CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

June 30, 2011

CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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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, 2011, which collectively comprise the City of Duluth, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Duluth, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to 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, 2011, 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.

As discussed in Note 1, the City of Duluth, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012, on our consideration of the City of Duluth, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Duluth, Georgia. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2012

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, 2011. This narrative is intended to assist the reader in understanding significant issues, material deviations from the original budget and provide an overview of financial activities and identify changes in financial position. We encourage readers to consider this information presented herein, in conjunction with the additional information furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at June 30, 2011 by $86,075,008 (net assets), of this amount, $12,127,377 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets decreased by $516,694 during the fiscal year ended June 30, 2011; all of this decrease is attributable to governmental activities.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of $21,102,526 an increase of $497,226 in comparison with the prior year. This increase is attributable to incoming sales taxes from the County which have not yet been spent on capital projects.
- The unassigned fund balance for the General Fund at June 30, 2011 was $6,029,696 which was 37% of total General Fund expenditures and transfers-out for the year.
- The City's total long term debt experienced a net decrease of $440,422 during the fiscal year ended June 30, 2011. 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 $528,289 during the fiscal year ended June 30, 2011. 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 solid waste services.

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

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

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

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.

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 and capital projects) and internal service funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 43-60 of this report.

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 $86,075,008 and $86,591,702 at June 30, 2011 and 2010, 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	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	$ 23,751	$ 23,152	$ 82	$ 82	$ 23,833	$ 23,234
Capital assets	65,292	66,572	-	-	65,292	66,053
Total assets	89,043	89,724	82	82	89,125	89,287
Liabilities:						
Long-term liabilities outstanding	1,626	2,036	-	-	1,626	2,036
Other liabilities	1,424	1,178	-	-	1,424	1,178
Total liabilities	3,050	3,214	-	-	3,050	3,214
Net assets:						
Invested in capital assets, net of related debt	64,142	64,981	-	-	64,142	64,981
Restricted	9,805	7,702	-	-	9,805	7,702
Unrestricted	12,046	13,827	82	82	12,128	13,909
Total net assets	$ 85,993	$ 86,510	$ 82	$ 82	$ 86,075	$ 86,592

The largest portion of the City's net assets (75.0%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. These capital assets are used by the City to provide services to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City does have $1,150,134 restricted for debt service. The City also has net assets of $8,302,196 and $353,141 which are restricted by enabling legislation for expenditure on capital projects and law enforcement, respectively. The remaining balance of unrestricted net assets $12,127,377 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 decreased the City's net assets by $516,694 and business-type activities had no change in the City's net assets. Much of the decrease in governmental activities net assets came from the City disposing of capital assets and contributing funds to the Downtown Development Authority.

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, 2011 and 2010.

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

	Governmental Activities		Business-Type		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	$ 3,497	$ 5,123	$ -	$ 58	$ 3,497	$ 5,181
Operating grants and contributions	745	288	-	-	745	288
Capital grants and contributions	3,227	3,426	-	-	3,227	3,426
General revenues:						
Property taxes	6,296	5,958	-	-	6,296	5,958
Insurance premium tax	1,191	1,227	-	-	1,191	1,227
Other taxes	4,295	3,766	-	-	4,295	3,766
Other	438	583	-	-	438	583
Total revenues	19,689	20,371	-	58	19,689	20,429
Expenses						
General government	4,558	4,030	-	-	4,558	4,030
Public safety	8,621	8,849	-	-	8,621	8,849
Housing & development	180	137	-	-	180	137
Public works	5,105	5,070	-	-	5,105	5,070
Culture & recreation	1,685	1,571	-	-	1,685	1,571
Interest on long term debt	57	74	-	-	57	74
Solid waste	-	-	-	3	-	3
Total expenses	20,206	19,731	-	3	20,206	19,734
Change in net assets	(517)	640	-	55	(517)	695
Net assets-July 1	86,510	85,870	82	27	86,592	85,897
Net assets-June 30	$ 85,993	$ 86,510	$ 82	$ 82	$ 86,075	$ 86,592

Governmental activities revenues totaled $19,689,584 for fiscal year 2011. Property taxes are the largest revenue source for governmental activities, accounting for 32.0% of total revenues. Charges for service and capital grants (which include sales taxes from the County) are the second and third largest revenue source accounting for 17.8% and 16.4%, respectively, of governmental revenues for the year.

Governmental activities expenses totaled $20,206,278 for fiscal year. Of the expenses, 42.7% is related to public safety. In addition, public works and general government accounted for 25.3% and 22.6% of total governmental expenses for the year. Overall expenses increased at the City due to losses on the disposal of capital assets and higher expenditures of a capital nature which didn't meet the City's capitalization threshold.

Business-type activities: Business-type activities had no activity and had no impact on the City's net assets.

Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of $21,102,526 an increase of $497,226 or 2.4% in comparison with the prior year. Approximately 26% of the fund balance or $5,409,634 is classified as unassigned. This assigned fund balance is net of $620,062 in fund balance deficits to be funded by future revenues or transfers. The remaining fund balance is classified as follows; non-spendable form ($678,323), restricted ($9,805,471), committed (2,109,611) and assigned (3,099,487).

The General Fund is the chief operating fund of the City, at the end of the current fiscal year, unassigned fund balance of the General Fund was $6,029,696. As a measure of the General Fund's liquidity, it would be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 37% of total General Fund expenditures plus transfers-out.

The fund balance of the City's General Fund decreased by $39,522 during the current fiscal year. Key factors in this activity are as follows:

- Overall General Fund revenue increased by $440,622 or 2.69%
- Revenue for taxes increased by $861,995 (7.92%) over the prior year. This was due to an increase in the millage rate offset by a decline in the tax digest.
- Revenue for fines and forfeitures decreased by $1,417,594 or 34.9% from the prior year. This was due to the State not renewing the City's radar license, preventing the City from using radar to issue speeding citations.
- Miscellaneous income increased $213,323 or 78.9%. This was due to an increased subsidy for garbage bag sales from United Waste.
- Overall General Fund expenditures and other financing uses exceeded revenues and other financing sources by $39,522.

Overall total expenditures (and transfers out) of the General Fund decreased $421,708 when compared to the prior year. While General Fund expenditures decreased by $154,357, transfers out decreased by $267,351. The decrease was mainly due to budget cuts as a result of the economic conditions.

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 $449,652. Because the City self insures for worker's compensation this balance is planned to be used for paying claims and purchasing excess workers' compensation policy. The Duluth Governmental Finance Corporation has no liabilities and only capital assets consisting of land and a building with a balance (net of accumulated depreciation) of $2,679,325. The Solid Waste Management Fund has unrestricted net assets of $81,669.

General Fund Budgetary Highlights

During the year several budget amendments were adopted by the City Council and are included in the final budget column totals. The net impact of these amendments increased expenditures and transfers out by 2%.

During the year, General Fund revenues were less than budgetary projections and expenditures were less than budgetary estimates. Actual revenues were $718,366 less than estimates mainly due to the Service Delivery Strategy dispute between the City and Gwinnett County that resulted in the suspension of radar permits and red light camera permits by the State of Georgia, Expenditures were $1,904,305 less than budgetary appropriations due to reduced cost for the red light monitoring system, and payouts for court ticket add-on fees both attributed to the Service Delivery Strategy dispute and reduced expenditures for police salaries and benefits due to a hiring freeze in that department.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2011, amounted to $65,292,294, 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 decrease in governmental capital assets is attributable to the disposal of the Red Clay Theatre and the completion of construction in progress projects which began depreciating. Capital assets had a net overall decrease of $1,279,406.

City of Duluth – Capital Assets ($000)

	Governmental Activities	
	2011	2010
Land and improvements	$ 12,100	$ 12,114
Buildings	35,088	34,976
Improvement other than buildings	53,363	53,130
Land Improvements	872	872
Furniture, machinery, and equipment	5,487	6,263
Construction in progress	1,863	700
Less accumulated depreciation	(43,482)	(41,484)
Total	$65,292	$66,571

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

Long-term debt: At June 30, 2011, the City had no bonded debt outstanding. The City has one outstanding capital lease totaling $1,150,134, of which $369,536 is due and payable within one year. This is a net decrease of $440,422 during fiscal year 2011 due to principal payments at scheduled maturity during the year. The component units of the City, the Downtown Development Authority and the Urban Redevelopment Authority have outstanding revenue bonds of $13,032,347 and $10,765,756, respectively. This represents a net decrease of $527,711 during the fiscal year 2011 also due to repayment of bonds at scheduled maturity during the year.

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

Economic Factors and Next Year's Budget and Rates

Like many other cities in the country, the City of Duluth has experienced the effects of the downturn in the economy. The residential values of all communities have felt the biggest impact. Although the 2011 property tax revenue increased by $861,995 or 7.9% from the previous year, this increase was largely the result of an increase in the millage rate from 5.191 to 5.991 for the 2010 property tax billing. No future increases are anticipated at this time. It is projected that property tax revenue will continue to decline due to reductions in housing market values. Likewise, revenue from both residential and commercial building permits has fallen substantially, and investment income on City investments has diminished significantly due to current interest rates.

Faced with these challenges, the City has taken various steps to maintain or improve the economic picture through many avenues. Within the past few years, Staff has analyzed the structure of fees related to building permits, occupational taxes, rental property rates and implementation of a stormwater utility. Increasing the fees in all areas has improved the revenue picture for the City, but maintaining lower rates than the unincorporated areas or those of neighboring cities has made Duluth more attractive to businesses. Implementation of a structured economic development program has brought renewed interest into the downtown area, and leasing city space at lower rates to startup business ventures has assisted in filling vacancies and creating great economic energy. With this leverage, the City has also undertaken efforts to annex new residential and commercial areas. Based on these efforts, several new businesses have relocated to the City. This has resulted in increased revenue to the City in terms of occupational licenses, excise taxes and permit fees.

Another significant development in the overall financial picture is the settlement of the Service Delivery Strategy. Gwinnett County and the cities located within have agreed on a settlement that will carry through the year 2020. The settlement has resulted in a 1.6 mill decrease in the county millage (tax) rate for City residents, and both one-time and annual payments to the City over the term of the agreement. The cities also regain their "qualified" status and are able to receive grants and state funding again, as well as the use of police radar and red light cameras.

Through carefully structured reductions in expenditures, and formal analysis of city programs, services and fees, annexations efforts and the economic development program several revenues sources are showing positive trends and it is anticipated that this growth will continue in the FY13 budget.

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, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Urban Redevelopment Authority
ASSETS					
Cash	$ 21,289,299	$ 81,669	$ 21,370,968	$ 1,151,141	$ -
Accounts receivable	697,319	-	697,319	50,000	-
Taxes receivable	1,086,254	-	1,086,254	-	-
Prepaid items	678,323	-	678,323	-	-
Nondepreciable capital assets	13,963,286	-	13,963,286	5,525	1,659,102
Depreciable capital assets, net	51,329,008	-	51,329,008	6,790,363	-
Deferred charges	-	-	-	57,866	165,275
TOTAL ASSETS	89,043,489	81,669	89,125,158	8,054,895	1,824,377
LIABILITIES					
Accounts payable	837,428	-	837,428	13,650	-
Accrued expenses	586,629	-	586,629	-	-
Accrued interest payable	-	-	-	22,461	36,053
Noncurrent liabilities:					
Bonds payable due within one year	-	-	-	605,543	640,000
Bonds payable due in more than one year	-	-	-	12,426,804	10,125,756
Capital lease payable due within one year	369,536	-	369,536	-	-
Capital lease payable due in more than one year	780,598	-	780,598	-	-
Compensated absences payable due within one year	475,959	-	475,959	-	-
TOTAL LIABILITIES	3,050,150	-	3,050,150	13,068,458	10,801,809
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	64,142,160	-	64,142,160	(6,236,459)	(9,106,654)
Restricted for debt service	1,150,134	-	1,150,134	-	-
Restricted for capital construction	8,302,196		8,302,196		
Restricted for law enforcement	353,141	-	353,141	-	-
Unrestricted	12,045,708	81,669	12,127,377	1,222,896	129,222
TOTAL NET ASSETS (DEFICIT)	$ 85,993,339	$ 81,669	$ 86,075,008	$ (5,013,563)	$ (8,977,432)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Activities

For the Year Ended June 30, 2011

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Downtown Development Authority	Component Units: Urban Redevelopment Authority
PRIMARY GOVERNMENT:									
Governmental Activities:									
General government	$ 4,558,149	$ 406,605	$ -	$ -	$ (4,151,544)	$ -	$ (4,151,544)	$ -	$ -
Public safety	8,621,361	2,753,979	181,924	198,284	(5,487,174)	-	(5,487,174)	-	-
Public works	5,104,975	4,137	423,812	1,781,591	(2,895,435)	-	(2,895,435)	-	-
Culture and recreation	1,685,374	332,370	139,274	1,247,272	33,543	-	33,543	-	-
Housing and development	179,732	-	-	-	(179,732)	-	(179,732)	-	-
Interest on long-term obligations	56,687	-	-	-	(56,687)	-	(56,687)	-	-
Total Governmental Activities	20,206,278	3,497,091	745,010	3,227,148	(12,737,029)	-	(12,737,029)	-	-
Business-Type Activities:									
Solid Waste	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	-	-	-	-	-	-	-	-	-
Total - Primary Government	$ 20,206,278	$ 3,497,091	$ 745,010	$ 3,227,148	(12,737,029)	-	(12,737,029)	-	-
Component Units:									
Downtown Development Authority	$ 1,085,979	$ -	$ 55,100	$ 498,229	-	-	-	(532,650)	-
Urban Redevelopment Authority	487,345	-	-	1,079,325	-	-	-	-	591,980
Total - Component Units	$ 1,573,324	$ -	$ 55,100	$ 1,577,554.00	-	-	-	(532,650)	591,980
GENERAL REVENUES:									
Taxes:									
Property					6,296,202	-	6,296,202	-	-
Insurance premium					1,190,942	-	1,190,942	-	-
Other					4,295,001	-	4,295,001	-	-
Interest earned					160,009	-	160,009	1,527	-
Miscellaneous					278,181	-	278,181	100,273	-
Total General Revenues					12,220,335	-	12,220,335	101,800	-
Change in Net Assets					(516,694)	-	(516,694)	(430,850)	591,980
NET ASSETS (DEFICIT) BEGINNING OF YEAR					86,510,033	81,669	86,591,702	(4,582,713)	(9,569,412)
NET ASSETS (DEFICIT) END OF YEAR					$ 85,993,339	$ 81,669	$ 86,075,008	$ (5,013,563)	$ (8,977,432)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Balance Sheet

Governmental Funds

June 30, 2011

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 12,308,119	$ 2,713,188	$ 2,538,920	$ 3,278,491	$ 20,838,718
Receivables:					
Taxes	1,083,704	-	-	2,550	1,086,254
Accounts	-	-	590,139	107,180	697,319
Due from other funds	212,211	-	6,150	23,058	241,419
Prepaid items	249,812	-	-	428,511	678,323
TOTAL ASSETS	$ 13,853,846	$ 2,713,188	$ 3,135,209	$ 3,839,790	$ 23,542,033
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 208,142	$ -	$ -	$ 628,829	$ 836,971
Accrued salaries payable	122,196	-	-	-	122,196
Accrued expenditures	260,459	-	-	203,502	463,961
Due to other funds	9,074	-	-	232,345	241,419
Deferred revenues	774,960	-	-	-	774,960
TOTAL LIABILITIES	1,374,831	-	-	1,064,676	2,439,507
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepaids	249,812	-	-	428,511	678,323
Restricted:					
Debt service	1,150,134	-	-	-	1,150,134
Capital construction	-	2,713,188	3,135,209	2,453,799	8,302,196
Law enforcement	-	-	-	353,141	353,141
Committed:					
Capital construction	2,009,640	-	-	-	2,009,640
Greenspace preservation	-	-	-	59,467	59,467
Tree preservation	-	-	-	11,206	11,206
Public works	-	-	-	8,000	8,000
Equipment purchases	-	-	-	21,298	21,298
Assigned:					
Fiscal year 2012 operations	3,039,733	-	-	-	3,039,733
Railway museum	-	-	-	1,866	1,866
Memorial construction	-	-	-	23,768	23,768
Gateway construction	-	-	-	5,500	5,500
Software purchases	-	-	-	28,620	28,620
Unassigned	6,029,696	-	-	(620,062)	5,409,634
TOTAL FUND BALANCES	12,479,015	2,713,188	3,135,209	2,775,114	21,102,526
TOTAL LIABILITIES AND FUND BALANCES	$ 13,853,846	$ 2,713,188	$ 3,135,209	$ 3,839,790	$ 23,542,033

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, 2011

TOTAL GOVERNMENTAL FUND BALANCES		$ 21,102,526
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	$ 104,255,426	
Less accumulated depreciation	(41,642,457)	62,612,969
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes and franchise taxes		774,960
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.		3,128,977
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	$ (1,150,134)	
Compensated absences	(475,959)	(1,626,093)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 85,993,339

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, 2011

	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 11,752,475	$ -	$ -	$ 32,756	$ 11,785,231
Licenses and permits	391,405	-	-	-	391,405
Intergovernmental	98,178	9,506	3,175,836	421,541	3,705,061
Charges for services	406,433	-	-	54,235	460,668
Interest income	156,212	8,214	14,954	18,641	198,021
Fines and forfeitures	2,645,018	-	-	-	2,645,018
Miscellaneous	483,760	-	-	19,712	503,472
TOTAL REVENUES	15,933,481	17,720	3,190,790	546,885	19,688,876
EXPENDITURES					
Current:					
General government	3,495,036	-	-	-	3,495,036
Public safety	7,312,683	-	-	495,523	7,808,206
Public works	3,268,147	-	-	35,066	3,303,213
Culture and recreation	1,266,187	-	-	-	1,266,187
Capital outlay	-	313,865	-	2,508,034	2,821,899
Debt service:					
Principal retirement	440,422	-	-	-	440,422
Interest and fiscal charges	56,687	-	-	-	56,687
TOTAL EXPENDITURES	15,839,162	313,865	-	3,038,623	19,191,650
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	94,319	(296,145)	3,190,790	(2,491,738)	497,226
OTHER FINANCING SOURCES (USES)					
Transfers in	155,647	1,040	-	2,532,308	2,688,995
Transfers out	(289,488)	(617,918)	(1,624,837)	(156,752)	(2,688,995)
TOTAL OTHER FINANCING SOURCES (USES)	(133,841)	(616,878)	(1,624,837)	2,375,556	-
NET CHANGE IN FUND BALANCES	(39,522)	(913,023)	1,565,953	(116,182)	497,226
FUND BALANCES - BEGINNING OF YEAR	12,518,537	3,626,211	1,569,256	2,891,296	20,605,300
FUND BALANCES - END OF YEAR	$ 12,479,015	$ 2,713,188	$ 3,135,209	$ 2,775,114	$ 21,102,526

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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 497,226
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	$ (3,183,218)	
Capital outlay/donations	2,272,397	
Gain (loss) on disposition of asset(s)	(316,754)	(1,227,575)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		(3,086)
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.		440,422
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.		(31,186)
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.		(192,495)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ (516,694)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Enterprise Funds		
	Solid Waste Management Fund	Total	Internal Service Funds
ASSETS			
Current Assets:			
Cash	$ 81,669	$ 81,669	$ 450,581
Total Current Assets	81,669	81,669	450,581
Noncurrent Assets:			
Capital assets:			
Nondepreciable capital assets	-	-	1,654,856
Depreciable capital assets, net	-	-	1,024,469
Total Noncurrent Assets	-	-	2,679,325
TOTAL ASSETS	81,669	81,669	3,129,906
LIABILITIES			
Current Liabilities:			
Accounts payable	-	-	457
Claims payable	-	-	472
TOTAL LIABILITIES	-	-	929
NET ASSETS			
Invested in capital assets	-	-	2,679,325
Unrestricted	81,669	81,669	449,652
TOTAL NET ASSETS	$ 81,669	$ 81,669	$ 3,128,977

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, 2011

	Enterprise Funds		
	Solid Waste Management Fund	Total	Internal Service Funds
OPERATING REVENUES			
Charges for services	$ -	$ -	$ -
TOTAL OPERATING REVENUES	-	-	-
OPERATING EXPENSES			
Costs of sales and services	-	-	113,675
Administration	-	-	30,782
Depreciation	-	-	51,832
TOTAL OPERATING EXPENSES	-	-	196,289
OPERATING INCOME (LOSS)	-	-	(196,289)
NON-OPERATING INCOME			
Interest income	-	-	3,794
TOTAL NON-OPERATING INCOME	-	-	3,794
CHANGE IN NET ASSETS	-	-	(192,495)
NET ASSETS:			
BEGINNING OF YEAR	81,669	81,669	3,321,472
END OF YEAR	$ 81,669	$ 81,669	$ 3,128,977

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2011

	Enterprise Funds		
	Solid Waste Management Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments for goods and services	$ -	$ -	$ (143,528)
NET CASH USED IN OPERATING ACTIVITIES	-	-	(143,528)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	-	3,794
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-	3,794
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	-	(139,734)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	81,669	81,669	590,315
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 81,669	$ 81,669	$ 450,581
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income (loss)	$ -	$ -	$ (196,289)
Adjustments:			
Depreciation	-	-	51,832
Increase or decrease in assets/liabilities:			
Accounts payable	-	-	929
NET CASH USED IN OPERATING ACTIVITIES	$ -	$ -	$ (143,528)

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

The ***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's lone enterprise fund, the ***Solid Waste Management Fund***, meets the criteria of a non-major enterprise fund, and 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 or are committee by City Council to expenditures for specified purposes.

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those 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.

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 and land improvements	10-40
Improvements other than buildings (infrastructure)	10-30
Furniture, machinery and equipment	3-7

H. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the effective interest method.

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

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

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

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

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee to assign fund balances.

- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Assets and Fund Equity (Continued)

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

- Committed
- Assigned
- Unassigned

Net Assets - Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

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

K. Deficit Fund Equity

At June 30, 2011, the HEAT Grant Fund had a deficit of $1,990; the Grants Fund had a deficit of $10,153; the Rogers Bridge Trail & Trailhead Fund had a deficit of $86,594; the Community Development Block Grant Fund had a deficit of $342; the Buford Highway Corridor Study had a deficit of $127,260; the Buford Highway Medians Fund had a deficit of $2,840; the SR 120 Gateway to Downtown Fund had a deficit of $1,953; the SR 120 Sidewalks to Monarch Fund had a deficit of $8,437; the Other Capital Projects Fund had a deficit of $119,842; the City Hall Design Build Fund had a deficit of $903; the Rodgers Bridge Dog Park Fund had a deficit of $13,200; the Bunten Road Storage Facility Fund had a deficit of $18,056; the Transportation and Infrastructure Improvements Fund had a deficit of $7,578; the Downtown Parking Fund had a deficit of $6,150; and the McClure Bridge W/Lawrenceville Fund had a deficit of $214,764. 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

The City adopted annual budgets for the general, special revenue funds, and the capital projects funds, on a project-length basis, on an accounting basis which approximates generally accepted accounting principles in the United States of America (GAAP).

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

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

NOTE 3. DEPOSITS

Custodial Credit Risk – Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The State of Georgia requires financial institutions to pledge securities at 110% of a local government's deposits. At June 30, 2011, all of the deposits of the City were fully collateralized in accordance with the state statutes.

NOTE 4. RECEIVABLES

Receivables at June 30, 2011, 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	$ 1,083,704	$ -	$ 2,550	$ 1,086,254
Accounts	-	590,139	107,180	697,319
Gross receivables	1,083,704	590,139	109,730	1,783,573
Less allowance for uncollectibles	-	-	-	-
Net total receivables	$ 1,083,704	$ 590,139	$ 109,730	$ 1,783,573

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, 2011 and not collected are recorded as receivables, net of estimated uncollectibles.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	$ 11,996,948	$ 41,390	$ (55,100)	$ -	$ 11,983,238
Land improvements	116,985	-	-	-	116,985
Construction in progress	699,678	1,392,736	-	(229,351)	1,863,063
Total	12,813,611	1,434,126	-	(229,351)	13,963,286
Capital assets, being depreciated:					
Buildings	34,976,394	324,299	(404,891)	192,607	35,088,409
Improvements other than buildings	53,130,310	195,521	-	36,744	53,362,575
Land improvements	872,531	-	-	-	872,531
Furniture, machinery and equipment	6,262,734	373,551	(1,148,951)	-	5,487,333
Total	95,241,969	893,371	(1,553,842)	229,351	94,810,848
Less accumulated depreciation for:					
Building	(5,693,805)	(959,769)	90,956	-	(6,562,618)
Improvements other than buildings	(31,987,238)	(269,468)	-	-	(32,256,706)
Land improvements	(8,831)	(49,775)	-	-	(58,606)
Furniture, machinery and equipment	(3,794,006)	(1,956,038)	1,146,132	-	(4,603,912)
Total	(41,483,880)	(3,235,050)	1,237,088	-	(43,481,841)
Total assets being depreciated, net	53,758,089	(2,341,678)	(316,754)	229,351	51,329,008
Governmental activities capital assets, net	$ 66,571,700	$ (907,552)	$ (316,754)	$ -	$ 65,292,294

Component Units:	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	$ 1,664,627	$ -	$ -	$ 1,664,627
Construction in progress	6,996,132	-	(6,996,132)	-
Total	8,660,759	-	(6,996,132)	1,664,627
Capital assets, being depreciated:				
Buildings	-	6,996,132	-	6,996,132
Less accumulated depreciation:				
Buildings	-	(205,769)	-	(205,769)
Component units capital assets, net	$ 8,660,759	$ 6,790,363	$ (6,996,132)	$ 8,454,990

NOTE 5. CAPITAL ASSETS (Continued)

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

General government	$	755,934
Public safety		658,444
Housing and development		69,068
Public works		1,531,825
Culture and recreation		219,779
Total depreciation expense - governmental activities	$	3,235,050

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 444,773	$ 551,949	$ 520,763	$ 475,959	$ 475,959
Leases payable	1,590,556	-	440,422	1,150,134	369,536
Governmental activities long-term liabilities	$ 2,035,329	$ 551,949	$ 961,185	$ 1,626,093	$ 845,495
Component Units					
Bonds payable	$ 24,324,954	$ 464,576	$ 992,184	$ 23,797,346	$ 1,245,543
Premium on bonds	860	-	103	757	-
Business-type activities long-term liabilities	$ 24,325,814	$ 464,576	$ 992,287	$ 23,798,103	$ 1,245,543

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

NOTE 6. LONG-TERM DEBT (Continued)

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

During fiscal year 2009, the Downtown Development Authority issued the Series 2008 bonds in two series, 2008 Series A and 2008 Series B, in order to purchase a building still under construction in downtown Duluth. At the same time, the Downtown Development Authority also entered into a bond agreement, the 2008 Series C Bonds, with the seller of the building. The purpose of the 2008 Series C bonds is for the seller to pay the principal and interest on the 2008 Series B bonds until maturity or the bonds are redeemed. Each time the seller makes a payment on the 2008 Series B Bonds (principal or interest), the payment is a reduction in the 2008 Series B Bonds or related interest expense, and is treated as increase in the 2008 Series C Bonds. The 2008 Series C Bond will be fully retired from the selling price of the building no matter when, or for what price, the building is sold.

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

Fiscal Year	Principal	Interest	Total
2012	$ 1,245,543	$ 1,038,668	$ 2,284,211
2013	6,193,754	831,539	7,025,293
2014	1,190,070	627,467	1,817,537
2015	1,241,273	573,935	1,815,208
2016	1,302,453	516,792	1,819,245
2017-2021	7,517,935	1,654,977	9,172,912
2022-2026	3,306,229	285,558	3,591,787
2027-2029	1,800,089	2,076	1,802,165
	$ 23,797,346	$ 5,531,012	$ 29,328,358

NOTE 6. LONG-TERM DEBT (Continued)

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

The following is a schedule of future minimum lease payments under lease as of June 30, 2011:

Fiscal Year	Principal	Interest	Total
2012	$ 369,536	$ 42,555	$ 412,091
2013	383,210	28,882	412,092
2014	397,388	14,703	412,091
	$ 1,150,134	$ 86,140	$ 1,236,274

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011, is as follows:

	Payable To		
Receivable From	General Fund	Other Governmental Funds	Total
General Fund	$ -	$ 212,211	$ 212,211
SPLOST 2009	-	6,150	6,150
Other Governmental Funds	9,074	13,984	23,058
Total	$ 9,074	$ 232,345	$ 241,419

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, 2011 were:

	Transfers From				
Transfers To	General Fund	SPLOST 2005 Fund	SPLOST 2009 Fund	Other Governmental Funds	Total
General Fund	$ -	$ 50,646	$ -	$ 105,001	$ 155,647
2005 SPLOST	-	-	1,040	-	1,040
Other Governmental Funds	289,488	567,272	1,623,797	51,751	2,532,308
Total	$ 289,488	$ 617,918	$ 1,624,837	$ 156,752	$ 2,688,995

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2011 or for moving revenue to the fund in which expenditures were funded.

NOTE 8. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

At January 1, 2011, the time of the last actuarial valuation, the Plan membership consisted of:

Disabled employees, retirees, and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits not yet receiving them	28
Active employees	122
Total Participants	157

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 11.22% of annual covered payroll.

C. Annual Pension Cost

The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The recommended contribution for fiscal year 2011 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,	Pension Cost	Percentage Contributed	Net Pension Asset
2009	$ 382,101	100%	$ -
2010	422,091	100%	-
2011	454,048	100%	-

As of the most recent valuation date, January 1, 2011, 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
1/1/2011	$ 2,614,133	3,328,171	78.55%	$ (714,038)	6,365,281	11.22%

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2011.

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

C. Annual Pension Cost (Continued)

The assumptions used in the January 1, 2011 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	7.75%
Projected Salary Increases	4 – 6% (which includes inflation of 3.5%)
Cost-of-living Adjustment	None
Amortization Method	Level Dollar Percent of Pay (closed)
Remaining Amortization Period	14 years

NOTE 9. DEFINED CONTRIBUTION PLAN

The City also has established under authority of the City Council, the City of Duluth Deferred Contribution and Deferred Compensation Program (a defined contribution plan). This Program is administered through GMA by MetLife Resources. This program covers substantially all employees and the City makes contribution after an employee's first year of service. Employees may contribute a maximum of $16,500 for calendar years 2010 and 2011. 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 $78,448, with employee contributions amounting to $278,745.

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, 2011, the City had accumulated $450,581 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.

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
11/1/2008	$ 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%
1/1/2011	2,614,133	3,328,171	78.55%	(714,038)	6,365,281	11.22%

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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 11,342,546	$ 11,342,546	$ 11,752,475	$ 409,929
Licenses and permits	425,300	425,300	391,405	(33,895)
Charges for services	337,871	337,871	406,433	68,562
Fines and forfeitures	3,941,000	3,941,000	2,645,018	(1,295,982)
Intergovernmental	7,150	101,500	98,178	(3,322)
Interest income	179,000	179,000	156,212	(22,788)
Miscellaneous	321,300	324,630	483,760	159,130
TOTAL REVENUES	16,554,167	16,651,847	15,933,481	(718,366)
EXPENDITURES				
Current:				
General government:				
Mayor and Council				
Personal services	50,303	50,303	43,975	6,328
Other services and charges	336,023	331,946	298,826	33,120
City Administrator				
Personal services	201,198	202,248	200,285	1,963
Other services and charges	141,450	141,516	68,516	73,000
City Clerk/Business Office				
Personal services	921,511	936,466	892,032	44,434
Other services and charges	1,042,193	1,097,691	1,011,167	86,524
City Clerk/Human resources	186,225	186,675	173,436	13,239
Other				
Public information & marketing	619,113	625,250	565,430	59,820
Consolidated services:				
Custodial services	140,955	139,075	110,020	29,055
Landscape maintenance	144,500	144,500	131,349	13,151
Total general government	3,783,471	3,855,670	3,495,036	360,634

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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public safety:				
Municipal Court				
Personal services	$ 519,015	$ 519,015	$ 513,375	$ 5,640
Other services and charges	1,526,917	1,526,996	815,155	711,841
Police / Admin				
Personal services	574,695	561,695	526,188	35,507
Other services and charges	245,535	255,186	246,254	8,932
Police / CID				
Personal services	662,075	662,075	541,552	120,523
Other services and charges	16,625	16,625	14,203	2,422
Police / Uniform Division				
Personal services	3,068,701	3,065,601	2,918,457	147,144
Other services and charges	111,332	114,346	106,484	7,862
Police / Community Policing Division				
Personal services	380,775	380,775	283,065	97,710
Other services and charges	35,089	29,391	24,692	4,699
Police / Other				
Police vehicles	334,510	343,779	336,046	7,733
Police Support Services	1,043,082	1,044,207	985,711	58,496
Red light monitoring system	172,260	172,502	1,501	171,001
Total public safety	8,690,611	8,692,193	7,312,683	1,379,510
Public works:				
Planning & Development				
Personal services	667,973	694,032	672,105	21,927
Other services and charges	332,581	430,968	424,739	6,229
Downtown Development Authority	-	443,387	443,229	158
Urban Redevelopment Authority	-	765,460	765,460	-
Administration				
Personal services	885,885	885,885	811,877	74,008
Other services and charges	67,472	69,613	67,478	2,135
Supplies	14,200	19,205	18,566	639
Streets				
Building / grounds maintenance	62,695	71,295	64,693	6,602
Total public works	2,030,806	3,379,845	3,268,147	111,698

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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Culture and recreation:				
Parks / Recreation Admin				
Personal services	$ 933,065	$ 943,265	$ 904,357	$ 38,908
Other services and charges	74,208	114,914	114,315	599
Recreation operations	264,039	260,467	247,515	12,952
Total culture and recreation	1,271,312	1,318,646	1,266,187	52,459
Debt service:				
Principal retirement	440,424	440,424	440,422	2
Interest and fiscal charges	56,689	56,689	56,687	2
Total debt service	497,113	497,113	497,109	4
TOTAL EXPENDITURES	16,273,313	17,743,467	15,839,162	1,904,305
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	280,854	(1,091,620)	94,319	1,185,939
OTHER FINANCING SOURCES (USES)				
Transfers in	137,150	187,796	155,647	(32,149)
Transfers out	(1,438,974)	(349,755)	(289,488)	60,267
TOTAL OTHER FINANCING SOURCES (USES)	(1,301,824)	(161,959)	(133,841)	28,118
NET CHANGE IN FUND BALANCES	(1,020,970)	(1,253,579)	(39,522)	1,214,057
FUND BALANCES - BEGINNING OF YEAR	12,518,537	12,518,537	12,518,537	-
FUND BALANCES - END OF YEAR	$ 11,497,567	$ 11,264,958	$ 12,479,015	$ 1,214,057

COMBINING FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

Police Equipment Fund – This fund is used to account for the purchase of police equipment from the 2005 SPLOST referendum.

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

McClure Bridge W/Lawrenceville Reconstruction – This fund is used to account for the reconstruction project at McClure Bridge and West Lawrenceville Road.

City of Duluth, Georgia

Combining Balance Sheet
Non-major Governmental Funds
June 30, 2011

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS			
Cash	$ 751,997	$ 2,526,494	$ 3,278,491
Taxes receivable	2,550	-	2,550
Accounts receivable	13,202	93,978	107,180
Prepaid items	-	428,511	428,511
Due from other funds	4,835	18,223	23,058
TOTAL ASSETS	$ 772,584	$ 3,067,206	$ 3,839,790
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 102,511	$ 526,318	$ 628,829
Accrued expenditures	203,502	-	203,502
Due to other funds	25,602	206,743	232,345
TOTAL LIABILITIES	331,615	733,061	1,064,676
FUND BALANCES			
Nonspendable:			
Prepaids	-	428,511	428,511
Restricted:			
Capital construction	-	2,453,799	2,453,799
Law enforcement	353,141	-	353,141
Committed:			
Greenspace preservation	59,467	-	59,467
Tree preservation	11,206	-	11,206
Public works	8,000	-	8,000
Equipment purchases	21,298	-	21,298
Assigned:			
Railway museum	-	1,866	1,866
Memorial construction	-	23,768	23,768
Gateway construction	-	5,500	5,500
Software purchases	-	28,620	28,620
Unassigned	(12,143)	(607,919)	(620,062)
TOTAL FUND BALANCES	440,969	2,334,145	2,775,114
TOTAL LIABILITIES AND FUND BALANCES	$ 772,584	$ 3,067,206	$ 3,839,790

City of Duluth, Georgia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2011

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
REVENUES			
Taxes	$ 32,756	$ -	$ 32,756
Intergovernmental	80,548	340,993	421,541
Charges for services	54,235	-	54,235
Interest income	3	18,638	18,641
Miscellaneous	19,712	-	19,712
TOTAL REVENUES	187,254	359,631	546,885
EXPENDITURES			
Current:			
Public safety	495,523	-	495,523
Public works	35,066	-	35,066
Capital outlay	-	2,508,034	2,508,034
TOTAL EXPENDITURES	530,589	2,508,034	3,038,623
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(343,335)	(2,148,403)	(2,491,738)
OTHER FINANCING SOURCES (USES)			
Transfers in	236,397	2,295,911	2,532,308
Transfers out	(136,972)	(19,780)	(156,752)
TOTAL OTHER FINANCING SOURCES (USES)	99,425	2,276,131	2,375,556
NET CHANGE IN FUND BALANCES	(243,910)	127,728	(116,182)
FUND BALANCES - BEGINNING OF YEAR	684,879	2,206,417	2,891,296
FUND BALANCES - END OF YEAR	$ 440,969	$ 2,334,145	$ 2,775,114

City of Duluth, Georgia

Combining Balance Sheet

Non-major Special Revenue Funds

June 30, 2011

	Greenspace Program Fund	Landscaping Tree Fund	Sidewalk Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	H.E.A.T Grant Fund	Byrne Recovery JAG Grant Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Grants Fund	Total Non-major Special Revenue Funds
ASSETS												
Cash	$ 59,467	11,206	$ 8,000	$ 210,465	$ 256,645	$ 108,630	$ -	$ 65	$ 77,224	$ 16,463	$ 3,832	$ 751,997
Taxes receivable	-	-	-	-	-	-	-	-	2,550	-	-	2,550
Accounts receivable	-	-	-	-	-	3,325	9,877	-	-	-	-	13,202
Due from other funds	-	-	-	-	-	-	-	-	-	4,835	-	4,835
TOTAL ASSETS	$ 59,467	$ 11,206	$ 8,000	$ 210,465	$ 256,645	$ 111,955	$ 9,877	$ 65	$ 79,774	$ 21,298	$ 3,832	$ 772,584
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	$ -	$ -	$ -	$ 102,261	$ -	$ -	$ 249	$ -	$ -	$ -	$ 1	$ 102,511
Accrued expenditures	-	-	-	-	203,502	-	-	-	-	-	-	203,502
Due to other funds	-	-	-	-	-	-	11,618	-	-	-	13,984	25,602
TOTAL LIABILITIES	-	-	-	102,261	203,502	-	11,867	-	-	-	13,985	331,615
FUND BALANCES (DEFICIT)												
Restricted:												
Law enforcement	-	-	-	108,204	53,143	111,955	-	65	79,774	-	-	$ 353,141
Committed:												
Greenspace preservation	59,467	-	-	-	-	-	-	-	-	-	-	59,467
Tree preservation	-	11,206	-	-	-	-	-	-	-	-	-	11,206
Public works	-	-	8,000	-	-	-	-	-	-	-	-	8,000
Equipment purchases	-	-	-	-	-	-	-	-	-	21,298	-	21,298
Unassigned	-	-	-	-	-	-	(1,990)	-	-	-	(10,153)	(12,143)
TOTAL FUND BALANCES (DEFICI	59,467	11,206	8,000	108,204	53,143	111,955	(1,990)	65	79,774	21,298	(10,153)	440,969
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT	$ 59,467	$ 11,206	$ 8,000	$ 210,465	$ 256,645	$ 111,955	$ 9,877	$ 65	$ 79,774	$ 21,298	$ 3,832	$ 772,584

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, 2011

	Greenspace Program Fund	Landscaping Tree Fund	Sidewalk Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	H.E.A.T Grant Fund	Byrne Recovery JAG Grant Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Grants Fund	Total Non-major Special Revenue Funds
REVENUES												
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,756	$ -	$ -	$ 32,756
Intergovernmental	-	-	-	-	-	38,700	33,342	8,506	-	-	-	80,548
Charges for services	-	-	-	54,235	-	-	-	-	-	-	-	54,235
Interest income	-	-	-	2	-	-	-	-	1	-	-	3
Other	-	-	-	-	15,537	4,175	-	-	-	-	-	19,712
TOTAL REVENUES	-	-	-	54,237	15,537	42,875	33,342	8,506	32,757	-	-	187,254
EXPENDITURES												
Current:												
Public safety	-	-	-	291,929	9,077	35,377	128,070	9,355	21,715	-	-	495,523
Public works	-	500	-	-	-	-	-	-	-	-	34,566	35,066
TOTAL EXPENDITURES	-	500	-	291,929	9,077	35,377	128,070	9,355	21,715	-	34,566	530,589
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(500)	-	(237,692)	6,460	7,498	(94,728)	(849)	11,042	-	(34,566)	(343,335)
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	31,971	86,975	-	-	82,885	34,566	236,397
Transfers out	-	-	-	(5,001)	-	(31,971)	-	-	-	(100,000)	-	(136,972)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(5,001)	-	-	86,975	-	-	(17,115)	34,566	99,425
NET CHANGE IN FUND BALANCES	-	(500)	-	(242,693)	6,460	7,498	(7,753)	(849)	11,042	(17,115)	-	(243,910)
FUND BALANCES - BEGINNING OF YEAR	59,467	11,706	8,000	350,897	46,683	104,457	5,763	914	68,732	38,413	(10,153)	684,879
FUND BALANCES - END OF YEAR	$ 59,467	$ 11,206	$ 8,000	$ 108,204	$ 53,143	$ 111,955	$ (1,990)	$ 65	$ 79,774	$ 21,298	$ (10,153)	$ 440,969

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2011

	SPLOST 1997	S. Hudgens Park Restroom & Concession	SPLOST 2001	Railway Museum Access Rd.	Taylor Park Playground	Rogers Bridge Trail &Trailhead	Community Development Block Grant Improvements	Buford Hwy Corridor Study	Buford Hwy Medians	Buford Hwy/ SR120 Gateway to Downtown Fund	SR120 Sidewalks to Monarch Fund
ASSETS											
Cash	$ 1,527,928	$ -	$ 938,812	$ 1,866	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 1,527,928	$ -	$ 938,812	$ 1,866	$ -	$ -	$ -	$ -	$ -	$ -	$ -
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	$ 12,941	$ -	$ -	$ -	$ -	$ 86,594	$ 342	$ -	$ 2,840	$ 1,953	$ 2,709
Due to other funds	-	-	-	-	-	-	-	127,260	-	-	5,728
TOTAL LIABILITIES	12,941	-	-	-	-	86,594	342	127,260	2,840	1,953	8,437
FUND BALANCES (DEFICIT)											
Nonspendable:											
Prepaids	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Capital construction	1,514,987	-	938,812	-	-	-	-	-	-	-	-
Assigned:											
Railway museum	-	-	-	1,866	-	-	-	-	-	-	-
Memorial construction	-	-	-	-	-	-	-	-	-	-	-
Gateway construction	-	-	-	-	-	-	-	-	-	-	-
Software purchases	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(86,594)	(342)	(127,260)	(2,840)	(1,953)	(8,437)
TOTAL FUND BALANCES (DEFICIT)	1,514,987	-	938,812	1,866	-	(86,594)	(342)	(127,260)	(2,840)	(1,953)	(8,437)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 1,527,928	$ -	$ 938,812	$ 1,866	$ -	$ -	$ -	$ -	$ -	$ -	$ -

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2011

	Living Memorial	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	City Hall Design Build	Rodgers Bridge Dog Park	Bunten Road Storage Facility	Transportation Infrastructure Improvements	Downtown Parking
ASSETS										
Cash	$ 23,768	$ 5,500	28,620	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Prepaid items	-	-	428,511	-	-	-	-	-	-	-
Accounts receivable	-	-	-	93,978	-	-	-	-	-	-
Due from other funds	-	-	-	18,223	-	-	-	-	-	-
TOTAL ASSETS	$ 23,768	$ 5,500	$ 457,131	$ 112,201	$ -	$ -	$ -	$ -	$ -	$ -
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	$ -	$ -	$ -	$ 172,426	$ -	$ -	$ 13,200	$ 18,056	$ 493	$ -
Due to other funds	-	-	-	59,617	-	903	-	-	7,085	6,150
LIABILITIES	-	-	-	232,043	-	903	13,200	18,056	7,578	6,150
FUND BALANCES (DEFICIT)										
Nonspendable:										
Prepaids	-	-	428,511	-	-	-	-	-	-	-
Restricted:										
Capital construction	-	-	-	-	-	-	-	-	-	-
Assigned:										
Railway museum	-	-	-	-	-	-	-	-	-	-
Memorial construction	23,768	-	-	-	-	-	-	-	-	-
Gateway construction	-	5,500	-	-	-	-	-	-	-	-
Software purchases	-	-	28,620	-	-	-	-	-	-	-
Unassigned	-	-	-	(119,842)	-	(903)	(13,200)	(18,056)	(7,578)	(6,150)
TOTAL FUND BALANCES (DEFICIT)	23,768	5,500	457,131	(119,842)	-	(903)	(13,200)	(18,056)	(7,578)	(6,150)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 23,768	$ 5,500	$ 457,131	$ 112,201	$ -	$ -	$ -	$ -	$ -	$ -

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2011

	Police Equipment	2009 SPLOST Vehicles	McClure Bridge W. Lawrenceville Reconstruction	Total Non-major Capital Projects Funds
ASSETS				
Cash	$ -	$ -	$ -	$ 2,526,494
Prepaid items	-	-	-	428,511
Accounts receivable	-	-	-	93,978
Due from other funds	-	-	-	18,223
TOTAL ASSETS	$ -	$ -	$ -	$ 3,067,206
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ -	$ 214,764	$ 526,318
Due to other funds	-	-	-	206,743
LIABILITIES	-	-	214,764	733,061
FUND BALANCES (DEFICIT)				
Nonspendable:				
Prepaids	-	-	-	428,511
Restricted:				
Capital construction	-	-	-	2,453,799
Assigned:				
Railway museum	-	-	-	1,866
Memorial construction	-	-	-	23,768
Gateway construction	-	-	-	5,500
Software purchases	-	-	-	28,620
Unassigned	-	-	(214,764)	(607,919)
TOTAL FUND BALANCES (DEFICIT)	-	-	(214,764)	2,334,145
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ -	$ -	$ -	$ 3,067,206

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, 2011

	SPLOST 1997	S. Hudgens Park Restroom & Concession	SPLOST 2001	Railway Museum Access Rd.	Taylor Park Playground	Rogers Bridge Trail &Trailhead	Community Development Block Grant Improvements	Buford Hwy Corridor Study	Buford Hwy Medians	Buford Hwy/ SR120 Gateway to Downtown Fund	SR120 Sidewalks to Monarch Fund
REVENUES											
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ 100,000	$ -	$ -	$ -	$ -	$ -
Interest income	11,615	-	7,023	-	-	-	-	-	-	-	-
TOTAL REVENUES	11,615	-	7,023	-	-	100,000	-	-	-	-	-
EXPENDITURES											
Capital outlay:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Public works	51,821	95,722	-	-	-	209,159	342	-	17,240	11,736	8,437
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	51,821	95,722	-	-	-	209,159	342	-	17,240	11,736	8,437
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,206)	(95,722)	7,023	-	-	(109,159)	(342)	-	(17,240)	(11,736)	(8,437)
OTHER FINANCING SOURCES (USES)											
Transfers in	-	284,927	-	-	219,817	59,309	-	-	42,770	86,514	74,896
Transfers out	-	-	(19,780)	-	-	-	-	-	-		
TOTAL OTHER FINANCING SOURCES (USES)	-	284,927	(19,780)	-	219,817	59,309	-	-	42,770	86,514	74,896
NET CHANGE IN FUND BALANCES	(40,206)	189,205	(12,757)	-	219,817	(49,850)	(342)	-	25,530	74,778	66,459
FUND BALANCES - BEGINNING OF YEAR	1,555,193	(189,205)	951,569	1,866	(219,817)	(36,744)	-	(127,260)	(28,370)	(76,731)	(74,896)
FUND BALANCES - END OF YEAR	$ 1,514,987	$ -	$ 938,812	$ 1,866	$ -	$ (86,594)	$ (342)	$ (127,260)	$ (2,840)	$ (1,953)	$ (8,437)

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, 2011

	Living Memorial	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	City Hall Design Build	Rodgers Bridge Dog Park	Bunten Road Storage Facility	Transportation Infrastructure Improvements	Downtown Parking
REVENUES										
Intergovernmental	$ -	$ -	$ -	$ 240,993	$ -	$ -	$ -	$ -	$ -	$ -
Interest income	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	240,993	-	-	-	-	-	-
EXPENDITURES										
Capital outlay:										
General government	-	-	165,788	-	-	904	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Public works	-	-	-	463,151	-	-	-	-	262,108	20,676
Culture and recreation	22,500	-	-	-	4,427	-	79,044	204,525	-	-
TOTAL EXPENDITURES	22,500	-	165,788	463,151	4,427	904	79,044	204,525	262,108	20,676
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(22,500)	-	(165,788)	(222,158)	(4,427)	(904)	(79,044)	(204,525)	(262,108)	(20,676)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	149,408	34,006	115,033	73,794	189,869	275,352	14,526
Transfers out	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	149,408	34,006	115,033	73,794	189,869	275,352	14,526
NET CHANGE IN FUND BALANCES	(22,500)	-	(165,788)	(72,750)	29,579	114,129	(5,250)	(14,656)	13,244	(6,150)
FUND BALANCES - BEGINNING OF YEAR	46,268	5,500	622,919	(47,092)	(29,579)	(115,032)	(7,950)	(3,400)	(20,822)	-
FUND BALANCES - END OF YEAR	$ 23,768	$ 5,500	$ 457,131	$ (119,842)	$ -	$ (903)	$ (13,200)	$ (18,056)	$ (7,578)	$ (6,150)

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, 2011

	Police Equipment	2009 SPLOST Vehicles	McClure Bridge W. Lawrenceville Reconstruction	Total Non-major Capital Projects Funds
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ 340,993
Interest income	-	-	-	18,638
TOTAL REVENUES	-	-	-	359,631
EXPENDITURES				
Capital outlay:				
General government	-	-	-	166,692
Public safety	3,756	281,809	-	285,565
Public works	-	-	604,889	1,745,281
Culture and recreation	-	-	-	310,496
TOTAL EXPENDITURES	3,756	281,809	604,889	2,508,034
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,756)	(281,809)	(604,889)	(2,148,403)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,756	281,809	390,125	2,295,911
Transfers out	-	-	-	(19,780)
TOTAL OTHER FINANCING SOURCES (USES)	3,756	281,809	390,125	2,276,131
NET CHANGE IN FUND BALANCES	-	-	(214,764)	127,728
FUND BALANCES - BEGINNING OF YEAR	-	-	-	2,206,417
FUND BALANCES - END OF YEAR	$ -	$ -	$ (214,764)	$ 2,334,145

City of Duluth, Georgia

Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash	$ -	$ 450,581	$ 450,581
Total Current Assets	-	450,581	450,581
Noncurrent Assets:			
Capital assets:			
Nondepreciable capital assets	1,654,856	-	1,654,856
Depreciable capital assets, net	1,024,469	-	1,024,469
Total Noncurrent Assets	2,679,325	-	2,679,325
TOTAL ASSETS	2,679,325	450,581	3,129,906
Current Liabilities:			
Accounts payable	-	457	457
Claims payable	-	472	472
Total Current Liabilities	-	929	929
TOTAL LIABILITIES	-	929	929
NET ASSETS			
Invested in capital assets	2,679,325	-	2,679,325
Unrestricted	-	449,652	449,652
TOTAL NET ASSETS	$ 2,679,325	$ 449,652	$ 3,128,977

City of Duluth, Georgia

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$ -	$ -	$ -
TOTAL OPERATING REVENUES	-	-	-
OPERATING EXPENSES			
Costs of sales and services	-	113,675	113,675
Administration	-	30,782	30,782
Depreciation	51,832	-	51,832
TOTAL OPERATING EXPENSES	51,832	144,457	196,289
OPERATING (LOSS)	(51,832)	(144,457)	(196,289)
NON-OPERATING INCOME			
Interest income	-	3,794	3,794
TOTAL NON-OPERATING INCOME	-	3,794	3,794
CHANGE IN NET ASSETS	(51,832)	(140,663)	(192,495)
NET ASSETS:			
BEGINNING OF YEAR	2,731,157	590,315	3,321,472
END OF YEAR	$ 2,679,325	$ 449,652	$ 3,128,977

City of Duluth, Georgia

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments for goods and services	$ -	$ (143,528)	$ (143,528)
NET CASH (USED IN) OPERATING ACTIVITIES	-	(143,528)	(143,528)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	3,794	3,794
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	3,794	3,794
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(139,734)	(139,734)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	590,315	590,315
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 450,581	$ 450,581
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating (loss)	$ (51,832)	$ (144,457)	$ (196,289)
Adjustments:			
Depreciation	51,832	-	51,832
Increase (decrease) in liabilities:			
Accounts payable		929	929
NET CASH (USED IN) OPERATING ACTIVITIES	$ -	$ (143,528)	$ (143,528)

City of Duluth, Georgia

Statement of Cash Flows

Component Units - Proprietary Fund Types

For the Year Ended June 30, 2011

	Component Units		
	Downtown Development Authority	Urban Redevelopment Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for operations	$ 100,273	$ -	$ 100,273
Cash paid for operations	(234,595)	-	(234,595)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(134,322)	-	(134,322)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payments from the other governments	503,329	1,079,330	1,582,659
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	503,329	1,079,330	1,582,659
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	464,576	-	464,576
Principal paid on long-term debt	(377,184)	(615,000)	(992,184)
Interest paid on long-term debt	(625,204)	(464,330)	(1,089,534)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(537,812)	(1,079,330)	(1,617,142)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	1,527	-	1,527
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,527	-	1,527
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(167,278)	-	(167,278)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,318,419	-	1,318,419
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,151,141	$ -	$ 1,151,141
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating (loss)	$ (361,217)	$ (25,131)	$ (386,348)
Adjustments:			
Amortization and depreciation	235,181	25,131	260,312
Changes in assets and liabilities:			
Accounts receivable	5,690	-	5,690
Accounts payable	(7,605)	-	(7,605)
Unearned revenue	(5,690)	-	(5,690)
NET CASH (USED IN) OPERATING ACTIVITIES	$ (133,641)	$ -	$ (133,641)

SCHEDULES

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
1997 Issue
For the Year Ended June 30, 2011

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	$ 268,065	$ 51,821	$ 319,886
	$ 1,646,184	$ 1,646,184	$ 268,065	$ 51,821	$ 319,886

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, 2011

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	170,167	-	-	-
W. Lawrenceville R/W	116,000	116,000	116,000	-	116,000
Intersection Study	9,000	9,000	-	-	-
Ridgeway LCI Match	11,000	227,612	-	-	-
Davenport LCI Match	10,565	82,563	-	-	-
Hill Area CDBG Match	40,000	40,000	40,000	-	40,000
Rogers Bridge Road	16,764	16,764	16,764	-	16,764
Resurfacing - 06	50,000	39,181	39,181	-	39,181
Resurfacing - 07	50,000	-	-	-	-
Resurfacing - Hill Area	-	60,819	60,819	-	60,819
Engineering Davenport & Pine Needle	15,231	-	-	-	-
Davenport Road	125,000	125,000	125,000	-	125,000
Davenport Road	-	128,249	128,249	-	128,249
Subtotal	1,463,495	1,615,355	676,013	-	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	19,780	111,109
Subtotal	1,551,008	1,618,996	1,599,216	19,780	1,618,996
	$ 3,014,503	$ 3,234,351	$ 2,275,229	$ 19,780 *	$ 2,295,009

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

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2005 Issue
For the Year Ended June 30, 2011

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Administrative Building (City Hall)	$ 7,000,000	$ 7,394,807	$ 6,758,784	$ 313,865	$ 7,072,649
Public Safety Building	5,962,836	6,296,229	6,490,186	54,401	6,544,587
Recreational Facilities	550,000	585,094	125,169	291,286	416,455
Transportation	2,100,000	2,214,055	489,491	234,521	724,012
Other	-	-	17	-	17
	$ 15,612,836	$ 16,490,185	$ 13,863,647	$ 894,073	$ 14,757,720

Reconciliation to Financial Statements	
Expenditures	$ 313,865
Reported as transfers as amounts were transferred to another fund to reimburse previous allowable expenditures.	617,918
Expenditures funded by transfers in of other resources in prior years - not reported on the above schedule.	(37,710)
	$ 894,073

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2009 Issue
For the Year Ended June 30, 2011

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Library	$ 1,340,000	$ 1,340,000	$ -	$ 14,526	$ 14,526
Public Safety Building	1,240,000	1,240,000	252,870	266,884	519,754
Recreational Facilities	7,800,000	7,800,000	1,098,642	518,111	1,616,753
Transportation	8,200,000	8,200,000	1,327,067	825,316	2,152,383
Sewer	1,340,000	1,340,000	-	-	-
	$ 19,920,000	$ 19,920,000	$ 2,678,579	$ 1,624,837 *	$ 4,303,416

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

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 28, 2012, which references the implementation of a new accounting standard on fund balance classification. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2011-1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated February 28, 2012.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2012

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

Compliance

We have audited the City of Duluth, Georgia's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2012

CITY OF DULUTH, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
U.S. Department of Transportation			
Highway Safety Cluster			
Pass through Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	GA-2011-316-00402	$ 38,700
State and Community Highway Safety	20.600	GA-2010-316-00383	8,561
State and Community Highway Safety	20.600	GA-2011-316-00423	24,780
Total Highway Safety Cluster			72,041
Highway Planning and Construction Cluster			
Pass through Georgia Department of Natural Resources			
Recreation Trails Program	20.219	NRT-06(5)	100,000
Pass through Georgia Department of Transportation			
Highway Planning and Construction	20.205	CSHPP-0007-00(548)	163,568
Highway Planning and Construction	20.205	TEE-0008-00(147)	77,426
Total Highway Planning and Construction Cluster			340,994
Total U.S. Department of Transportation			413,035
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	N/A	1,841
Bulletproof Vest Partnership Program	16.607	N/A	392
Bulletproof Vest Partnership Program	16.607	N/A	1,077
			3,310
Justice Assistance Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-1668	796
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1589	8,506
Total Justice Assistance Program Cluster			9,302
Total U.S. Department of Justice			12,612
U. S. Department of Agriculture			
Emergency Watershed Protection Program	10.923		111,830
Total Federal Expenditures			$ 537,477

The accompanying notes are an integral part of this Schedule.

CITY OF DULUTH, GEORGIA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

(1) Summary of Significant Accounting Policies

Basis of Presentation and Accounting

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

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

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	X yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes X none reported
Noncompliance material to financial statements noted?	____ yes X no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	____ yes X no
Significant deficiencies identified not considered to be material weaknesses?	____ yes X none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	____ yes X no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.219/20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	____ yes X no

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings

2011-1. Fund Balance

Criteria: Fund balance, as of the beginning of the year in the City's general ledger should agree with the prior year financial statements, unless a restatement of prior period is required, such as for correction of an error or the implementation of a new accounting principle, under generally accepted accounting principles.

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

Context/Cause: During our testing of fund balance, audit adjustments were required to correct the current year balances. The City had recorded a transfer of funds, which was performed in fiscal year 2011, as if it had occurred in fiscal year 2010 – which had been management's intention. As a result, management posted an entry to beginning of the year fund balance for fiscal year 2011 to reflect the transfers causing the beginning fund balance to not agree with the prior year financial statements.

Effects: Audit adjustments of $90,211 in the Scott Hudgens Park Restroom - Concessions Fund; $109,760 in the 2009 SPLOST Fund; $13,549 in the WP Jones Activity Building Fund; and $6,000 in the Rodgers Bridge Dog Park Fund were required to correctly report fund balance as of July 1, 2010 and report these transfers in fiscal year 2011.

Recommendation: We recommend the City carefully review all year end closing entries and any entry causing beginning fund balance to change and ensure these are reflected in the appropriate accounting period and related financial statements.

Response: The City agrees with the above recommendation. The City will carefully review all year end journal entries to ensure that they are posted to the appropriate accounting period and fund

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – Status of Prior Audit Findings

None reported