CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

June 30, 2013

CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Duluth, Georgia** (the "City") as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, each major fund, and the aggregate remaining fund information of the City of Duluth, Georgia as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 13, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and Statement No. 65, *Items Previously Reported as Assets and Liabilities,* as of July 1, 2012. Our opinions are not modified with respect to this matter.

Also as discussed in Notes 1 and 13, due to changes in the responsibilities of the Downtown Development Authority and the Urban Redevelopment Authority, the City changed the reporting of these two component units from discrete presentation to blended. Our opinions are also not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress, and the budgetary comparison information on pages 4-11, 42, and 43-45, respectively, 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.

Other Information

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 statements and schedules, including the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds (as required by the Official Code of Georgia Annotated 48-8-21), 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 also 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.

The combining and individual fund statements and schedules, the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014 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* in considering the City of Duluth, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 21, 2014

As management of the City of Duluth, Georgia, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. 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 and deferred outflows of resources of the City exceeded its liabilities at June 30, 2013 by $75,750,340 (net position), of this amount, $17,045,594 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by $712,041 during the fiscal year ended June 30, 2013; $419,974 of the increase is attributable to governmental type activities with the remainder of $292,067 attributable to business-type activities.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of $22,357,700 an increase of $1,164,724 in comparison with the prior year. This increase is primarily attributable to revenue from the settlement of the SDS lawsuit with Gwinnett County and SPLOST receipts offset by expenditures on capital projects.
- The unassigned fund balance for the General Fund at June 30, 2013 was $7,071,243 which was 40% of total General Fund expenditures and transfers-out for the year.
- The City's total long term debt, including the debt of the City's blended component units (Urban Redevelopment Authority and Downtown Development Authority), experienced a net decrease of $951,109 during the fiscal year ended June 30, 2013. This decrease was due to principal payments at scheduled maturity during the year. The Urban Redevelopment Authority refunded a portion of its bonds outstanding during fiscal year 2013 with the issuance of $7,095,000 in Series 2012 bonds which refinanced the outstanding Series 2003 bonds.

Overview of the Financial Statements

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

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

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

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

1) The "statement of net position" presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.

2) The "statement of activities" presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event

giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 12 and 13 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 32 individual governmental funds. Information is presented separately in the governmental fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balance for the two 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 14-17 of this report.

Proprietary Funds: The City maintains two different types of proprietary funds, four enterprise funds and three internal service funds. Enterprise funds charge a fee for services to outside customers. The City uses enterprise funds to account for its solid waste activities and stormwater fees as well as the financing activities of the City's blended component units, the Downtown Development Authority and the Urban Redevelopment Authority ("URA"). The City's enterprise fund statements are the same as the business-type activities reported in the government-wide financial statements, but provide more detail. Internal service funds are used to report activities

that provide supplies and services for the City's other programs and activities. The City uses internal service funds to account for the activities of the Duluth Governmental Finance Corporation, a Health Reimbursement Fund, and a risk management fund (the 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 three internal service funds are combined into a single, aggregated column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18-20 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 21-41 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 42-45 of this report.

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

Combining and individual fund statements and schedules can be found on pages 46-62 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by $75,750,340 and $75,038,299 at June 30, 2013 and 2012, respectively. The following is a condensed version of the government-wide statement of net position.

City of Duluth – Net Position ($000)

	Governmental Activities		Business-Type		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	$ 24,838	$ 24,286	$ 847	$ 982	$ 25,685	$ 25,268
Capital assets	66,479	67,695	7,632	8,043	74,111	75,738
Total assets	91,317	91,981	8,478	9,025	99,795	101,006
Deferred Outflows	-	-	244	-	244	-
Liabilities:						
Long-term liabilities outstanding	894	397	22,384	22,952	23,278	23,349
Other liabilities	965	2,545	47	74	1,012	2,619
Total liabilities	1,858	2,942	22,431	23,026	24,289	25,968
Net Position:						
Net Investment in capital assets	66,082	66,915	(14,508)	(14,909)	51,572	52,006
Restricted	7,131	7,054	-	-	7,131	7,054
Unrestricted	16,246	15,070	800	908	17,046	15,978
Total net position	$ 89,459	$ 89,039	$ (13,709)	$ (14,001)	$ 75,750	$ 75,038

The largest portion of the City's net position (68%) 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 $397,388 restricted for debt service. The City also has net position of $6,544,274 and $189,718 which are restricted by enabling legislation or outside grants or agreements for disbursement on capital projects and law enforcement, respectively. The remaining balance of unrestricted net position $17,045,594 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 position for governmental activities. The same situation held true for the prior fiscal year.

Governmental activities increased the City's net position by $419,974 and business-type activities increased the City's net position by $292,067. Much of the increase in governmental activities is attributable to revenue from the settlement of the SDS lawsuit with Gwinnett County and SPLOST receipts offset, to some extent, by expenditures on capital projects. The increase in business-type activities is attributable to the stormwater fund results and the transfers into the URA exceeding the debt service requirements for the year.

The following condensed financial information was derived from the government-wide statement of activities and summarizes changes in net position for the years ended June 30, 2013 and 2012.

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

	Governmental Activities		Business-Type		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	$ 4,210	$ 3,068	$ 765	$ 779	$ 4,974	$ 3,847
Operating grants and contributions	2,177	3,959	-	-	2,177	3,959
Capital grants and contributions	3,702	3,736	-	1,748	3,702	5,484
General revenues:						
Property taxes	5,583	5,701	-	-	5,583	5,701
Insurance premium tax	1,325	1,248	-	-	1,325	1,248
Other taxes	4,914	4,399	-	-	4,914	4,399
Other	618	555	120	95	739	650
Total revenues	22,529	22,667	885	2,622	23,415	25,289
Expenses						
General government	4,866	4,408	-	-	4,866	4,408
Public safety	9,002	8,340	-	-	9,002	8,340
Public works	4,570	5,255	-	-	4,570	5,255
Culture & recreation	1,952	1,576	-	-	1,952	1,576
Interest on long term debt	29	43	-	-	29	43
Stormwater	-	-	711	303	711	303
Development financing	-	-	1,573	2,188	1,573	2,188
Total expenses	20,418	19,621	2,284	2,491	22,702	22,113
Transfers	1,691	-	(1,691)	-	-	-
Change in net position	420	3,046	292	131	712	3,177
Net position-July 1, restated	89,039	85,993	(14,001)	(14,132)	75,038	71,861
Net position-June 30	$ 89,459	$ 89,039	$(13,709)	$ (14,001)	$ 75,750	$ 75,038

Governmental activities: Governmental activities revenues totaled $22,529,399 for fiscal year 2013. Property taxes are the largest revenue source for governmental activities, accounting for 25% of total revenues. Charges for services, capital grants (which include sales taxes from the County) and operating grants are the second, third,

and fourth largest revenue sources accounting for 19%, 16%, and 10%, respectively, of governmental revenues for the year.

Governmental activities expenses totaled $20,418,038 for fiscal year 2013. Of the expenses, 44% is related to public safety. In addition, public works and general government accounted for 22% and 24% of total governmental expenses for the year, respectively. Overall expenses increased as compared to the prior year.

Business-type activities: Business-type activities increased the City's net position by $292,067 due to the stormwater fund results and the transfers into the URA exceeding the debt service requirements for the year.

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 $22,357,700 an increase of $1,164,724 or 5.5% in comparison with the prior year. Approximately 31% of the fund balance or $6,927,088 is classified as unassigned. This unassigned fund balance is net of $144,155 in fund balance deficits to be funded by future revenues or transfers. The remaining fund balance is classified as follows: non-spendable form ($421,327), restricted ($7,131,380), committed ($2,157,974) and assigned ($5,719,931).

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 $7,071,243. 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 40% of total General Fund expenditures plus transfers-out.

The fund balance of the City's General Fund increased by $265,716 during the current fiscal year. Key factors in this activity are as follows:

- Overall General Fund revenue increased by $643,174 or 3.7%
- Revenue from taxes increased by $507,236 over the prior year. This increase was mainly due to the newly enacted Title Ad Valorem Tax and increases in Occupational Taxes and the Insurance Premium Tax.
- Intergovernmental revenue decreased by $1,059,080 over the prior year. This decrease was due to the prior year SDS lawsuit payment from Gwinnett County including some one-time payments not repeated in the current year.
- Revenue from Fines and Forfeitures increased by $1,192,920 when compared to the prior year. This increase was due to an increase in fines from the renewal of the City's radar licenses by the State and the operation of red light cameras at a main intersection.
- In addition, overall expenditures decreased by $95,977 from the prior year.

Proprietary funds: The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about the funds.

At the fiscal year end, the Worker's Compensation Fund has unrestricted net position of $567,300. Because the City self insures for worker's compensation this balance is planned to be used for paying claims and purchasing

an excess workers' compensation policy. The Duluth Governmental Finance Corporation has no liabilities and only capital assets consisting of land and a building with a balance (net of accumulated depreciation) of $2,578,870. The Health Reimbursement Fund has unrestricted net position of $103,095.

General Fund Budgetary Highlights

During the year several budget amendments were adopted by the City Council and are included in the final budget column totals. The net impact of these amendments increased expenditures by $415,265 or 2.3% and net transfers in/out by $215,052 or 11%.

During the year, General Fund revenues were more than budgetary projections and expenditures were less than budgetary estimates. Actual revenues were $1,254,094 more than estimates mainly due to the Service Delivery Strategy settlement between the City and Gwinnett County being more than budgeted. Expenditures were $2,699,977 less than budgetary appropriations due to continued city wide effort by staff to limit salary and benefit costs where possible.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2013, amounted to $66,479,078, net of accumulated depreciation. The investment in capital assets includes land, plant and buildings, machinery, equipment and fixtures, streets and drainage, construction in progress. The additions to governmental capital assets are attributable to completed or ongoing construction projects: Irvingdale Sidewalks (completed), Rodger Bridge Boat Ramp (completed), WP Jones Activity Building (completed) and the Western Gwinnett Bikeway (ongoing). Capital assets had a net overall decrease of $1,216,147 as depreciation for the year exceeded the additions.

City of Duluth – Capital Assets
Governmental Activities ($000)

	2013	2012
Land and improvements	$ 12,882	$ 12,361
Buildings	35,494	35,063
Improvement other than buildings	58,486	56,607
Land Improvements	1,509	1,509
Furniture, machinery, and equipment	6,657	6,121
Construction in progress	1,278	2,636
Less accumulated depreciation	(49,827)	(46,602)
Total	$ 66,479	$ 67,695

Additional information on the City's capital assets can be found in Note 5 Capital Assets on pages 32 and 33 of this report.

Long-term debt: At June 30, 2013, the City had no general obligation bonded debt outstanding. The City has one outstanding capital lease totaling $397,388, which is all due and payable within one year. This is a net decrease of $383,210 during fiscal year 2013 due to principal payments at scheduled maturity during the year. The blended component units of the City, the Downtown Development Authority and the Urban Redevelopment Authority have outstanding revenue bonds of $12,548,730 and $9,835,000, respectively. This represents a net decrease of $567,899 during the fiscal year 2013 also due to repayment of bonds at scheduled maturity during the year. In December of 2012, the City's Urban Redevelopment Agency entered into a refinancing agreement for its Series 2003 Public Safety Project Revenue Bonds. As a result of this refinancing agreement, the bonds were replaced with new 2012 Revenue bonds resulting in an interest rate reduction from 4.10% to 1.63%. This will lead to an interest saving of $725,942 over the life if the bonds.

Additional information on the City's long-term debt can be found in Note 6 on pages 33 through 35 of this report.

Economic Factors and Next Year's Budget and Rates

While the City of Duluth is by no measure out of the woods from an economic stand point, there is reason to be optimistic about the overall financial outlook and other initiatives currently underway to grow the City both culturally and economically. Over the past three fiscal years, the City's General Fund revenue has grown from $15,933,481 in Fiscal Year 2011 to $18,004,605 in the current fiscal year. That is an increase of $2,071,124 or approximately 13%. In addition, total Governmental Funds revenue has increased from $19,688,876 in Fiscal Year 2011 to $22,507,319 in the current fiscal year. It should also be noted, that, General Fund expenditures have seen little increase over the past three fiscal years. In Fiscal Year 2011 General Fund expenditures were $15,839,162 and were $15,816,435 in Fiscal Year 2013.

The City continues to work to redevelop its downtown area. As part of this effort the City is currently working with Gwinnett County and the Georgia Department of Revenue on approval of its Downtown Tax Allocation District (TAD). Approval is expected sometime in fiscal year 2014. This tool will be used to finance needed infrastructure in the downtown area. The City also has a contractual agreement with Morris & Fellows to develop a conceptual plan for "The Block", which is a 2.8 acre retail site adjacent to the City's downtown "TownGreen".

The City is also focusing efforts on improving the quality of life for current resident and attracting visitors to downtown. For fiscal year 2014, the City has established the Duluth Public Arts Commission which will work to acquire new public art, promote preforming arts and maintain existing artworks. The City will soon be placing its first piece of public art in the traffic circle on West Lawrenceville Road. Plans are currently under way for the City to establish a Public Art Fund in next year's budget to be used to fund the acquisition of new art and finance various performance arts. The City has also increased the number of events taking place in the City, including Food Truck Fridays, The Town Market and No Reason Block Parties. Due to the effort of the Duluth Police Department, the City was recently ranked as the 18th safest city in Georgia according to Safewise.

Many of the above efforts will continue in the next fiscal year, with the anticipation that some will take several years to complete. But, these efforts will lead to the City of Duluth being a strong, growing and vibrant City for many years to come.

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 Position

June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 22,573,749	$ 806,883	$ 23,380,632
Accounts receivable	1,606,660	33,040	1,639,700
Taxes receivable	243,103	-	243,103
Internal balances	(6,588)	6,588	
Prepaid items	421,327	-	421,327
Nondepreciable capital assets	14,160,001	1,664,627	15,824,628
Depreciable capital assets, net	52,319,077	5,967,289	58,286,366
TOTAL ASSETS	91,317,329	8,478,427	99,795,756
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	244,056	244,056
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	244,056	244,056
LIABILITIES			
Accounts payable	514,759	9,178	523,937
Accrued expenses	450,130	-	450,130
Accrued interest payable	-	37,565	37,565
Noncurrent liabilities:			
Bonds payable due within one year	-	1,523,940	1,523,940
Bonds payable due in more than one year	-	20,860,356	20,860,356
Capital lease payable due within one year	397,388	-	397,388
Compensated absences payable due within one year	496,156	-	496,156
TOTAL LIABILITIES	1,858,433	22,431,039	24,289,472
NET POSITION (DEFICIT)			
Net investment in capital assets	66,081,690	(14,508,324)	51,573,366
Restricted for debt service	397,388	-	397,388
Restricted for capital construction	6,544,274	-	6,544,274
Restricted for law enforcement	189,718	-	189,718
Unrestricted	16,245,826	799,768	17,045,594
TOTAL NET POSITION (DEFICIT)	$ 89,458,896	$ (13,708,556)	$ 75,750,340

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Activities

For the Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	$ 4,865,612	$ 340,300	$ -	$ -	$ (4,525,312)	$ -	$ (4,525,312)
Public safety	9,001,869	3,517,155	1,421,367	229,989	(3,833,358)	-	(3,833,358)
Public works	4,569,888	4,069	741,785	2,025,051	(1,798,983)	-	(1,798,983)
Culture and recreation	1,951,785	347,981	13,970	1,446,707	(143,127)	-	(143,127)
Interest on long-term obligations	28,884	-	-	-	(28,884)	-	(28,884)
Total Governmental Activities	20,418,038	4,209,505	2,177,122	3,701,747	(10,329,664)	-	(10,329,664)
Business-Type Activities:							
Downtown Development Authority	1,105,258	-	-	-	-	(1,105,258)	(1,105,258)
Urban Redevelopment Authority	467,863	-	-	-	-	(467,863)	(467,863)
Solid Waste	-	-	-	-	-	-	-
Stormwater	711,337	764,647	-	-	-	53,310	53,310
Total Business-Type Activities	2,284,458	764,647	-	-	-	(1,519,811)	(1,519,811)
Total - Primary Government	$ 22,702,496	$ 4,974,152	$ 2,177,122	$ 3,701,747	(10,329,664)	(1,519,811)	(11,849,475)
GENERAL REVENUES:							
Taxes:							
Property					5,583,167	-	5,583,167
Insurance premium					1,325,215	-	1,325,215
Other					4,914,252	-	4,914,252
Interest earned					82,985	788	83,773
Miscellaneous					535,406	119,703	655,109
Total General Revenues					12,441,025	120,491	12,561,516
Transfers					(1,691,387)	1,691,387	-
Total General Revenues and Transfers					10,749,638	1,811,878	12,561,516
Change in Net Position					419,974	292,067	712,041
NET POSITION (DEFICIT) BEGINNING OF YEAR, RESTATED					89,038,922	(14,000,623)	75,038,299
NET POSITION (DEFICIT) END OF YEAR					$ 89,458,896	$ (13,708,556)	$ 75,750,340

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	SPLOST 2009 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 15,448,873	$ 3,763,265	$ 2,595,232	$ 21,807,370
Receivables:				
Taxes	239,872	-	3,231	243,103
Accounts	1,009,834	596,826	-	1,606,660
Due from other funds	20,395	4,373	27,751	52,519
Prepaid items	237,680	-	183,647	421,327
TOTAL ASSETS	$ 16,956,654	$ 4,364,464	$ 2,809,861	$ 24,130,979
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 367,282	$ -	$ 145,421	$ 512,703
Accrued salaries payable	164,066	-	-	164,066
Accrued expenditures	107,690	-	84,446	192,136
Due to other funds	18,388	-	40,719	59,107
TOTAL LIABILITIES	657,426	-	270,586	928,012
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - taxes	845,267	-	-	845,267
TOTAL DEFERRED INFLOWS OF RESOURCES	845,267	-	-	845,267
FUND BALANCES (DEFICIT)				
Nonspendable:				
Prepaids	237,680	-	183,647	421,327
Restricted:				
Debt service	397,388	-	-	397,388
Capital construction	-	4,364,464	2,179,810	6,544,274
Law enforcement	-	-	189,718	189,718
Committed:				
Capital construction	2,052,154	-	-	2,052,154
Greenspace preservation	-	-	59,467	59,467
Tree preservation	-	-	5,279	5,279
Public works	-	-	8,000	8,000
Equipment purchases	-	-	33,074	33,074
Assigned:				
Fiscal year 2014 operations	4,090,859	-	-	4,090,859
SDS Settlement	1,604,637	-	-	1,604,637
Capital construction	-	-	17,069	17,069
Railway museum	-	-	1,866	1,866
Gateway construction	-	-	5,500	5,500
Unassigned	7,071,243	-	(144,155)	6,927,088
TOTAL FUND BALANCES (DEFICIT)	15,453,961	4,364,464	2,539,275	22,357,700
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 16,956,654	$ 4,364,464	$ 2,809,861	$ 24,130,979

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

TOTAL GOVERNMENTAL FUND BALANCES		$ 22,357,700
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	$ 113,153,349	
Less accumulated depreciation	(49,253,141)	63,900,208
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes and franchise taxes		845,267
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 Position.		3,249,265
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	$ (397,388)	
Compensated absences	(496,156)	(893,544)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 89,458,896

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, 2013

	General Fund	SPLOST 2009 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 11,766,154	$ -	$ 40,336	$ 11,806,490
Licenses and permits	313,972	-	-	313,972
Intergovernmental	1,410,568	3,694,667	747,440	5,852,675
Charges for services	442,474	-	-	442,474
Interest income	77,049	3,289	3,791	84,129
Fines and forfeitures	3,453,059	-	-	3,453,059
Miscellaneous	541,329	-	13,191	554,520
TOTAL REVENUES	18,004,605	3,697,956	804,758	22,507,319
EXPENDITURES				
Current:				
General government	3,573,754	60	-	3,573,814
Public safety	8,033,015	-	158,810	8,191,825
Public works	2,330,791	-	355,057	2,685,848
Culture and recreation	1,466,781	-	-	1,466,781
Capital outlay	-	-	2,987,098	2,987,098
Debt service:				
Principal retirement	383,210	-	-	383,210
Interest and fiscal charges	28,884	-	-	28,884
TOTAL EXPENDITURES	15,816,435	60	3,500,965	19,317,460
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,188,170	3,697,896	(2,696,207)	3,189,859
OTHER FINANCING SOURCES (USES)				
Transfers in	108,416	14,502	3,297,097	3,420,015
Transfers out	(2,030,870)	(2,776,953)	(637,327)	(5,445,150)
TOTAL OTHER FINANCING SOURCES (USES)	(1,922,454)	(2,762,451)	2,659,770	(2,025,135)
NET CHANGE IN FUND BALANCES	265,716	935,445	(36,437)	1,164,724
FUND BALANCES - BEGINNING OF YEAR	15,188,245	3,429,019	2,575,712	21,192,976
FUND BALANCES - END OF YEAR	$ 15,453,961	$ 4,364,464	$ 2,539,275	$ 22,357,700

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, 2013

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 1,164,724
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	$ (3,491,914)	
Capital outlay/donations	2,495,376	
Gain (loss) on disposition of asset(s)	(170,986)	(1,167,524)
Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.		16,144
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		383,210
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.		7,684
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.		15,736
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 419,974

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Net Position
Proprietary Funds
June 30, 2013

	Downtown Development Authority	Urban Redevelopment Authority	Non-Major Proprietary Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash	$ 219,906	$ -	$ 586,977	$ 806,883	$ 766,379
Accounts receivable	-	-	33,040	33,040	-
Due from other funds	-	6,588	-	6,588	-
Total Current Assets	219,906	6,588	620,017	846,511	766,379
Noncurrent Assets:					
Capital assets:					
Nondepreciable capital assets	5,525	1,659,102	-	1,664,627	1,654,856
Depreciable capital assets, net	5,967,289	-	-	5,967,289	924,014
Total Noncurrent Assets	5,972,814	1,659,102	-	7,631,916	2,578,870
TOTAL ASSETS	6,192,720	1,665,690	620,017	8,478,427	3,345,249
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	-	244,056	-	244,056	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	244,056	-	244,056	-
LIABILITIES					
Current Liabilities:					
Accounts payable	-	-	9,178	9,178	2,056
Claims payable	-	-	-	-	93,928
Accrued interest payable	18,862	18,703	-	37,565	-
Revenue bonds payable, current portion	728,940	795,000	-	1,523,940	-
Total Current Liabilities	747,802	813,703	9,178	1,570,683	95,984
Noncurrent Liabilities:					
Revenue bonds payable	11,819,790	9,040,000	-	20,859,790	-
Unamortized premium on revenue bonds	-	566	-	566	-
Total Noncurrent Liabilities	11,819,790	9,040,566	-	20,860,356	-
TOTAL LIABILITIES	12,567,592	9,854,269	9,178	22,431,039	95,984
NET POSITION					
Net investment in capital assets	(6,575,916)	(7,932,408)	-	(14,508,324)	2,578,870
Unrestricted	201,044	(12,115)	610,839	799,768	670,395
TOTAL NET POSITION	$ (6,374,872)	$ (7,944,523)	$ 610,839	$ (13,708,556)	$ 3,249,265

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	Downtown Development Authority	Urban Redevelopment Authority	Non-Major Proprietary Funds	Total	Internal Service Funds
OPERATING REVENUES					
Stormwater fees	$ -	$ -	$ 764,647	$ 764,647	$ -
TOTAL OPERATING REVENUES	-	-	764,647	764,647	-
OPERATING EXPENSES					
Administration	-	-	178,891	178,891	-
Costs of sales and services	-	-	532,446	532,446	-
Depreciation	411,537	-	-	411,537	48,624
Claims	-	-	-	-	275,324
Other	211,428	-		211,428	-
TOTAL OPERATING EXPENSES	622,965	-	711,337	1,334,302	323,948
OPERATING INCOME (LOSS)	(622,965)	-	53,310	(569,655)	(323,948)
NON-OPERATING INCOME (LOSS)					
Interest and fiscal charges	(482,293)	(338,034)	-	(820,327)	-
Bond issuance costs	-	(129,829)	-	(129,829)	-
Miscellaneous	119,703	-	-	119,703	-
Interest income	788	-	-	788	5,936
TOTAL NON-OPERATING INCOME (LOSS)	(361,802)	(467,863)	-	(829,665)	5,936
INCOME (LOSS) BEFORE TRANSFERS	(984,767)	(467,863)	53,310	(1,399,320)	(318,012)
Transfers in	667,536	1,023,851	-	1,691,387	333,748
CHANGE IN NET POSITION	(317,231)	555,988	53,310	292,067	15,736
NET POSITION:					
BEGINNING OF YEAR, AS RESTATED	(6,057,641)	(8,500,511)	557,529	(14,000,623)	3,233,529
END OF YEAR	$ (6,374,872)	$ (7,944,523)	$ 610,839	$ (13,708,556)	$ 3,249,265

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2013

	Downtown Development Authority	Urban Redevelopment Authority	Non-Major Proprietary Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received for operations	$ -	$ -	$ 757,747	$ 757,747	$ -
Cash paid for goods and services	(212,254)	-	(720,664)	(932,918)	-
Cash paid for claims	-	-	-	-	(215,318)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(212,254)	-	37,083	(175,171)	(215,318)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	667,536	1,023,851	-	1,691,387	333,748
Miscellaneous receipts	119,703	-		119,703	-
Increase in due from other funds	-	(6,588)	-	(6,588)	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	787,239	1,017,263	-	1,804,502	333,748
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(277,808)	(690,000)	-	(967,808)	-
Bond issued costs paid	-	(129,829)	-	(129,829)	-
Proceeds from refunding bonds	-	7,095,000	-	7,095,000	-
Payment to refunding escrow agent		(6,958,583)	-	(6,958,583)	-
Interest paid on long-term debt	(484,134)	(333,851)	-	(817,985)	-
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(761,942)	(1,017,263)	-	(1,779,205)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	788	-	-	788	5,936
NET CASH PROVIDED BY INVESTING ACTIVITIES	788	-	-	788	5,936
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(186,169)	-	37,083	(149,086)	124,366
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	406,075	-	549,894	955,969	642,013
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 219,906	$ -	$ 586,977	$ 806,883	$ 766,379
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (622,965)	$ -	$ 53,310	$ (569,655)	$ (323,948)
Adjustments:					
Depreciation	411,537	-	-	411,537	48,624
Changes in assets and liabilities:					
Accounts receivable	-	-	(6,900)	(6,900)	213
Accounts payable and claims payable	(826)	-	(9,327)	(10,153)	59,793
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (212,254)	$ -	$ 37,083	$ (175,171)	$ (215,318)

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, all of the component units are reported as blended component units.

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

Due to restrictions of the state constitution relating to the issuance of municipal debt, the City created separate organizations to finance City services with revenue bonds or other 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 who have the ability to make all decisions for the Corporation. The DGFC serves only as a financing vehicle for property used by the City. The Corporation is presented as an internal service fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Downtown Development Authority (DDA) is a blended component unit. The City Council appoints all members of the board of directors of the DDA and the DDA's budget must be approved by the City Council. The DDA serves only as a financing vehicle for redevelopment property on behalf of the City. In prior years, the DDA retained the responsibility for some redevelopment activity, but, as disclosed in Note 13, in fiscal year 2013 the City took over responsibility for the redevelopment activity and the only activity of the DDA was the financing of the property on behalf of the City. Thus the reporting of the DDA changed from being discrete presentation to being blended.

The Urban Redevelopment Authority (URA) is a blended component unit. The City Council appoints all members of the board of directors of the URA and those board members may be removed by the City Council. The URA serves only as a financing vehicle for redevelopment property on behalf of the City. In prior years, the URA retained the responsibility for some redevelopment activity, but, as disclosed in Note 13, in fiscal year 2013 the City took over responsibility for the redevelopment activity and the only activity of the URA was the financing of the property on behalf of the City. Thus the reporting of the URA changed from being discrete presentation to being blended.

B. Government-wide and Fund Financial Statements

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term financing, compensated absences 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The ***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.

The City reports the flowing major enterprise funds:

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City also reports the following:

Non-major ***enterprise funds*** report the activity of the City's Stormwater and Solid Waste Management facilities.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

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

G. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets 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.

H. Capital Assets

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

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

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

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

J. Compensated Absences

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

K. Net Position and Fund Equity

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position and Fund Equity (Continued)

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

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

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

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

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

- Committed
- Assigned
- Unassigned

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deferred Outflows of Resources / Deferred Inflows of Resources

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deficit Fund Equity

At June 30, 2013, the H.E.A.T. Grant Fund had a deficit of $17,831; the Grants Fund had a deficit of $13,984; the Park Improvements Fund had deficit of $15,860; the Buford Highway Medians Fund had a deficit of $21,350; the Rodgers Bridge Dog Park Fund had a deficit of $67,614; the 2009 SPLOST Vehicles Fund had a deficit of $248; and the W.P. Jones Activity Building Fund had a deficit of $7,268. The deficits in these funds will be funded with transfers from other funds or with budgeted financing through grants or other funding. The Downtown Development Authority had a deficit net position of $6,374,872 and the Urban Redevelopment Authority had a deficit net position of $7,944,523. The deficits in these funds will be funded with the sale or development of assets, transfers from other funds or with budgeted financing through other funding.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

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

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

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

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, 2013, all of the deposits of the City were fully collateralized in accordance with the state statutes.

NOTE 4. RECEIVABLES

Receivables at June 30, 2013, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	2009 SPLOST Fund	Other Governmental Funds	Non-major Enterprise Fund Stormwater
Receivables:				
Taxes	$ 239,872	$ -	$ 3,231	$ -
Accounts	1,009,834	596,826	-	33,040
Gross receivables	1,249,706	596,826	3,231	33,040
Less allowance for uncollectibles	-	-	-	-
Net total receivables	$ 1,249,706	$ 596,826	$ 3,231	$ 33,040

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, 2013 and not collected are recorded as receivables, net of estimated uncollectibles.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 12,243,762	$ 521,311	$ -	$ -	$ 12,765,073
Land improvements	116,985	-	-	-	116,985
Construction in progress	2,635,781	1,212,931	-	(2,570,769)	1,277,943
Total	14,996,528	1,734,242	-	(2,570,769)	14,160,001
Capital assets, being depreciated:					
Buildings	35,063,409	-	(260,000)	690,805	35,494,214
Improvements other than buildings	56,606,416	-	-	1,879,964	58,486,380
Land improvements	1,509,009	-	-	-	1,509,009
Furniture, machinery and equipment	6,121,582	761,134	(226,226)	-	6,656,490
Total	99,300,416	761,134	(486,226)	2,570,769	102,146,093
Less accumulated depreciation for:					
Building	(7,492,964)	(947,435)	97,592	-	(8,342,807)
Improvements other than buildings	(33,969,570)	(1,592,218)	-	-	(35,561,788)
Land improvements	(114,143)	(113,423)	-	-	(227,566)
Furniture, machinery and equipment	(5,025,041)	(887,462)	217,648	-	(5,694,855)
Total	(46,601,718)	(3,540,538)	315,240	-	(49,827,016)
Total assets being depreciated, net	52,698,698	(2,779,403)	(170,986)	2,570,769	52,319,077
Governmental activities capital assets, net	$ 67,695,226	$ (1,045,161)	$ (170,986)	$ -	$ 66,479,078
Business Type Activities:					
Capital assets, not being depreciated:					
Land	$ 1,664,627	$ -	$ -	$ -	$ 1,664,627
Total	1,664,627	-	-	-	1,664,627
Capital assets, being depreciated:					
Buildings	6,996,132	-	-	-	6,996,132
Less accumulated depreciation:					
Buildings	(617,306)	(411,537)	-	-	(1,028,843)
Business Type Activities capital assets, net	$ 8,043,453	$ (411,537)	$ -	$ -	$ 7,631,916

NOTE 5. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	$ 827,414
Public safety	738,275
Public works	1,687,296
Culture and recreation	287,553
Total depreciation expense - governmental activities	$ 3,540,538

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 503,840	$ 579,367	$ 587,051	$ 496,156	$ 496,156
Leases payable	780,598	-	383,210	397,388	397,388
Governmental activities long-term liabilities	$ 1,284,438	$ 579,367	$ 970,261	$ 893,544	$ 893,544
Business Activities:					
Bonds payable	$ 22,951,536	$ 7,518,300	$ 8,086,107	$ 22,383,729	$ 1,523,940
Premium on bonds	659	-	92	567	-
Business-type activities long-term liabilities	$ 22,952,195	$ 7,518,300	$ 8,086,199	$ 22,384,296	$ 1,523,940

NOTE 6. LONG-TERM DEBT (Continued)

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

During fiscal year 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.

During fiscal year 2013, the Urban Redevelopment Authority refunded most of its outstanding Series 2003 bonds with Series 2012 Refunding Bonds issued in the amount of $7,095,000. Interest rates on the Series 2012 Bonds are 1.63% with annual maturities through fiscal year 2024. The net proceeds from the Series 2012 Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of $725,942 and a present value savings, or economic gain, of $654,799. The refunded bonds are considered defeased and thus the assets in the trust fund along with the $6,695,000 in outstanding refunded bonds at June 30, 2013 are not reported in the City's financial statements and were called and paid in full on December 1, 2013.

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

Fiscal Year	Principal	Interest	Total
2014	1,523,940	$ 648,330	$ 2,172,270
2015	1,569,191	596,346	2,165,537
2016	1,629,326	542,585	2,171,911
2017	5,535,369	412,889	5,948,258
2018	1,475,075	284,314	1,759,389
2019-2023	6,801,100	674,103	7,475,203
2024-2028	1,256,604	49,884	1,306,488
2029	2,593,124	-	2,593,124
	$ 22,383,729	$ 3,208,451	$ 25,592,180

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, 2013:

Fiscal Year	Principal	Interest	Total
2014	$ 397,388	$ 14,703	$ 412,091
	$ 397,388	$ 14,703	$ 412,091

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

	Payable To				
Receivable From	General Fund	2009 SPLOST	Other Governmental	Urban Redevelopment Authority	Total
General Fund	$ -	$ -	$ 11,800	$ 6,588	$ 18,388
Other Governmental Funds	20,395	4,373	15,951	-	40,719
Total	$ 20,395	$ 4,373	$ 27,751	$ 6,588	$ 59,107

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, 2013 were:

	Transfers From			
Transfers To	General Fund	SPLOST 2009 Fund	Other Governmental Funds	Total
General Fund	$ -	$ -	$ 108,416	$ 108,416
SPLOST 2009	14,502	-	-	14,502
Other Governmental Funds	306,500	2,776,953	213,644	3,297,097
Urban Redevelopment Authority	708,584	-	315,267	1,023,851
Downtown Development Authority	667,536	-	-	667,536
Internal Service Funds	333,748	-	-	333,748
Total	$ 2,030,870	$ 2,776,953	$ 637,327	$ 5,445,150

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2013 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, 2013, the time of the last actuarial valuation, the Plan membership consisted of:

Disabled employees, retirees, and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits not yet receiving them	34
Active employees	128
Total Participants	173

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

B. Funding Policy

The funding policy of the Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 6.94% 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 2013 was determined as part of the January 1, 2012 actuarial valuation. The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

Year Ended June 30,	Annual Pension Cost	Percentage Contributed	Net Pension Asset
2011	454,048	100%	$ -
2012	443,093	100%	-
2013	436,945	100%	-

As of the most recent valuation date, January 1, 2013, the funded status of the Plan was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
1/1/2013	$ 3,831,744	4,542,927	84.35%	$ (711,183)	6,583,910	10.80%

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 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, 2013 and the current sharing pattern of costs between employer and employee.

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

C. Annual Pension Cost (Continued)

The assumptions used in the January 1, 2013 and 2012 actuarial valuation are as follows.

Actuarial Assumptions

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Determined by rolling forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. Actuarial value is adjusted if necessary to be within 50% of market value for 2009, 44% for 2010, 38% for 2011, 32% for 2012, 26% for 2013, and 20% for 2014 and later years.
Assumed Rate of Return On Investments	7.75%
Projected Salary Increases	4% - 11% (including 3.5% for inflation)
Cost-of-living Adjustment	None
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	12 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 2012 and 2013. Individuals who are 50 or older can defer an additional $5,500. Individuals within 3 years of retirement (62 years of age) can contribute the lesser of (1) $34,000 for calendar year 2012 and 2013, or (2) the normal annual limit, plus the total amount of underutilized contributions from the prior year. The City's contribution is limited to a maximum of 2% of gross wages or 50% of employee's contributions, whichever is less.

This plan may be amended by vote of the City Council. Contributions by the City for the current year were $82,463, with employee contributions amounting to $300,967.

NOTE 10. JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the Metro Atlanta area is a member of the Atlanta Regional Commission (ARC). Membership in an ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. The ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an ARC. Dues are paid on behalf of the City by Gwinnett County, Georgia. Separate financial statements may be obtained from the Atlanta Regional Commission, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claims of loss. The City is also to allow the pool's agent and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

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, 2013, the City had accumulated $661,717 in the account after the payment of claims and administrative fees.

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

	Beginning Balance	Additions	Payments	Ending Balance
2013	$ 33,264	$ 240,254	$ (179,590)	$ 93,928
2012	$ 472	$ 152,913	$ (120,121)	$ 33,264

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Grant Contingencies:

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

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE & REPORTING ENTITY

In prior years, the Downtown Development Authority and Urban Redevelopment Authority retained the responsibility for some redevelopment activity, but in fiscal year 2013 the City took over responsibility for the redevelopment activity for both entities and the only activity of the DDA and the URA was the financing of the property on behalf of the City. Thus the reporting of both the DDA and URA changed from being discrete presentation to being blended. This change in the reporting entity results in each of the entities being reported as a major enterprise fund and no longer being reported as discretely presented component units and thus beginning net position being restated for these reporting units. Additionally, the following restatement of beginning net position for the business-type activities was required:

	Business-Type Activities
Net Position as previously reported	$ 557,529
Downtown Development Authority	(6,057,641)
Urban Redevelopment Authority	(8,500,511)
Net Position (deficit) as restated	$ (14,000,623)

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than deferred and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Downtown Development Authority and the Urban Redevelopment Authority to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

	Downtown Development Authority	Urban Redevelopment Authority
Net Position (deficit) as previously reported	$ (6,027,580)	$ (8,359,025)
Recognize bond issue cost in prior years	(30,061)	(141,486)
Net Position (deficit) as restated	$ (6,057,641)	$ (8,500,511)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DULUTH, GEORGIA

Schedule of Funding Progress
City of Duluth Retirement Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
1/1/2011	2,614,133	3,328,171	78.55%	$ (714,038)	6,365,281	11.22%
1/1/2012	3,195,216	3,906,392	81.79%	(711,176)	6,503,213	10.94%
1/1/2013	3,831,744	4,542,927	84.35%	(711,183)	6,583,910	10.80%

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, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 10,860,500	$ 10,860,500	$ 11,766,154	$ 905,654
Licenses and permits	397,900	397,900	313,972	(83,928)
Charges for services	317,850	371,850	442,474	70,624
Fines and forfeitures	3,332,000	3,332,000	3,453,059	121,059
Intergovernmental	976,808	976,808	1,410,568	433,760
Interest income	120,000	120,000	77,049	(42,951)
Miscellaneous	543,325	691,453	541,329	(150,124)
TOTAL REVENUES	16,548,383	16,750,511	18,004,605	1,254,094
EXPENDITURES				
Current:				
General government:				
Mayor and Council				
Personal services	50,494	51,484	44,928	6,556
Other services and charges	290,606	340,966	201,581	139,385
City Administrator				
Personal services	227,840	227,840	203,751	24,089
Other services and charges	774,350	774,350	247,087	527,263
City Clerk/Business Office				
Personal services	1,029,684	1,096,791	1,023,893	72,898
Other services and charges	1,318,339	1,309,930	1,175,410	134,520
City Clerk/Human resources	191,042	188,612	168,011	20,601
Other				
Public information & marketing	394,361	499,361	385,918	113,443
Consolidated services:				
Custodial services	113,784	64,007	53,334	10,673
Landscape maintenance	71,371	71,371	69,841	1,530
Total general government	4,461,871	4,624,712	3,573,754	1,050,958

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, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public safety:				
Municipal Court				
Personal services	$ 560,988	$ 561,988	$ 518,815	$ 43,173
Other services and charges	1,523,568	1,522,568	905,697	616,871
Police / Admin				
Personal services	535,612	498,173	486,854	11,319
Other services and charges	369,854	375,939	345,209	30,730
Police / CID				
Personal services	696,622	696,622	577,480	119,142
Other services and charges	16,975	16,975	4,131	12,844
Police / Uniform Division				
Personal services	3,299,117	3,279,117	3,191,288	87,829
Other services and charges	75,053	68,853	60,787	8,066
Police / Community Policing Division				
Personal services	306,778	293,778	218,903	74,875
Other services and charges	28,663	28,663	18,975	9,688
Police / Other				
Police vehicles	392,244	426,354	426,353	1
Police Support Services	1,286,701	1,305,923	1,164,523	141,400
Red light monitoring system	115,260	115,150	114,000	1,150
Total public safety	9,207,435	9,190,103	8,033,015	1,157,088
Public works:				
Planning & Development				
Personal services	670,792	746,364	678,364	68,000
Other services and charges	495,439	580,439	424,228	156,211
Administration				
Personal services	917,388	917,388	830,428	86,960
Other services and charges	151,793	247,524	236,259	11,265
Supplies	31,490	38,725	37,784	941
Streets				
Building / grounds maintenance	120,765	124,095	123,728	367
Total public works	2,387,667	2,654,535	2,330,791	323,744

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, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Culture and recreation:				
Parks / Recreation Admin				
Personal services	$ 1,205,021	$ 1,179,574	$ 1,056,574	$ 123,000
Other services and charges	223,825	229,307	223,167	6,140
Recreation operations	203,233	220,233	187,040	33,193
Total culture and recreation	1,632,079	1,629,114	1,466,781	162,333
Debt service:				
Principal retirement	383,210	389,063	383,210	5,853
Interest and fiscal charges	28,885	28,885	28,884	1
Total debt service	412,095	417,948	412,094	5,854
TOTAL EXPENDITURES	18,101,147	18,516,412	15,816,435	2,699,977
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,552,764)	(1,765,901)	2,188,170	3,954,071
OTHER FINANCING SOURCES (USES)				
Transfers in	154,000	235,670	108,416	(127,254)
Transfers out	(2,158,334)	(2,455,056)	(2,030,870)	424,186
TOTAL OTHER FINANCING SOURCES (USES)	(2,004,334)	(2,219,386)	(1,922,454)	296,932
NET CHANGE IN FUND BALANCES	(3,557,098)	(3,985,287)	265,716	4,251,003
FUND BALANCES - BEGINNING OF YEAR	15,188,245	15,188,245	15,188,245	-
FUND BALANCES - END OF YEAR	$ 11,631,147	$ 11,202,958	$ 15,453,961	$ 4,251,003

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, restricted for specific activity.

Capital Projects Funds

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

McClure Bridge W/ Lawrenceville Fund – This fund accounts for the reconstruction project at McClure Bridge and West Lawrenceville Road.

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

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

Buford Highway Water & Sewer Improvements Fund – This fund accounts for the water and sewer improvements along Buford Highway.

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

Police Capital Projects Fund – This fund accounts for various capital projects at the police station.

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

Park Improvements Fund – This fund accounts for improvements to various City parks.

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

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

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

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

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

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 various capital projects.

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

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

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

City of Duluth, Georgia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2013

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS			
Cash	$ 373,622	$ 2,221,610	$ 2,595,232
Taxes receivable	3,231	-	3,231
Prepaid items	-	183,647	183,647
Due from other funds	7,561	20,190	27,751
TOTAL ASSETS	$ 384,414	$ 2,425,447	$ 2,809,861
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,866	$ 143,555	$ 145,421
Accrued expenditures	84,446	-	84,446
Due to other funds	34,379	6,340	40,719
TOTAL LIABILITIES	120,691	149,895	270,586
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaids	-	183,647	183,647
Restricted:			
Capital construction	-	2,179,810	2,179,810
Law enforcement	189,718	-	189,718
Committed:			
Greenspace preservation	59,467	-	59,467
Tree preservation	5,279	-	5,279
Public works	8,000	-	8,000
Equipment purchases	33,074	-	33,074
Assigned:			
Capital construction	-	17,069	17,069
Railway museum	-	1,866	1,866
Gateway construction	-	5,500	5,500
Unassigned	(31,815)	(112,340)	(144,155)
TOTAL FUND BALANCES	263,723	2,275,552	2,539,275
TOTAL LIABILITIES AND FUND BALANCES	$ 384,414	$ 2,425,447	$ 2,809,861

City of Duluth, Georgia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2013

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
REVENUES			
Taxes	$ 40,336	$ -	$ 40,336
Intergovernmental	5,655	741,785	747,440
Interest income	-	3,791	3,791
Miscellaneous	13,191	-	13,191
TOTAL REVENUES	59,182	745,576	804,758
EXPENDITURES			
Current:			
Public safety	158,810	-	158,810
Public works	355,057	-	355,057
Capital outlay	-	2,987,098	2,987,098
TOTAL EXPENDITURES	513,867	2,987,098	3,500,965
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(454,685)	(2,241,522)	(2,696,207)
OTHER FINANCING SOURCES (USES)			
Transfers in	483,386	2,813,711	3,297,097
Transfers out	(102,564)	(534,763)	(637,327)
TOTAL OTHER FINANCING SOURCES (USES)	380,822	2,278,948	2,659,770
NET CHANGE IN FUND BALANCES	(73,863)	37,426	(36,437)
FUND BALANCES - BEGINNING OF YEAR	337,586	2,238,126	2,575,712
FUND BALANCES - END OF YEAR	$ 263,723	$ 2,275,552	$ 2,539,275

City of Duluth, Georgia

Combining Balance Sheet

Non-major Special Revenue Funds

June 30, 2013

	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	$ 6,779	$ 8,000	$ 28,875	$ 120,440	$ 97,649	$ -	$ 894	$ 26,005	$ 25,513	$ -	$ 373,622
Taxes receivable	-	-	-	-	-	-	-	-	3,231	-	-	3,231
Due from other funds	-	-	-	-	-	-	-	-	-	7,561	-	7,561
TOTAL ASSETS	$ 59,467	$ 6,779	$ 8,000	$ 28,875	$ 120,440	$ 97,649	$ -	$ 894	$ 29,236	$ 33,074	$ -	$ 384,414
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	$ -	$ 1,500	$ -	$ -	$ -	$ 366	$ -	$ -	$ -	$ -	$ -	$ 1,866
Accrued expenditures	-	-	-	-	84,446	-	-	-	-	-	-	84,446
Due to other funds	-	-	-	2,564	-	-	17,831	-	-	-	13,984	34,379
TOTAL LIABILITIES	-	1,500	-	2,564	84,446	366	17,831	-	-	-	13,984	120,691
FUND BALANCES (DEFICIT)												
Restricted:												
Law enforcement	-	-	-	26,311	35,994	97,283	-	894	29,236	-	-	189,718
Committed:												
Greenspace preservation	59,467	-	-	-	-	-	-	-	-	-	-	59,467
Tree preservation	-	5,279	-	-	-	-	-	-	-	-	-	5,279
Public works	-	-	8,000	-	-	-	-	-	-	-	-	8,000
Equipment purchases	-	-	-	-	-	-	-	-	-	33,074	-	33,074
Unassigned	-	-	-	-	-	-	(17,831)	-	-	-	(13,984)	(31,815)
TOTAL FUND BALANCES (DEFICIT)	59,467	5,279	8,000	26,311	35,994	97,283	(17,831)	894	29,236	33,074	(13,984)	263,723
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 59,467	$ 6,779	$ 8,000	$ 28,875	$ 120,440	$ 97,649	$ -	$ 894	$ 29,236	$ 33,074	$ -	$ 384,414

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, 2013

	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 40,336	$ -	$ -	$ 40,336
Intergovernmental	-	-	-	-	-	-	3,810	1,845	-	-	-	5,655
Other	-	-	-	-	10,436	2,755	-	-	-	-	-	13,191
TOTAL REVENUES	-	-	-	-	10,436	2,755	3,810	1,845	40,336	-	-	59,182
EXPENDITURES												
Current:												
Public safety	-	-	-	13,000	43,398	20,931	28,705	951	51,825	-	-	158,810
Public works	-	4,475	-	-	-	-	-	-	-	-	350,582	355,057
TOTAL EXPENDITURES	-	4,475	-	13,000	43,398	20,931	28,705	951	51,825	-	350,582	513,867
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(4,475)	-	(13,000)	(32,962)	(18,176)	(24,895)	894	(11,489)	-	(350,582)	(454,685)
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	-	24,130	-	-	108,674	350,582	483,386
Transfers out	-	-	-	(2,564)	-	-	-	-	-	(100,000)	-	(102,564)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(2,564)	-	-	24,130	-	-	8,674	350,582	380,822
NET CHANGE IN FUND BALANCES	-	(4,475)	-	(15,564)	(32,962)	(18,176)	(765)	894	(11,489)	8,674	-	(73,863)
FUND BALANCES - BEGINNING OF YEAR	59,467	9,754	8,000	41,875	68,956	115,459	(17,066)	-	40,725	24,400	(13,984)	337,586
FUND BALANCES - END OF YEAR	$ 59,467	$ 5,279	$ 8,000	$ 26,311	$ 35,994	$ 97,283	$ (17,831)	$ 894	$ 29,236	$ 33,074	$ (13,984)	$ 263,723

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2013

	SPLOST 1997	McClure Bridge W/ Lawrenceville	SPLOST 2005	Railway Museum Access Rd.	Buford Highway Water & Sewer Improvements	Police Capital Projects	Community Development Block Grant Improvements	Park Improvements	Buford Hwy Medians
ASSETS									
Cash	$ 1,386,800	$ -	$ 661,123	$ 1,866	$ -	$ -	$ -	$ -	$ -
Prepaid items	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	1,967	-	-	-	-	-	-
TOTAL ASSETS	$ 1,386,800	$ -	$ 663,090	$ 1,866	$ -	$ -	$ -	$ -	$ -
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	$ 25,099	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,860	$ 21,350
Due to other funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	25,099	-	-	-	-	-	-	15,860	21,350
FUND BALANCES (DEFICIT)									
Nonspendable:									
Prepaids	-	-	-	-	-	-	-	-	-
Restricted:									
Capital construction	1,361,701	-	663,090	-	-	-	-	-	-
Assigned:									
Capital construction	-	-	-	-	-	-	-	-	-
Railway museum	-	-	-	1,866	-	-	-	-	-
Gateway construction	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(15,860)	(21,350)
TOTAL FUND BALANCES (DEFICIT)	1,361,701	-	663,090	1,866	-	-	-	(15,860)	(21,350)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 1,386,800	$ -	$ 663,090	$ 1,866	$ -	$ -	$ -	$ -	$ -

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2013

	Rodgers Bridge Dog Park	SR120 Sidewalks to Monarch Fund	2009 SPLOST Vehicles	Transportation Infrastructure Improvements	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	Downtown Parking	Block	Total Non-major Capital Projects Funds
ASSETS											
Cash	$ -	$ -	$ -	$ 159,981	$ 5,500	$ -	$ 6,340	$ -	$ -	$ -	$ 2,221,610
Prepaid items	-	-	-	-	-	183,647	-	-	-	-	183,647
Due from other funds	-	-	-	-	-	-	18,223	-	-	-	20,190
TOTAL ASSETS	$ -	$ -	$ -	$ 159,981	$ 5,500	$ 183,647	$ 24,563	$ -	$ -	$ -	$ 2,425,447
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	$ 67,614	$ -	$ 248	$ 4,962	$ -	$ -	$ 1,154	$ 7,268	$ -	$ -	$ 143,555
Due to other funds	-	-	-	-	-	-	6,340	-	-	-	6,340
LIABILITIES	67,614	-	248	4,962	-	-	7,494	7,268	-	-	149,895
FUND BALANCES (DEFICIT)											
Nonspendable:											
Prepaids	-	-	-	-	-	183,647	-	-	-	-	183,647
Restricted:											
Capital construction	-	-	-	155,019	-	-	-	-	-	-	2,179,810
Assigned:											
Capital construction	-	-	-	-	-	-	17,069	-	-	-	17,069
Railway museum	-	-	-	-	-	-	-	-	-	-	1,866
Gateway construction	-	-	-	-	5,500	-	-	-	-	-	5,500
Unassigned	(67,614)	-	(248)	-	-	-	-	(7,268)	-	-	(112,340)
TOTAL FUND BALANCES (DEFICIT)	(67,614)	-	(248)	155,019	5,500	183,647	17,069	(7,268)	-	-	2,275,552
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ -	$ -	$ -	$ 159,981	$ 5,500	$ 183,647	$ 24,563	$ -	$ -	$ -	$ 2,425,447

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, 2013

	SPLOST 1997	McClure Bridge W/ Lawrenceville	SPLOST 2005	Railway Museum Access Rd.	Buford Highway Water & Sewer Improvements	Police Capital Projects	Community Development Block Grant Improvements	Park Improvements	Buford Hwy Medians
REVENUES									
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ 392,715	$ -	$ -
Interest income	1,427	-	2,364	-	-	-	-	-	-
TOTAL REVENUES	1,427	-	2,364	-	-	-	392,715	-	-
EXPENDITURES									
Capital outlay:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	539	-	-	-
Public works	112,475	24,540	-	-	-	-	437,641	-	57,470
Culture and recreation	-	-	-	-	12,020	-	-	107,112	-
TOTAL EXPENDITURES	112,475	24,540	-	-	12,020	539	437,641	107,112	57,470
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(111,048)	(24,540)	2,364	-	(12,020)	(539)	(44,926)	(107,112)	(57,470)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	415,670	34,976	-	12,020	539	45,474	91,252	52,160
Transfers out	(30,000)	-	(449,621)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(30,000)	415,670	(414,645)	-	12,020	539	45,474	91,252	52,160
NET CHANGE IN FUND BALANCES	(141,048)	391,130	(412,281)	-	-	-	548	(15,860)	(5,310)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	1,502,749	(391,130)	1,075,371	1,866	-	-	(548)	-	(16,040)
FUND BALANCES (DEFICIT) - END OF YEAR	$ 1,361,701	$ -	$ 663,090	$ 1,866	$ -	$ -	$ -	$ (15,860)	$ (21,350)

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, 2013

	Rodgers Bridge Dog Park	SR120 Sidewalks to Monarch Fund	2009 SPLOST Vehicles	Transportation Infrastructure Improvements	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	Downtown Parking	Block	Total Non-major Capital Projects Funds
REVENUES											
Intergovernmental	$ -	$ -	$ -	159,981	$ -	$ -	$ 189,089	$ -	$ -	$ -	$ 741,785
Interest income	-	-	-	-	-	-	-	-	-	-	3,791
TOTAL REVENUES	-	-	-	159,981	-	-	189,089	-	-	-	745,576
EXPENDITURES											
Capital outlay:											
General government	-	-	-	-	-	145,200	-	-	-	118,444	263,644
Public safety	-	-	326,381	-	-	-	-	-	-	-	326,920
Public works	-	-	-	308,326	-	-	224,130	-	500,000	-	1,664,582
Culture and recreation	277,516	-	-	-	-	-	-	335,304	-	-	731,952
TOTAL EXPENDITURES	277,516	-	326,381	308,326	-	145,200	224,130	335,304	500,000	118,444	2,987,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(277,516)	-	(326,381)	(148,345)	-	(145,200)	(35,041)	(335,304)	(500,000)	(118,444)	(2,241,522)
OTHER FINANCING SOURCES (USES)											
Transfers in	212,604	5,728	326,133	434,315	-	-	106,453	441,993	500,000	134,394	2,813,711
Transfers out	-		-	-	-	(5,852)	(49,290)	-	-	-	(534,763)
TOTAL OTHER FINANCING SOURCES (USES)	212,604	5,728	326,133	434,315	-	(5,852)	57,163	441,993	500,000	134,394	2,278,948
NET CHANGE IN FUND BALANCES	(64,912)	5,728	(248)	285,970	-	(151,052)	22,122	106,689	-	15,950	37,426
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	(2,702)	(5,728)	-	(130,951)	5,500	334,699	(5,053)	(113,957)	-	(15,950)	2,238,126
FUND BALANCES (DEFICIT) - END OF YEAR	$ (67,614)	$ -	$ (248)	$ 155,019	$ 5,500	$ 183,647	$ 17,069	$ (7,268)	$ -	$ -	$ 2,275,552

City of Duluth, Georgia

Combining Statement of Net Position
Non-Major Enterprise Funds
June 30, 2013

	Stormwater Fund	Solid Waste Management Fund	Total
ASSETS			
Current Assets:			
Cash	$ 505,308	$ 81,669	$ 586,977
Accounts receivable	33,040	-	33,040
Total Current Assets	538,348	81,669	620,017
TOTAL ASSETS	538,348	81,669	620,017
LIABILITIES			
Current Liabilities:			
Accounts payable	9,178	-	9,178
TOTAL LIABILITIES	9,178	-	9,178
NET POSITION			
Unrestricted	529,170	81,669	610,839
TOTAL NET POSITION	$ 529,170	$ 81,669	$ 610,839

City of Duluth, Georgia

Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended June 30, 2013

	Stormwater Fund	Solid Waste Management Fund	Total
OPERATING REVENUES			
Stormwater fees	$ 764,647	$ -	$ 764,647
TOTAL OPERATING REVENUES	764,647	-	764,647
OPERATING EXPENSES			
Administration	178,891	-	178,891
Costs of sales and services	532,446	-	532,446
TOTAL OPERATING EXPENSES	711,337	-	711,337
OPERATING INCOME	53,310	-	53,310
CHANGE IN NET POSITION	53,310	-	53,310
NET POSITION:			
BEGINNING OF YEAR	475,860	81,669	557,529
END OF YEAR	$ 529,170	$ 81,669	$ 610,839

City of Duluth, Georgia

Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2013

	Stormwater Fund	Solid Waste Management Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from operations	$ 757,747	$ -	$ 757,747
Cash payments for goods and services	(720,664)	-	(720,664)
NET CASH PROVIDED IN OPERATING ACTIVITIES	37,083	-	37,083
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,083	-	37,083
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	468,225	81,669	549,894
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 505,308	$ 81,669	$ 586,977
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income	$ 53,310	$ -	$ 53,310
Adjustments:			
Increase or decrease in assets/liabilities:			
Accounts receivable	(6,900)	-	(6,900)
Accounts payable	(9,327)	-	(9,327)
NET CASH PROVIDED IN OPERATING ACTIVITIES	$ 37,083	$ -	$ 37,083

City of Duluth, Georgia

Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash	$ -	$ 661,717	104,662	$ 766,379
Total Current Assets	-	661,717	104,662	766,379
Noncurrent Assets:				
Capital assets:				
Nondepreciable capital assets	1,654,856	-	-	1,654,856
Depreciable capital assets, net	924,014	-	-	924,014
Total Noncurrent Assets	2,578,870	-	-	2,578,870
TOTAL ASSETS	2,578,870	661,717	104,662	3,345,249
Current Liabilities:				
Accounts payable	-	489	1,567	2,056
Claims payable	-	93,928	-	93,928
Total Current Liabilities	-	94,417	1,567	95,984
TOTAL LIABILITIES	-	94,417	1,567	95,984
NET POSITION				
Net investment in capital assets	2,578,870	-	-	2,578,870
Unrestricted	-	567,300	103,095	670,395
TOTAL NET POSITION	$ 2,578,870	$ 567,300	$ 103,095	$ 3,249,265

City of Duluth, Georgia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	$ -	$ -	$ -	$ -
TOTAL OPERATING REVENUES	-	-	-	-
OPERATING EXPENSES				
Claims	-	239,800	35,524	275,324
Depreciation	48,624	-	-	48,624
TOTAL OPERATING EXPENSES	48,624	239,800	35,524	323,948
OPERATING (LOSS)	(48,624)	(239,800)	(35,524)	(323,948)
NON-OPERATING INCOME				
Interest income	-	5,936	-	5,936
TOTAL NON-OPERATING INCOME	-	5,936	-	5,936
(LOSS) BEFORE TRANSFERS	(48,624)	(233,864)	(35,524)	(318,012)
Transfers in	-	250,000	83,748	333,748
CHANGE IN NET POSITION	(48,624)	16,136	48,224	15,736
NET POSITION:				
BEGINNING OF YEAR	2,627,494	551,164	54,871	3,233,529
END OF YEAR	$ 2,578,870	$ 567,300	$ 103,095	$ 3,249,265

City of Duluth, Georgia

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash payments for claims	$ -	$ (179,590)	$ (35,728)	$ (215,318)
NET CASH (USED IN) OPERATING ACTIVITIES	-	(179,590)	(35,728)	(215,318)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	-	250,000	83,748	333,748
NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES	-	250,000	83,748	333,748
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	5,936	-	5,936
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	5,936	-	5,936
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	76,346	48,020	124,366
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	585,371	56,642	642,013
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 661,717	$ 104,662	$ 766,379
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES				
Operating (loss)	$ (48,624)	$ (239,800)	$ (35,524)	$ (323,948)
Adjustments:				
Depreciation	48,624	-	-	48,624
Change in assets and liabilities:				
Decrease Accounts receivable	-	-	213	213
Increase (decrease) Accounts and claims payable	-	60,210	(417)	59,793
NET CASH (USED IN) OPERATING ACTIVITIES	$ -	$ (179,590)	$ (35,728)	$ (215,318)

SCHEDULES

City of Duluth, Georgia

Schedule of Expenditures of

Special Purpose Local Option Sales Tax Proceeds

1997 Issue

For the Year Ended June 30, 2013

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
SR 120 Realignment & Hill St.	$ 1,646,184	$ 1,831,048	$ 326,875	$ 142,475	$ 469,350
	$ 1,646,184	$ 1,831,048	$ 326,875	$ 142,475	$ 469,350

Total expenditures	$ 112,475
Transfers out	30,000 (1)
	$ 142,475

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.

(1) Transfers out were to refund other capital projects fund for allowable costs incurred in prior years on the project.

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2005 Issue
For the Year Ended June 30, 2013

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Administrative Building (City Hall)	$ 7,000,000	$ 7,394,807	$ 7,383,461	$ 315,267	$ 7,698,728
Public Safety Building	5,962,836	6,296,229	6,296,228	-	6,296,228
Recreational Facilities	550,000	585,094	507,562	77,532	585,094
Transportation	2,100,000	2,214,055	1,854,693	21,846	1,876,539
	$ 15,612,836	$ 16,490,185	$ 16,041,944	$ 414,645 (1)	$ 16,456,589

(1) Net transfers out were to pay debt service on an allowable project under the SPLOST intergovernmental agreement and to refund other capital projects fund for allowable costs incurred in prior years on projects.

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2009 Issue
For the Year Ended June 30, 2013

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Library	$ 1,340,000	$ 1,340,000	$ 118,286	$ 500,000	$ 618,286
Public Safety Building	1,240,000	1,240,000	849,291	263,503	1,112,794
Recreational Facilities	7,800,000	7,800,000	2,537,834	668,317	3,206,151
Transportation	8,200,000	8,200,000	4,391,311	1,318,671	5,709,982
Sewer	1,340,000	1,340,000	-	12,020	12,020
	$ 19,920,000	$ 19,920,000	$ 7,896,722	$ 2,762,511 (1)	$ 10,659,233

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

Reconciliation to Financial Statements	
Expenditures	$ 60
Transfers out	2,776,953
Transfers In (prior year transfer correction)	(14,502)
	$ 2,762,511

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Duluth, Georgia** (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 21, 2014. Our report includes a reference to a change in the function and presentation of the City's component units and a reference to the implementation of new accounting standards which modified terminology and presentation of certain accounts and changed the accounting for bond issuance costs.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Atlanta, Georgia
February 21, 2014

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the **City of Duluth Georgia's** (the "City") compliance with the types of compliance requirements described in the *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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 21, 2014

CITY OF DULUTH, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Identification Number	Federal Expenditures
U.S. Department of Transportation			
Highway Safety Cluster			
Pass through Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	GA-2012-316-00363	$ 3,810
Total Highway Safety Cluster			3,810
Highway Planning and Construction Cluster			
Pass through Georgia Department of Transportation			
Highway Planning and Construction	20.205	CSCMQ-0006-00(838)	106,323
Highway Planning and Construction	20.205	STP-00006-00(276)	30,664
Total Highway Planning and Construction Cluster			136,987
Total U.S. Department of Transportation			140,797
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	N/A	2,564
			2,564
Justice Assistance Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1589	951
Total Justice Assistance Program Cluster			951
Total U.S. Department of Justice			3,515
U.S. Department of Housing and Urban Development			
Community Development Block Grant			
Pass through Gwinnett County Board of Commissioners			
Community Development Block Grant	14.218	10-1264	184,000
Community Development Block Grant	14.218	11-1705	208,715
Total Community Development Block Grant			392,715
Total U.S. Department of Housing and Urban Development			392,715
Total Expenditures of Federal Awards			$ 537,027

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, 2013

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(1) Summary of Significant Accounting Policies

Basis of Presentation and Accounting

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

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

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	____ yes __X__ 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?	__X__ yes _____ none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	__X__ yes _____ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant

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, 2013

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

2013-001 Community Development Block Grant- CFDA #14.218; Allowable Costs and Activities

Criteria: Internal controls should be in place to ensure that the City complies with the allowable activity and allowable cost requirements for its federal grant programs.

Condition: The City's normal procedure related to grant expenditures is to have a program manager approve the invoice for payment and compliance with the applicable grant requirements and, prior to payment, the invoice is approved by someone other than the initial reviewer, typically someone form the financial function of the City. During our testwork of expenditures of the Community Development Block Grant, we noted two invoices which were approved only by the program manager and had no second review to ensure compliance with the applicable requirements.

Context/Cause: We reviewed all twelve disbursements for fiscal year 2013 in the Community Development Block Grant program, and noted that only two disbursements tested did not have the second approval of the invoice and supporting documentation. One employee approved these disbursements at both the department and accounts payable level.

Effects or possible effects: Failure to follow the City's disbursement policies and procedures could allow for noncompliance with allowable activity and allowable cost requirements related to the program to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions. However, during our review of the disbursements we noted no unallowable activities or unallowable costs.

Questioned Costs: None noted.

Recommendation: We recommend the City follow its disbursement policies and procedures for all grant related expenditures providing the appropriate assurance of meeting the compliance requirements.

Auditee's Response: Additional training has been done with staff on the City's disbursement policies and procedures for grant related expenditures.

CITY OF DULUTH, GEORGIA

STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Section IV – Status of Prior Audit Findings

2012-1 Recording Unearned Revenue

Condition: The revenue for billings in the Stormwater fund were being deferred if not received within 60 days after year end using a concept from the modified accrual basis of accounting. As the Stormwater Fund is an enterprise fund, it should use full accrual accounting in reporting its activity

Auditee Response/Status: This was a one-time isolated case as the Stormwater fund was new in FY 2012. We noted the billings were properly recorded in accordance with the full accrual basis of accounting for FY 2013.