts. Management of the City believes it is in compliance with all significant requirements of the various bond covenants.

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

Fiscal Year	Principal	Interest	Total
2011	$ 983,561	$ 1,089,405	$ 2,072,966
2012	1,259,606	1,038,668	2,298,274
2013	6,160,423	831,539	6,991,962
2014	1,190,070	627,467	1,817,537
2015	1,241,273	573,934	1,815,207
2016-2020	7,785,456	1,986,354	9,771,810
2021-2025	4,215,776	349,329	4,565,105
2026-2029	1,488,789	10,739	1,499,528
	$ 24,324,954	$ 6,507,435	$ 30,832,389

NOTE 6. LONG-TERM DEBT (Continued)

Capital Lease Payable. The City has two capital leases. One capital lease involves a lease-to-purchase of real estate. This lease calls for quarterly payments of $42,509 bearing interest of 3% annum maturing April 1, 2011. This includes the purchase of land only in the amount of $1,800,000. The other 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, 2010:

Fiscal Year	Principal	Interest	Total
2011	$ 440,422	$ 56,687	$ 497,109
2012	369,537	42,555	412,092
2013	383,209	28,882	412,091
2014	397,388	14,703	412,091
	$ 1,590,556	$ 142,827	$ 1,733,383

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

	Due From			
Due To	General Fund	City Hall Design-Build	Other Governmental Funds	Total
General Fund	$ -	$ 115,032	$ 794,216	$ 909,248
Other Governmental Funds	12,788	-	13,984	26,772
Total	$ 12,788	$ 115,032	$ 808,200	$ 936,020

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.

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

Interfund transfers for the year ended June 30, 2010 were:

	Transfers From				
Transfers To	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	Other Governmental Funds	Total
General Fund	$ -	$ 350,352	$ 211,776	$ 150,001	$ 712,129
Other Governmental Funds	556,839	381,534	2,466,803	120,484	3,525,660
Total	$ 556,839	$ 731,886	$ 2,678,579	$ 270,485	$ 4,237,789

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2010.

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 October 1, 2009, the time of the last actuarial valuation, the Plan membership consisted of:

Disabled employees, retirees, and beneficiaries currently receiving benefits	5
Terminated employees entitled to benefits not yet receiving them	26
Active employees	119
Total Participants	150

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 10.74% 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 was determined as part of the October 1, 2009 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
2008	348,297	100%	$ -
2009	382,101	100%	-
2010	422,091	100%	-

As of the most recent valuation date, October 1, 2009, 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	UAAL as a Percentage of Covered Payroll
10/1/2009	$ 2,084,420	2,768,919	75.28%	$ (684,499)	6,371,261	10.74%

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 October 1, 2009.

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

C. Annual Pension Cost (Continued)

The assumptions used in the October 1, 2009 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, plus 10% of investment gains (losses) during the prior 10 years
Assumed Rate of Return On Investments	8.0% (includes inflation of 3.07%)
Projected Salary Increases	5.5% (includes inflation of 3.07%)
Cost-of-living Adjustment	None
Amortization Method	Level Dollar Percent of Pay (closed)
Remaining Amortization Period	20 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 Citistreet, LLC. 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 2009 and 2010. Individuals who are 50 or older can defer an additional $5,500. Individuals within 3 years of retirement (62 years of age) can contribute up to $33,000. The City's contribution is limited to a maximum of 2% of gross wages or 50% of employee's contributions, whichever is less.

This plan may be amended by vote of the City Council. Contributions by the City for the current year were $79,731, with employee contributions amounting to $297,478.

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.

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, 2010, the City had accumulated $590,315 in the account after the payment of claims and administrative fees.

Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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. OTHER POST EMPLOYMENT BENEFITS

During the year ended June 30, 2010, the City Council voted to discontinue providing post-employment health care benefits which were previously provided to eligible employees. At the time of the discontinuance of the plan, no retirees were receiving or eligible for benefits. Based on the discontinuance of the plan, no future benefits will be provided.

NOTE 14. PRIOR PERIOD ADJUSTMENTS

The City has determined that a restatement of the City's net assets and fund balance is required to reflect corrections to beginning balances for amounts prepaid during fiscal year 2009 for software support, which were previously recorded as expenditures/expenses. The prepaid contract was paid and executed during the previous fiscal year and covers a period of five years.

This restatement impacts the governmental activities of the government wide statements of the City as follows:

Governmental activities:		
Net assets, as previously reported	$	85,257,861
Add: Prepaid item		612,158
Net assets, as restated	$	85,870,019

This restatement impacts the non-major governmental funds of the City as follows:

Non-major governmental funds:		
Fund balance, as previously reported	$	3,319,143
Add: Prepaid item		612,158
Fund balance, as restated	$	3,931,301

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DULUTH, GEORGIA

Schedule of Funding Progress
City of Duluth Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	Annual Covered Payroll	Percentage of Covered Payroll
11/1/2007	1,242,784	1,781,794	69.75%	$ (539,010)	5,694,026	9.47%
11/1/2008	1,620,782	2,280,163	71.08%	(659,381)	5,854,533	11.26%
10/1/2009	2,084,420	2,768,919	75.28%	(684,499)	6,371,261	10.74%

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	10,387,000	10,387,000	$ 10,890,480	$ 503,480
Licenses and permits	322,300	322,300	456,188	133,888
Charges for services	286,775	286,775	335,976	49,201
Fines and forfeitures	3,584,730	3,584,730	4,062,612	477,882
Intergovernmental	369,136	379,919	71,861	(308,058)
Interest income	268,000	268,000	286,549	18,549
Miscellaneous	233,600	272,020	270,437	(1,583)
TOTAL REVENUES	15,451,541	15,500,744	16,374,103	873,359
EXPENDITURES				
Current:				
General government:				
Mayor and Council				
Personal services	49,750	50,181	44,083	6,098
Other services and charges	342,080	346,493	321,749	24,744
City Administrator				
Personal services	194,360	194,360	193,490	870
Other services and charges	43,600	43,600	23,853	19,747
City Clerk/Business Office				
Personal services	845,180	845,180	789,393	55,787
Other services and charges	871,230	1,058,302	958,413	99,889
City Clerk/Human resources	196,880	205,063	185,336	19,727
Other				
Public information & marketing	604,950	648,454	612,892	35,562
Consolidated services:				
Custodial services	134,690	137,490	121,403	16,087
Landscape maintenance	141,500	141,500	126,739	14,761
Total general government	3,424,220	3,670,623	3,377,351	293,272

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public safety:				
Municipal Court				
Personal services	506,100	506,100	493,005	13,095
Other services and charges	1,537,990	1,537,990	1,227,070	310,920
Police / Admin				
Personal services	462,470	448,915	437,458	11,457
Other services and charges	308,200	325,396	317,626	7,770
Police / CID				
Personal services	635,080	632,635	547,122	85,513
Other services and charges	14,820	14,820	10,241	4,579
Police / Uniform Division				
Personal services	3,422,956	3,425,268	2,808,468	616,800
Other services and charges	355,085	353,709	341,042	12,667
Police / Community Policing Division				
Personal services	365,680	365,680	287,532	78,148
Other services and charges	22,750	22,910	17,349	5,561
Police / Other				
Police vehicles	508,200	493,200	463,667	29,533
Police Support Services	1,117,440	1,117,440	887,899	229,541
Red light monitoring system	84,730	84,910	39,689	45,221
Total public safety	9,341,501	9,328,973	7,878,168	1,450,805
Public works:				
Planning & Development				
Personal services	613,190	613,190	578,255	34,935
Other services and charges	420,550	420,550	349,252	71,298
Downtown Development Authority	-	141,376	141,216	160
Urban Redevelopment Authority	-	1,214,663	1,073,269	141,394
Administration				
Personal services	913,850	910,250	750,823	159,427
Other services and charges	73,500	68,965	49,985	18,980
Supplies	14,200	15,735	14,978	757
Streets				
Building / grounds maintenance	57,500	61,850	63,383	(1,533)
Total public works	2,092,790	3,446,579	3,021,161	425,418

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Culture and recreation:				
Parks / Recreation Admin				
Personal services	880,980	887,052	862,050	25,002
Other services and charges	81,790	78,776	68,855	9,921
Recreation operations	257,210	260,893	203,807	57,086
Total culture and recreation	1,219,980	1,226,721	1,134,712	92,009
Debt service:				
Principal retirement	164,420	514,420	508,056	6,364
Interest and fiscal charges	5,620	75,620	74,071	1,549
Total debt service	170,040	590,040	582,127	7,913
TOTAL EXPENDITURES	16,248,531	18,262,936	15,993,519	2,269,417
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(796,990)	(2,762,192)	380,584	3,142,776
OTHER FINANCING SOURCES (USES)				
Transfers in	417,830	441,089	712,129	271,040
Transfers out	10,000	(230,850)	(556,839)	(325,989)
TOTAL OTHER FINANCING SOURCES (USES)	427,830	210,239	155,290	(54,949)
NET CHANGE IN FUND BALANCES	(369,160)	(2,551,953)	535,874	3,087,827
FUND BALANCES - BEGINNING OF YEAR	13,063,361	13,063,361	11,982,663	(1,080,698)
FUND BALANCES - END OF YEAR	$ 12,694,201	$ 10,511,408	$ 12,518,537	$ 2,007,129

COMBINING FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Greenspace Program Fund – This fund accounts for the funds to be used to increase greenspace in the City.

Landscaping Tree Fund – This fund accounts for the financial resources used for landscaping and tree maintenance.

Sidewalk Fund – This fund accounts for the financial resources 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 available 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 available 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.

H.E.A.T. Grant Fund – This fund accounts for the financial resources related to the H.E.A.T. Grant.

Buford Hwy/SR120 Gateway to Downtown Fund – This fund accounts for the financial resources used for the Buford Hwy/SR120 Gateway to Downtown project.

SR120 Sidewalks to Monarch Fund – This fund accounts for the financial resources used for the SR120 Sidewalks to Monarch project.

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

Rental Motor Vehicle Tax Fund – This fund accounts for the financial resources from excise tax on motor vehicle rentals.

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

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

Mounted Patrol Fund – This fund accounts for the financial resources used to support the Special Operations Unit Mounted Patrol.

COPS Fundraiser Donations Fund – This fund accounts for the financial resources from fundraisers and donations to be used to support various community policing programs.

Capital Projects Funds

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

S. Hudgens Park Restroom-Concession Fund - This fund accounts for the construction of park restrooms and concessions at S. Hudgens Park.

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

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

Taylor Park Restrooms Fund – This fund accounts for the construction of the restrooms at Taylor Park.

NONMAJOR GOVERNMENTAL FUNDS

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.

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.

Park Land Purchase Fund – This fund is used to account for the purchase of 10 acres adjacent to the Dog Park.

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.

City of Duluth, Georgia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2010

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS			
Cash	$ 733,138	$ 2,641,321	$ 3,374,459
Taxes receivable	2,906	-	2,906
Accounts receivable	26,065	-	26,065
Prepaid items	-	550,942	550,942
Due from other funds	8,549	18,223	26,772
TOTAL ASSETS	$ 770,658	$ 3,210,486	$ 3,981,144
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 28,273	$ 102,678	$ 130,951
Accrued expenditures	35,665	-	35,665
Due to other funds	173,468	634,732	808,200
TOTAL LIABILITIES	237,406	737,410	974,816
FUND BALANCES			
Reserved for prepaid items	-	550,942	550,942
Unreserved - undesignated	533,252	1,922,134	2,455,386
TOTAL FUND BALANCES	533,252	2,473,076	3,006,328
TOTAL LIABILITIES AND FUND BALANCES	$ 770,658	$ 3,210,486	$ 3,981,144

City of Duluth, Georgia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2010

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
REVENUES			
Taxes	$ 37,157	$ -	$ 37,157
Intergovernmental	157,554	5,251	162,805
Charges for services	235,650	-	235,650
Interest income	3	19,922	19,925
Miscellaneous	25,058	-	25,058
TOTAL REVENUES	455,422	25,173	480,595
EXPENDITURES			
Current:			
Public safety	285,199	-	285,199
Public works	95,031	-	95,031
Capital outlay	-	4,280,513	4,280,513
TOTAL EXPENDITURES	380,230	4,280,513	4,660,743
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	75,192	(4,255,340)	(4,180,148)
OTHER FINANCING SOURCES (USES)			
Transfers in	295,198	3,230,462	3,525,660
Transfers out	(179,155)	(91,330)	(270,485)
TOTAL OTHER FINANCING SOURCES (USES)	116,043	3,139,132	3,255,175
NET CHANGE IN FUND BALANCES	191,235	(1,116,208)	(924,973)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	342,017	3,589,284	3,931,301
FUND BALANCES - END OF YEAR	$ 533,252	$ 2,473,076	$ 3,006,328

City of Duluth, Georgia

Combining Balance Sheet

Non-major Special Revenue Funds

June 30, 2010

	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	Buford Hwy/ SR120 Gateway to Downtown Fund	SR120 Sidewalks to Monarch Fund	Byrne Recovery JAG Grant Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Grants Fund	Mounted Patrol Fund	COPS Fundraiser-Donations Fund	Total Non-major Special Revenue Funds
ASSETS																
Cash	$ 59,467	11,706	$ 8,000	$ 376,596	$ 82,348	$ 52,297	$ -	$ -	$ -	$ 914	$ 65,826	29,864	$ 3,832	$ 6,457	$ 35,831	$ 733,138
Taxs receivable	-	-	-	-	-	-	-	-	-	-	2,906	-	-	-	-	2,906
Accounts receivable	-	-	-	-	-	10,096	15,969	-	-	-	-	-	-	-	-	26,065
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	8,549	-	-	-	8,549
TOTAL ASSETS	$ 59,467	$ 11,706	$ 8,000	$ 376,596	$ 82,348	$ 62,393	$ 15,969	$ -	$ -	$ 914	$ 68,732	$ 38,413	$ 3,832	$ 6,457	$ 35,831	$ 770,658
LIABILITIES AND FUND BALANCES																
LIABILITIES																
Accounts payable	$ -	$ -	$ -	$ 25,699	$ -	$ -	$ -	$ 1,085	$ 1,265	$ -	$ -	$ -	$ -	$ 224	$ -	$ 28,273
Accrued expenditures	-	-	-	-	35,665	-	-	-	-	-	-	-	-	-	-	35,665
Due to other funds	-	-	-	-	-	-	10,206	75,646	73,631	-	-	-	13,985	-	-	173,468
TOTAL LIABILITIES	-	-	-	25,699	35,665	-	10,206	76,731	74,896	-	-	-	13,985	224	-	237,406
FUND BALANCES (DEFICIT)																
Unreserved - undesignated	59,467	11,706	8,000	350,897	46,683	62,393	5,763	(76,731)	(74,896)	914	68,732	38,413	(10,153)	6,233	35,831	533,252
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT	$ 59,467	$ 11,706	$ 8,000	$ 376,596	$ 82,348	$ 62,393	$ 15,969	$ -	$ -	$ 914	$ 68,732	$ 38,413	$ 3,832	$ 6,457	$ 35,831	$ 770,658

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, 2010

	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	Buford Hwy/ SR120 Gateway to Downtown Fund	SR120 Sidewalks to Monarch Fund	Byrne Recovery JAG Grant Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Grants Fund	Mounted Patrol Fund	COPS Fundraiser-Donations Fund	Total Non-major Special Revenue Funds
REVENUES																
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 37,157	$ -	$ -	$ -	$ -	$ 37,157
Intergovernmental	-	-	-	-	-	41,287	51,742	-	-	64,525	-	-	-	-	-	157,554
Charges for services	-	-	-	235,650	-	-	-	-	-	-	-	-	-	-	-	235,650
Interest income	-	-	-	2	1	-	-	-	-	-	-	-	-	-	-	3
Other	-	-	-	-	19,058	-	-	-	-	-	-	-	-	-	6,000	25,058
TOTAL REVENUES	-	-	-	235,652	19,059	41,287	51,742	-	-	64,525	37,157	-	-	-	6,000	455,422
EXPENDITURES																
Current:																
Public safety	-	-	-	33,884	13,779	17,027	144,217	-	-	63,611	-	-	-	4,355	8,326	285,199
Public works	-	-	-	-	-	-	-	34,980	29,466	-	-	-	30,585	-	-	95,031
TOTAL EXPENDITURES	-	-	-	33,884	13,779	17,027	144,217	34,980	29,466	63,611	-	-	30,585	4,355	8,326	380,230
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	201,768	5,280	24,260	(92,475)	(34,980)	(29,466)	914	37,157	-	(30,585)	(4,355)	(2,326)	75,192
OTHER FINANCING SOURCES (USES)																
Transfers in	-	-	-	-	-	-	98,238	-	-	-	-	138,923	28,882	7,057	22,098	295,198
Transfers out	-	-	-	-	-	(29,155)	-	-	-	-	-	(150,000)	-	-	-	(179,155)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(29,155)	98,238	-	-	-	-	(11,077)	28,882	7,057	22,098	116,043
NET CHANGE IN FUND BALANCES	-	-	-	201,768	5,280	(4,895)	5,763	(34,980)	(29,466)	914	37,157	(11,077)	(1,703)	2,702	19,772	191,235
FUND BALANCES - BEGINNING OF YEAR	59,467	11,706	8,000	149,129	41,403	67,288	-	(41,751)	(45,430)	-	31,575	49,490	(8,450)	3,531	16,059	342,017
FUND BALANCES - END OF YEAR	$ 59,467	$ 11,706	$ 8,000	$ 350,897	$ 46,683	$ 62,393	$ 5,763	$ (76,731)	$ (74,896)	$ 914	$ 68,732	$ 38,413	$ (10,153)	$ 6,233	$ 35,831	$ 533,252

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2010

	SPLOST 1997	S. Hudgens Park Restroom & Concession	SPLOST 2001	Railway Musuem Access Rd.	Taylor Park Restrooms	Taylor Park Playground	Rogers Bridge Trail &Trailhead	Community Development Block Grant Improvements	Buford Hwy Corridor Study	Buford Hwy Medians
ASSETS										
Cash	$ 1,564,141	$ -	$ 951,569	$ 1,866	$ -	$ -	$ -	$ -	$ -	$ -
Prepaid items	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 1,564,141	$ -	$ 951,569	$ 1,866	$ -	$ -	$ -	$ -	$ -	$ -
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	$ 8,948	$ 43,929	$ -	$ -	$ -	$ 10,050	$ -	$ -	$ -	$ -
Due to other funds	-	145,276	-	-	-	209,767	36,744	-	127,260	28,370
LIABILITIES	8,948	189,205	-	-	-	219,817	36,744	-	127,260	28,370
FUND BALANCES										
Reserved for prepaid items	-	-	-	-	-	-	-	-	-	-
Unreserved - undesignated	1,555,193	(189,205)	951,569	1,866	-	(219,817)	(36,744)	-	(127,260)	(28,370)
TOTAL LIABILITIES AND FUND BALANCES	$ 1,564,141	$ -	$ 951,569	$ 1,866	$ -	$ -	$ -	$ -	$ -	$ -

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2010

	Living Memorial	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	Park Land Purchase	Rodgers Bridge Dog Park	Bunten Road Storage Facility	Transportation Infrastructure Improvements	Total Non-major Capital Projects Funds
ASSETS										
Cash	$ 46,268	$ 5,500	71,977	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,641,321
Prepaid items	-	-	550,942	-	-	-	-	-	-	550,942
Due from other funds	-	-	-	18,223	-	-	-	-	-	18,223
TOTAL ASSETS	$ 46,268	$ 5,500	$ 622,919	$ 18,223	$ -	$ -	$ -	$ -	$ -	$ 3,210,486
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	$ -	$ -	$ -	$ 25,745	$ -	$ -	$ 1,950	$ 3,400	$ 8,656	$ 102,678
Due to other funds	-	-	-	39,570	29,579	-	6,000	-	12,166	634,732
LIABILITIES	-	-	-	65,315	29,579	-	7,950	3,400	20,822	737,410
FUND BALANCES										
Reserved for prepaid items	-	-	550,942	-	-	-	-	-	-	550,942
Unreserved - undesignated	46,268	5,500	71,977	(47,092)	(29,579)	-	(7,950)	(3,400)	(20,822)	1,922,134
TOTAL LIABILITIES AND FUND BALANCES	$ 46,268	$ 5,500	$ 622,919	$ 18,223	$ -	$ -	$ -	$ -	$ -	$ 3,210,486

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, 2010

	SPLOST 1997	S. Hudgens Park Restroom & Concession	SPLOST 2001	Railway Musuem Access Rd.	Taylor Park Restrooms	Taylor Park Playground	Rogers Bridge Trail &Trailhead	Community Development Block Grant Improvements	Buford Hwy Corridor Study	Buford Hwy Medians
REVENUES										
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest income	12,512	-	7,410	-	-	-	-	-	-	-
TOTAL REVENUES	12,512	-	7,410	-	-	-	-	-	-	-
EXPENDITURES										
Capital outlay:										
General government	-	-	-	-	-	-	-	-	-	-
Public works	96,317	148,057	-	-	-	219,817	36,745	6,000	127,260	9,484
Culture and recreation	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	96,317	148,057	-	-	-	219,817	36,745	6,000	127,260	9,484
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(83,805)	(148,057)	7,410	-	-	(219,817)	(36,745)	(6,000)	(127,260)	(9,484)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	91,329	23,423	6,000	-	-
Transfers out	-	-	(91,329)	-	(1)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	(91,329)	-	(1)	91,329	23,423	6,000	-	-
NET CHANGE IN FUND BALANCES	(83,805)	(148,057)	(83,919)	-	(1)	(128,488)	(13,322)	-	(127,260)	(9,484)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	1,638,998	(41,148)	1,035,488	1,866	1	(91,329)	(23,422)	-	-	(18,886)
FUND BALANCES - END OF YEAR	$ 1,555,193	$ (189,205)	$ 951,569	$ 1,866	$ -	$ (219,817)	$ (36,744)	$ -	$ (127,260)	$ (28,370)

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, 2010

	Living Memorial	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	Park Land Purchase	Rodgers Bridge Dog Park	Bunten Road Storage Facility	Transportation Infrastructure Improvements	Total Non-major Capital Projects Funds
REVENUES										
Intergovernmental	$ 5,251	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,251
Interest income	-	-	-	-	-	-	-	-	-	19,922
TOTAL REVENUES	5,251	-	-	-	-	-	-	-	-	25,173
EXPENDITURES										
Capital outlay:										
General government	-	-	595,192	-	-	-	-	-	-	595,192
Public works	-	-	-	1,323,978	-	-	-	-	563,293	2,530,951
Culture and recreation	14,800	-	-	-	29,579	1,098,641	7,950	3,400	-	1,154,370
TOTAL EXPENDITURES	14,800	-	595,192	1,323,978	29,579	1,098,641	7,950	3,400	563,293	4,280,513
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,549)	-	(595,192)	(1,323,978)	(29,579)	(1,098,641)	(7,950)	(3,400)	(563,293)	(4,255,340)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	209,835	1,258,763	-	1,098,641	-	-	542,471	3,230,462
Transfers out	-	-	-	-	-	-	-	-	-	(91,330)
TOTAL OTHER FINANCING SOURCES	-	-	209,835	1,258,763	-	1,098,641	-	-	542,471	3,139,132
NET CHANGE IN FUND BALANCES	(9,549)	-	(385,357)	(65,215)	(29,579)	-	(7,950)	(3,400)	(20,822)	(1,116,208)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	55,817	5,500	1,008,276	18,123	-	-	-	-	-	3,589,284
FUND BALANCES - END OF YEAR	$ 46,268	$ 5,500	$ 622,919	$ (47,092)	$ (29,579)	$ -	$ (7,950)	$ (3,400)	$ (20,822)	$ 2,473,076

City of Duluth, Georgia
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash	$ -	$ 590,315	$ 590,315
Total Current Assets	-	590,315	590,315
Noncurrent Assets:			
Capital assets:			
Nondepreciable capital assets	1,654,856	-	1,654,856
Depreciable capital assets, net	1,076,301	-	1,076,301
Total Noncurrent Assets	2,731,157	-	2,731,157
TOTAL ASSETS	2,731,157	590,315	3,321,472
TOTAL LIABILITIES	-	-	-
NET ASSETS			
Invested in capital assets	2,731,157	-	2,731,157
Unrestricted	-	590,315	590,315
TOTAL NET ASSETS	$ 2,731,157	$ 590,315	$ 3,321,472

City of Duluth, Georgia

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2010

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$ -	32,976	$ 32,976
TOTAL OPERATING REVENUES	-	32,976	32,976
OPERATING EXPENSES			
Costs of sales and services	-	11,824	11,824
Administration	-	39,148	39,148
Depreciation	52,154	-	52,154
TOTAL OPERATING EXPENSES	52,154	50,972	103,126
OPERATING (LOSS)	(52,154)	(17,996)	(70,150)
NON-OPERATING INCOME			
Interest income	-	4,603	4,603
TOTAL NON-OPERATING INCOME	-	4,603	4,603
CHANGE IN NET ASSETS	(52,154)	(13,393)	(65,547)
NET ASSETS:			
BEGINNING OF YEAR	2,783,311	603,708	3,387,019
END OF YEAR	$ 2,731,157	$ 590,315	$ 3,321,472

City of Duluth, Georgia

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ -	$ 32,976	$ 32,976
Cash payments for goods and services	-	(104,995)	(104,995)
NET CASH (USED IN) OPERATING ACTIVITIES	-	(72,019)	(72,019)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	4,603	4,603
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	4,603	4,603
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(67,416)	(67,416)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	657,731	657,731
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 590,315	$ 590,315
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating (loss)	$ (52,154)	$ (17,996)	$ (70,150)
Adjustments:			
Depreciation	52,154	-	52,154
Increase (decrease) in liabilities:			
Accounts payable		(233)	(233)
Claims payable	-	(53,790)	(53,790)
NET CASH (USED IN) OPERATING ACTIVITIES	$ -	$ (72,019)	$ (72,019)

City of Duluth, Georgia

Statement of Cash Flows
Component Units - Proprietary Fund Types
For the Year Ended June 30, 2010

	Component Units		
	Downtown Development Authority	Urban Redevelopment Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for operations	$ 66,084	$ -	$ 66,084
Cash paid for operations	(21,652)	-	(21,652)
NET CASH PROVIDED BY OPERATING ACTIVITIES	44,432	-	44,432
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payments from the City of Duluth	446,806	1,083,545	1,530,351
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	446,806	1,083,545	1,530,351
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(5,525)	-	(5,525)
Proceeds from capital debt	408,221	-	408,221
Principal paid on long-term debt	(259,071)	(595,000)	(854,071)
Interest paid on long-term debt	(642,730)	(488,545)	(1,131,275)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(499,105)	(1,083,545)	(1,582,650)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	3,120	-	3,120
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,120	-	3,120
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,747)	-	(4,747)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,323,166	-	1,323,166
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,318,419	$ -	$ 1,318,419
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating (loss)	$ (6,309)	$ (26,262)	$ (32,571)
Adjustments:			
Amortization	29,486	26,262	55,748
Changes in assets and liabilities:			
Accounts receivable	19,310	-	19,310
Accounts payable	21,255	-	21,255
Unearned revenue	(19,310)	-	(19,310)
NET CASH (USED IN) OPERATING ACTIVITIES	$ 44,432	$ -	$ 44,432

SCHEDULES

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
1997 Issue
For the Year Ended June 30, 2010

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	$ 171,748	$ 96,317	$ 268,065
	$ 1,646,184	$ 1,646,184	$ 171,748	$ 96,317	$ 268,065

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.

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2001 Issue
For the Year Ended June 30, 2010

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
TRANSPORTATION					
Main Street	$ 600,000	$ 600,000	$ 150,000	$ -	$ 150,000
Hospital Connector	419,935	419,935	-	-	-
W. Lawrenceville R/W	116,000	116,000	116,000	-	116,000
Intersection Study	9,000	9,000	-	-	-
Ridgeway LCI Match	11,000	11,000	-	-	-
Davenport LCI Match	10,565	10,565	-	-	-
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	15,231	-	-	-
Davenport Road	125,000	125,000	125,000	-	125,000
Davenport Road	-	128,249	128,249	-	128,249
Subtotal	1,463,495	1,591,744	676,013	-	676,013
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	-	91,329	91,329
Subtotal	1,551,008	1,618,996	1,507,887	91,329	1,599,216
	$ 3,014,503	$ 3,210,740	$ 2,183,900	$ 91,329	$ 2,275,229

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2005 Issue
For the Year Ended June 30, 2010

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Administrative Building (City Hall)	$ 7,000,000	$ 7,000,000	$ 6,442,919	$ 315,865	$ 6,758,784
Public Safety Building	5,962,836	5,862,836	6,139,834	350,352	6,490,186
Recreational Facilities	550,000	550,000	125,169	-	125,169
Transportation	2,100,000	2,100,000	107,957	381,534	489,491
Other	-	-	17	-	17
	$ 15,612,836	$ 15,512,836	$ 12,815,896	$ 1,047,751	$ 13,863,647

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2009 Issue
For the Year Ended June 30, 2010

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Library	$ 1,340,000	$ 1,340,000	$ -	$ -	$ -
Public Safety Building	1,240,000	1,240,000	-	252,870	252,870
Recreational Facilities	7,800,000	7,800,000	-	1,098,642	1,098,642
Transportation	8,200,000	8,200,000	-	1,327,067	1,327,067
Sewer	1,340,000	1,340,000	-	-	-
	$ 19,920,000	$ 19,920,000	$ -	$ 2,678,579	$ 2,678,579

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and responses, as items 2010-1 and 2010-2 to be material weaknesses.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-3.

We noted certain matters that we reported to management of the City in a separate letter dated February 18, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 18, 2011

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

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?	__X__ yes _____ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2010 due to the total amount of federal awards expended being less than $500,000.

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

Section II – Financial Statement Findings

2010-1. Capital Asset Accounting

Criteria: Generally accepted accounting principles require that an asset whose useful life exceeds a reporting period, be accounted for as a capital asset and, if applicable, depreciated on a systematic basis over its useful life.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's capital assets, accumulated depreciation and depreciation expense.

Context/Cause: During our testing of capital assets, audit adjustments were required to capitalize expenditures in four capital projects as construction in progress. Additionally, adjustments were required to correct the recording of accumulated depreciation and depreciation expense accounts for one asset in the governmental activities and for the internal service fund.

Effect: Audit adjustments were required to capitalize $231,917 in construction in progress which had been reported as an expense. Additionally, audit adjustments to increase accumulated depreciation, and the related depreciation expense, in the amount of $52,154 was required to properly report depreciation calculated for capital assets in the internal service fund and in the amount of $13,989 for the governmental activities for the year ended June 30, 2010.

Recommendation: We recommend the City review the capital asset activity related to construction in progress and the internal service fund during closing entries to the City's financial statements to ensure that depreciation expense is properly recorded.

Response: The City agrees with the recommendation above. The City will review capital asset activity related to construction in progress at year end to record any related capital cost. In addition, the Internal Service Fund closing entries will be reviewed to ensure that the annual depreciation expense is recorded in the financial statements.

Section II – Financial Statement Findings (Continued)

2010-2. Prepaid Items

Criteria: Internal controls should be in place to ensure that the amounts prepaid for future services are properly recorded as assets in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's prepaid asset account for amounts relating to software maintenance.

Context/Cause: During our testing of construction in progress, an audit adjustment was required to correct prior year net assets, prepaid items, and amortization expense.

Effect: An audit adjustment to adjust net assets and prepaid assets in the Citywide Software Fund for five years of software maintenance in the amount of $612,158 was required to properly report assets and net assets as of June 30, 2009 (the beginning of the period). These amounts were determined to have been paid in fiscal year 2009 and reported as expenditures/expenses, when they should have been recorded as prepaid assets. An audit adjustment of $61,216 was also required to record the current year expenditure of the prepaid software maintenance.

Recommendation: We recommend the City carefully review related expenditures in the funds to ensure that prepaid amounts are properly recorded as assets.

Response: The City agrees with the recommendation above. At year end, the City will review capital expenditures for any cost that should not be recorded as capital cost.

Section II – Financial Statement Findings (Continued)

2010-3. Collateralization of Deposits

Criteria: Official Code of Georgia (OCGA) Section 45-8-12(c) requires collateralization of deposits, for all public funds, in the amount of 110% of the government's deposits in excess of federal insurance.

Condition: At June 30, 2010, the City's deposits exceeded the level collateralized by the Federal Depository Insurance Corporation (FDIC) and collateral provided by the City's financial institution by $55,285.

Context/Cause: During our testing of deposit collateralization, we noted that the collateral held by one of the banks the City has deposits with, did not exceed the balance by the 10% required by State law.

Effect: Uncollateralized cash increases the exposure of the City's deposits to loss should the financial institution, in which they are held, fail. Additionally, this instance results in the City being out of compliance with State law.

Recommendation: We recommend that the City periodically monitor the value of the collateral held by its financial institutions in comparison to State requirements.

Response: The City agrees with the recommendation above. The City will periodically request report for the financial institutions and will review the reports to ensure that pledged collateral meets the State requirements.