CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

June 30, 2018

CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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FINANCIAL SECTION

MAULDIN & JENKINS

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, 2018, and the 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, 2018, 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.

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 Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions, and the budgetary comparison of the General Fund on pages 4-12, 51, 52, and 53-55, 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 48-8-121) and the Schedule of Expenditures of Federal Awards (as required by Title 2. *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, including 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, including the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018 on our consideration of the City of Duluth, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Duluth, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 26, 2018

As management of the City of Duluth, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. 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 and deferred inflows of resources at June 30, 2018 by $75,003,593 (net position), of this amount, $14,200,365 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by $2,959,939 during the fiscal year ended June 30, 2018 with an increase in governmental activities of $2,454,599 and an increase of $505,340 in business-type activities.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of $19,964,746 an increase of $2,405,991 in comparison with the prior year. This increase is primarily due to collections in the 2017 SPLOST exceeding capital expenditures.
- The unassigned fund balance for the General Fund at June 30, 2018 was $8,140,999 which was 42% of total General Fund expenditures and transfers-out for the year.
- The City's total long term liabilities, including the debt of the City's blended component units (Urban Redevelopment Authority and Downtown Development Authority), experienced a net decrease of $2,072,297 during the fiscal year ended June 30, 2018. This decrease was primarily due to principal payments on the outstanding bonds payable in the City's blended component units and additional contributions and investment income which reduced the City's net pension liability.

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 services and the financing and development activities of the City's blended component units, the Downtown Development Authority and the Urban Redevelopment Authority.

The government-wide financial statements can be found on pages 13 and 14 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 three categories: governmental, proprietary, and fiduciary.

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 four funds which are considered to be major funds.

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds: The City maintains two different types of proprietary funds, three enterprise funds, and three internal service funds. Enterprise funds charge a fee for services to outside customers. The City uses enterprise funds to account for its stormwater fees as well as the financing and development activities of the City's blended component units, the Downtown Development Authority 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 Workers' Compensation Fund). Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 19-21 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City uses an Agency Fund for the collection and remittance of activity for the municipal court.

The fiduciary fund financial statements can be found on page 22 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 23-50 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 51-55 of this report.

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

Combining and individual fund statements and schedules can be found on pages 56-68 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 and deferred inflows of resources by $75,003,593 and $72,043,654 at June 30, 2018 and 2017, 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	
	2018	Restated 2017	2018	2017	2018	Restated 2017
Assets:						
Current and other assets	$ 22,857	$ 20,485	$ 9,411	$ 9,876	$ 32,268	$ 30,361
Capital assets	61,925	62,064	6,509	7,028	68,434	69,092
Total assets	84,782	82,549	15,920	16,904	100,703	99,453
Deferred Outflows	770	737	97	122	867	859
Liabilities:						
Long-term liabilities outstanding	667	1,205	20,745	22,459	21,412	23,664
Other liabilities	2,122	2,155	2,414	2,221	4,536	4,376
Total liabilities	2,789	3,360	23,159	24,680	25,948	28,040
Deferred Inflows	606	223	12	6	618	228
Net Position (deficit):						
Net Investment in capital assets	61,640	62,027	(9,562)	(10,357)	52,078	51,670
Restricted	8,725	7,513	-	-	8,725	7,513
Unrestricted	11,793	10,163	2,408	2,697	14,200	12,861
Total net position (deficit)	$ 82,158	$ 79,703	$ (7,154)	$ (7,659)	$ 75,004	$ 72,044

The largest portion of the City's net position (69%) 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 $287,677 restricted for debt service. The City also has net position of $8,216,871; $94,447 and $126,270 which are restricted by enabling legislation or outside grants or agreements for disbursement on capital projects, law enforcement, and recreation, respectively. The remaining balance of unrestricted net position $14,200,365 may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities increased the City's net position by $2,454,599 and business-type activities increased the City's net position by $505,340. The increase in governmental activities was primarily due to collections on the 2017 SPLOST.

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, 2018 and 2017.

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

	Governmental Activities		Business-Type		Total	
	2018	Restated 2017	2018	2017	2018	Restated 2017
Revenues						
Program revenues:						
Charges for services	$ 3,041	$ 3,074	$ 886	$ 860	$ 3,927	$ 3,934
Operating grants and contributions	1,387	2,145	-	-	1,387	2,145
Capital grants and contributions	6,162	4,346	-	-	6,162	4,346
General revenues:						
Property taxes	8,261	7,454	-	-	8,261	7,454
Insurance premium tax	1,768	1,660	-	-	1,768	1,660
Other taxes	5,311	5,123	-	-	5,311	5,123
Other	811	613	303	133	1,114	745
Total revenues	26,741	24,415	1,189	993	27,930	25,408
Expenses						
General government	2,485	5,497	-	-	2,485	5,497
Public safety	9,283	8,980	-	-	9,283	8,980
Public works	8,084	4,253	-	-	8,084	4,253
Culture & recreation	2,468	2,451	-	-	2,468	2,451
Interest on long term debt	6	2	-	-	6	2
Stormwater	-	-	1,197	644	1,197	644
Development financing	-	-	1,447	2,915	1,447	2,915
Total expenses	22,326	21,182	2,644	3,559	24,970	24,741
Transfers	(1,960)	(5,089)	1,960	5,089	-	-
Change in net position	2,455	(1,856)	505	2,523	2,960	667
Net position-July 1	79,703	81,559	(7,659)	(10,182)	72,044	71,377
Net position-June 30	$ 82,158	$ 79,703	$ (7,154)	$ (7,659)	$ 75,004	$ 72,044

Governmental activities: Governmental activities revenues totaled $26,740,526 for fiscal year 2018. Property taxes are the largest revenue source for governmental activities, accounting for 31% of total revenues. Other taxes (which include insurance premium, motor vehicle and franchise taxes), capital grants (which include sales taxes from the County) and charges for services are the second, third, and fourth largest revenue sources accounting for 26%, 23%, and 11%, respectively, of governmental revenues for the year.

Governmental activities expenses totaled $22,325,824 for fiscal year 2018. Of the expenses, 42% is related to public safety. In addition, general government and public works accounted for 11% and 36% 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 $505,340 primarily due to transfers from governmental activities.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of $19,964,746 an increase of $2,405,991 or 14% in comparison with the prior year. Approximately 39% of the fund balance or $7,845,053 is classified as unassigned. This unassigned fund balance is net of $295,946 in fund balance deficits to be funded by future revenues or transfers. The remaining fund balance is classified as follows: non-spendable form ($311,658), restricted ($8,725,175), committed ($773,978) and assigned ($2,308,882).

The General Fund is the chief operating fund of the City, at the end of the current fiscal year, unassigned fund balance of the General Fund was $8,140,999. 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 42% of total General Fund expenditures plus transfers-out.

The fund balance of the City's General Fund increased by $1,312,690 during the current fiscal year. Key factors in this activity are as follows:

- Overall General Fund revenue increased by $1,573,230 or 8.4%.
- Revenue from taxes increased by $1,129,582 over the prior year. This increase was mainly due to a 9% increase in property values.
- Revenue from Fines and Forfeitures decreased by $314,035. This was due to slightly fewer citations issued by the police department.
- In addition, overall expenditures increased by $539,500 from the prior year while net transfers out decreased $549,396. Increase resulted from salary increases. Decreased transfers out resulted from large transfers to the Downtown Development Authority in the prior year.

The SPLOST 2009 Fund continues to spend sales tax proceeds primarily, during the year ended June 30, 2018, as transfers to reimburse other funds for past allowable SPLOST projects for transportation.

The SPLOST 2014 Fund continues to spend sales tax proceeds primarily, during the year ended June 30, 2018, as transfers to reimburse other funds for past allowable SPLOST projects primarily for transportation projects.

The SPLOST 2017 Fund began collecting sales taxes in April 2017 and has begun to spend sales tax proceeds primarily, during the year ended June 30, 2018, as transfers to reimburse other funds for past allowable SPLOST projects for transportation, public safety, and recreation projects.

Proprietary funds: The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about the funds. The activity of the Downtown Development Authority and the Urban Redevelopment Authority presented revenue from the development of properties within the City and the debt service of bonds which were issued to fund the development. For fiscal year 2018, the majority of the debt service of these funds was funded by transfers in from other funds primarily the General Fund. The Downtown Development Authority received transfers of properties from governmental activities which were subsequently sold by the Authority.

The Stormwater Fund activity resulted in expenses exceeding revenues by $310,725 for the year ended June 30, 2018.

At the fiscal year end, the Workers' Compensation Fund has unrestricted net position of $629,840. Because the City self insures for workers' compensation, this balance is planned to be used for paying claims and purchasing an excess workers' compensation policy. The Duluth Governmental Finance Corporation has no liabilities and only capital assets consisting of land and a building with a balance (net of accumulated depreciation) of $2,335,745. The Health Reimbursement Fund has unrestricted net position of $130,192.

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 revenues by $10,100 or .05%, increased expenditures by $193,317 or 1.03% and increased net transfers out by $49,643 or 2.4%.

During the year, General Fund revenues were more than budgetary projections and expenditures were less than budgetary estimates. Actual revenues were $1,503,160 more than estimates mainly due to higher than anticipated property taxes and insurance premium taxes. These higher than anticipated revenues were offset by lower than anticipated revenues from licenses and permits. Expenditures were $1,565,227 less than budgetary appropriations due to staff vacancies in various departments, mainly the Police Support, Police CID, and General Government.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2018, amounted to $61,925,382, net of accumulated depreciation. The investment in capital assets includes: land, plant and buildings, machinery, equipment and fixtures, streets and drainage, and construction in progress. Overall, the City's capital assets decreased from June 30, 2017 due to depreciation and deletions exceeding additions. The additions to governmental capital assets are attributable to ongoing construction projects: The Block, Hospital Connector, Rodgers Bridge Park, Downtown Parking, Abbots Bridge Road Sidewalks and Scott Hudgens Park Parking. In addition, the City transferred several properties to the Downtown Development Authority which were sold to private developers for the purpose of developing additional residential housing and new commercial buildings in downtown.

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

	2018	2017
Land and improvements	$ 11,704	$ 11,895
Buildings	35,356	34,948
Improvement other than buildings	56,968	50,803
Land Improvements	3,945	3,989
Furniture, machinery, and equipment	8,335	7,847
Construction in progress	4,184	7,748
Less accumulated depreciation	(58,567)	(55,166)
Total	$ 61,925	$ 62,064

Additional information on the City's capital assets can be found in Note 6 Capital Assets on pages 37 and 38 of this report.

Long-term debt: At June 30, 2018, the City had no general obligation bonded debt outstanding. The City has one outstanding capital lease totaling $285,423, of which $99,539 is due and payable within one year. The blended component units of the City, the Downtown Development Authority and the Urban Redevelopment Authority have outstanding revenue bonds of $17,150,515 and $5,680,194, respectively. This represents a net decrease of $1,619,716 during the fiscal year 2018 due to repayment of bonds at scheduled maturity during the year.

Additional information on the City's long-term debt can be found in Note 7 on pages 38 through 40 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Duluth's long term efforts to create a vibrant, diverse, safe and financially stable city are beginning to bear fruit. Sugarloaf Marketplace, a $90 million mixed use development of apartments and retail space, just outside of the City downtown, is now complete. The retail space is fully occupied and the apartments are about 87% occupied. Building construction is complete on The Block, a 42,000 square feet restaurant district in downtown. At present, 25,000 square feet is occupied with either retail or restaurants and two additional restaurants are scheduled to open in the next 60 days. Construction is well underway on The District at Duluth, $70 million mixed use development featuring residential housing, with some retail live/work units located within walking distance of the downtown. The parking deck is complete and the overall apartment construction is being completed in phases. In fact, two of the units in the rear of the development have received certificates of occupancy and some residents have already moved in. In addition, Home South Communities is currently constructing two new residential developments in downtown. One is The Park at Parsons Town Square featuring 36 townhomes. The development is being constructed in phases, with 20 of the townhomes currently under construction. Residents began moving into the development in 2018. The second development, not yet named, will consist of approximately 115 single family homes. The developer is currently working on the necessary infrastructure for the site and construction of homes began in 2018. In addition, the City is currently considering constructing a parking deck in downtown and would like to partner with a private developer to include a commercial building or hotel above the parking deck.

These new developments in Duluth are truly changing the landscape of the City and are having a halo effect on other development throughout the City. The changes are attracting new residents and visitors to a City and create an exciting place to live, work and play.

It is also worth noting how the new development is creating long term revenue streams for the City that will create financial stability and support the additional services required by the new businesses and residents. The City's General Fund revenue from fiscal year 2017 to 2018 grew by $1,573,230 or 8.3%. This was due mainly to an increase in Taxes of $1,129,582 and in fines and forfeitures of $314,035. The City anticipates these reoccurring revenues will continue to grow for the next several years.

The City also continues to reduce its reliance on reserves to balance its budget. In fiscal year 2016, $1,370,062 in reserves were needed to balance the budget, in 2017 $555,239 was needed and in the current year there was a surplus of $1,312,690. This decrease can be attributed to a growth in revenues and closely monitoring expenditures.

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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 20,246,092	$ 3,037,590	$ 23,283,682
Accounts receivable	1,012,631	26,547	1,039,178
Taxes receivable	91,308	-	91,308
Intergovernmental	1,195,830	-	1,195,830
Internal balances	(440)	440	-
Prepaid items	311,658	-	311,658
Notes receivable, current	-	304,842	304,842
Notes receivable, long term	-	6,041,567	6,041,567
Nondepreciable capital assets	15,887,904	1,664,627	17,552,531
Depreciable capital assets, net	46,037,478	4,844,438	50,881,916
TOTAL ASSETS	84,782,461	15,920,051	100,702,512
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	79,738	79,738
Pension related items	769,811	17,206	787,017
TOTAL DEFERRED OUTFLOWS OF RESOURCES	769,811	96,944	866,755
LIABILITIES			
Accounts payable	768,996	253,406	1,022,402
Accrued expenses	611,455	-	611,455
Accrued interest payable	2,254	54,462	56,716
Unearned revenue	43,774	-	43,774
Noncurrent liabilities:			
Net pension liability, due in more than one year	480,966	20,812	501,778
Bonds payable due within one year	-	2,106,116	2,106,116
Bonds payable due in more than one year	-	20,724,593	20,724,593
Capital lease payable due within one year	99,539	-	99,539
Capital lease payable due in more than one year	185,884	-	185,884
Compensated absences payable due within one year	595,763	-	595,763
TOTAL LIABILITIES	2,788,631	23,159,389	25,948,020
DEFERRED INFLOWS OF RESOURCES			
Pension related items	605,922	11,732	617,654
TOTAL DEFERRED INFLOWS OF RESOURCES	605,922	11,732	617,654
NET POSITION (DEFICIT)			
Net investment in capital assets	61,639,959	(9,561,906)	52,078,053
Restricted for debt service	287,677	-	287,677
Restricted for capital construction	8,216,781	-	8,216,781
Restricted for law enforcement	94,447	-	94,447
Restricted for recreation	126,270	-	126,270
Unrestricted	11,792,585	2,407,780	14,200,365
TOTAL NET POSITION (DEFICIT)	$ 82,157,719	$ (7,154,126)	$ 75,003,593

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Activities

For the Year Ended June 30, 2018

		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	$ 2,484,719	$ 578,648	$ -	$ 409	$ (1,905,662)	$ -	$ (1,905,662)
Public safety	9,283,009	2,115,790	1,386,791	843,122	(4,937,306)	-	(4,937,306)
Public works	8,083,557	3,325	-	5,065,617	(3,014,615)	-	(3,014,615)
Culture and recreation	2,468,172	342,809	-	252,709	(1,872,654)	-	(1,872,654)
Interest on long-term obligations	6,367	-	-	-	(6,367)	-	(6,367)
Total Governmental Activities	22,325,824	3,040,572	1,386,791	6,161,857	(11,736,604)	-	(11,736,604)
Business-Type Activities:							
Downtown Development Authority	1,267,592	-	-	-	-	(1,267,592)	(1,267,592)
Urban Redevelopment Authority	179,202	-	-	-	-	(179,202)	(179,202)
Stormwater	1,197,196	886,471	-	-	-	(310,725)	(310,725)
Total Business-Type Activities	2,643,990	886,471	-	-	-	(1,757,519)	(1,757,519)
Total - Primary Government	$ 24,969,814	$ 3,927,043	$ 1,386,791	$ 6,161,857	(11,736,604)	(1,757,519)	(13,494,123)
		GENERAL REVENUES:					
		Taxes:					
		Property			8,260,613	-	8,260,613
		Insurance premium			1,768,128	-	1,768,128
		Other			5,311,309	-	5,311,309
		Interest earned			88,297	171,119	259,416
		Miscellaneous			722,959	98,978	821,937
		Gain on sale of capital assets			-	32,659	32,659
		Total General Revenues			16,151,306	302,756	16,454,062
		Transfers			(1,960,103)	1,960,103	-
		Total General Revenues and Transfers			14,191,203	2,262,859	16,454,062
		Change in Net Position			2,454,599	505,340	2,959,939
		NET POSITION (DEFICIT) BEGINNING OF YEAR, RESTATED			79,703,120	(7,659,466)	72,043,654
		NET POSITION (DEFICIT) END OF YEAR			$ 82,157,719	$ (7,154,126)	$ 75,003,593

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	SPLOST 2009 Fund	SPLOST 2014 Fund	SPLOST 2017 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 11,614,772	$ 1,080,595	$ 2,846,131	$ 3,308,697	$ 616,995	$ 19,467,190
Receivables:						
Taxes	86,282	-	-	-	5,026	91,308
Accounts	1,008,389	-	-	-	4,242	1,012,631
Intergovernmental	35,268	-	-	765,806	394,756	1,195,830
Due from other funds	285,972	-	-	-	5,359	291,331
Prepaid items	311,658	-	-	-	-	311,658
TOTAL ASSETS	$ 13,342,341	$ 1,080,595	$ 2,846,131	$ 4,074,503	$ 1,026,378	$ 22,369,948
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 281,651	$ -	$ -	$ -	$ 486,722	$ 768,373
Accrued salaries payable	382,999	-	-	-	-	382,999
Accrued expenditures	172,117	-	-	-	38,092	210,209
Due to other funds	5,799	-	-	-	285,972	291,771
Unearned revenue	-	-	-	-	43,774	43,774
TOTAL LIABILITIES	842,566	-	-	-	854,560	1,697,126
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	708,076	-	-	-	-	708,076
TOTAL DEFERRED INFLOWS OF RESOURCES	708,076	-	-	-	-	708,076
FUND BALANCES (DEFICIT)						
Nonspendable:						
Prepaids	311,658	-	-	-	-	311,658
Restricted:						
Debt service	287,677	-	-	-	-	287,677
Capital construction	-	1,080,595	2,846,131	4,074,503	215,552	8,216,781
Law enforcement	-	-	-	-	94,447	94,447
Culture and recreation	-	-	-	-	126,270	126,270
Committed:						
Capital construction	747,983	-	-	-	-	747,983
Public works	-	-	-	-	8,000	8,000
Equipment purchases	-	-	-	-	17,995	17,995
Assigned:						
Fiscal year 2019 operations	1,070,062	-	-	-	-	1,070,062
SDS Settlement	1,233,320	-	-	-	-	1,233,320
Gateway construction	-	-	-	-	5,500	5,500
Unassigned	8,140,999	-	-	-	(295,946)	7,845,053
TOTAL FUND BALANCES	11,791,699	1,080,595	2,846,131	4,074,503	171,818	19,964,746
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 13,342,341	$ 1,080,595	$ 2,846,131	$ 4,074,503	$ 1,026,378	$ 22,369,948

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, 2018

TOTAL GOVERNMENTAL FUND BALANCES		$ 19,964,746
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Cost	$ 117,023,965	
Less accumulated depreciation	(57,434,328)	59,589,637
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes and franchise taxes		708,076
Internal service funds are used by management to charge the costs of financing and workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		3,095,777
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.		
Deferred outflows of resources-pension items	$ 769,811	
Net pension liability	(480,966)	
Deferred inflows of resources-pension items	(605,922)	(317,077)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	$ (285,423)	
Accrued interest	(2,254)	
Compensated absences	(595,763)	(883,440)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 82,157,719

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, 2018

	General Fund	SPLOST 2009 Fund	SPLOST 2014 Fund	SPLOST 2017 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 15,295,698	$ -	$ -	$ -	$ 85,517	$ 15,381,215
Licenses and permits	559,384	-	-	-	-	559,384
Intergovernmental	1,421,770	-	-	4,441,369	1,630,830	7,493,969
Charges for services	434,730	-	-	-	-	434,730
Interest income	84,027	1,417	31,415	21,847	-	138,706
Fines and forfeitures	1,952,961	-	-	-	93,497	2,046,458
Miscellaneous	633,576	-	-	-	89,383	722,959
TOTAL REVENUES	20,382,146	1,417	31,415	4,463,216	1,899,227	26,777,421
EXPENDITURES						
Current:						
General government	4,192,667	-	-	815	1,869	4,195,351
Public safety	8,843,663	-	-	-	552,619	9,396,282
Public works	2,756,675	-	-	-	4,096,319	6,852,994
Culture and recreation	1,624,886	-	-	-	517,501	2,142,387
Debt service:						
Principal retirement	60,844	-	-	-	-	60,844
Interest and fiscal charges	5,395	-	-	-	-	5,395
TOTAL EXPENDITURES	17,484,130	-	-	815	5,168,308	22,653,253
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,898,016	1,417	31,415	4,462,401	(3,269,081)	4,124,168
OTHER FINANCING SOURCES (USES)						
Capital leases	309,585	-	-	-	-	309,585
Transfers in	132,405	-	-	-	3,458,371	3,590,776
Transfers out	(2,027,316)	(565,571)	(1,383,880)	(1,459,366)	(182,405)	(5,618,538)
TOTAL OTHER FINANCING SOURCES (USES)	(1,585,326)	(565,571)	(1,383,880)	(1,459,366)	3,275,966	(1,718,177)
NET CHANGE IN FUND BALANCES	1,312,690	(564,154)	(1,352,465)	3,003,035	6,885	2,405,991
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, RESTATED	10,479,009	1,644,749	4,198,596	1,071,468	164,933	17,558,755
FUND BALANCES - END OF YEAR	$ 11,791,699	$ 1,080,595	$ 2,846,131	$ 4,074,503	$ 171,818	$ 19,964,746

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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 2,405,991
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	$ (3,530,506)	
Capital outlay/donations	3,657,992	
		127,486
Transfers of capital assets from governmental activities to business type activities are not shown in the governmental fund statements. However, the net book value of these transfers is shown as a transfer on the statement of activities.		(217,341)
Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.		(41,165)
The issuance of long-term debt provides current financial resources to governmental funds. This does not have any effect on net position.		(309,585)
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.		60,844
Some expenses reported in the Statement of Activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	$ (34,070)	
Change in accrued interest	(972)	
		(35,042)
Some expenses reported in the Statement of Activities, related to the change in the net pension liability and the related deferred inflows and outflows of resources, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in net pension liability	$ 724,002	
Change in deferred inflows and outflows of resources pension experience differences	(61,045)	
Change in deferred inflows of resources pension assumption changes	191,164	
Change in deferred inflows and outflows of resources pension investment earning differences		
Change in deferred outflows of resources pension contriibutions subsequent to measurement date	(446,695) (33,682)	
		373,744
The internal service funds used by management to charge the costs of certain financing and workers' compensation to individual funds are included in the government-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		89,667
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 2,454,599

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Net Position

Proprietary Funds

June 30, 2018

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash	$ 2,261,698	$ -	$ 775,892	$ 3,037,590	$ 778,902
Accounts receivable	21,427	-	5,120	26,547	-
Notes receivable, current portion	304,842	-	-	304,842	-
Due from other funds	440	-	-	440	-
Total Current Assets	2,588,407	-	781,012	3,369,419	778,902
Noncurrent Assets:					
Notes receivable	6,041,567	-	-	6,041,567	-
Capital assets:					
Nondepreciable capital assets	5,525	1,659,102	-	1,664,627	1,654,856
Depreciable capital assets, net	3,909,603	-	934,835	4,844,438	680,889
Total Noncurrent Assets	9,956,695	1,659,102	934,835	12,550,632	2,335,745
TOTAL ASSETS	12,545,102	1,659,102	1,715,847	15,920,051	3,114,647
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	-	79,738	-	79,738	-
Pension related items	-	-	17,206	17,206	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	79,738	17,206	96,944	-
LIABILITIES					
Current Liabilities:					
Accounts payable	13,640	-	239,766	253,406	623
Claims payable	-	-	-	-	18,247
Accrued interest payable	43,407	11,055	-	54,462	-
Revenue bonds payable, current portion	1,211,116	895,000	-	2,106,116	-
Total Current Liabilities	1,268,163	906,055	239,766	2,413,984	18,870
Noncurrent Liabilities:					
Revenue bonds payable	15,939,399	4,785,194	-	20,724,593	-
Net pension liability	-	-	20,812	20,812	-
Total Noncurrent Liabilities	15,939,399	4,785,194	20,812	20,745,405	-
TOTAL LIABILITIES	17,207,562	5,691,249	260,578	23,159,389	18,870
DEFERRED INFLOWS OF RESOURCES					
Pension related items	-	-	11,732	11,732	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	11,732	11,732	-
NET POSITION (DEFICIT)					
Net investment in capital assets	(6,555,387)	(3,941,354)	934,835	(9,561,906)	2,335,745
Unrestricted	1,892,927	(11,055)	525,908	2,407,780	760,032
TOTAL NET POSITION (DEFICIT)	$ (4,662,460)	$ (3,952,409)	$ 1,460,743	$ (7,154,126)	$ 3,095,777

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, 2018

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
OPERATING REVENUES					
Stormwater fees	$ -	$ -	$ 886,471	$ 886,471	$ -
TOTAL OPERATING REVENUES	-	-	886,471	886,471	-
OPERATING EXPENSES					
Administration	-	-	397,837	397,837	-
Costs of sales and services	-	-	663,635	663,635	-
Depreciation	411,537	-	135,724	547,261	48,625
Claims	-	-	-	-	150,978
Other	307,132	-	-	307,132	-
TOTAL OPERATING EXPENSES	718,669	-	1,197,196	1,915,865	199,603
OPERATING INCOME (LOSS)	(718,669)	-	(310,725)	(1,029,394)	(199,603)
NON-OPERATING INCOME (LOSS)					
Interest and fiscal charges	(548,923)	(179,202)	-	(728,125)	-
Gain on sale of capital assets	32,659	-	-	32,659	-
Miscellaneous	98,978	-	-	98,978	-
Interest income	171,119	-	-	171,119	4,270
TOTAL NON-OPERATING INCOME (LOSS)	(246,167)	(179,202)	-	(425,369)	4,270
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(964,836)	(179,202)	(310,725)	(1,454,763)	(195,333)
Capital contribution	217,341	-	-	217,341	-
Transfers in	717,889	1,024,873	-	1,742,762	285,000
Transfers out	-	-	-	-	-
	935,230	1,024,873	-	1,960,103	285,000
CHANGE IN NET POSITION	(29,606)	845,671	(310,725)	505,340	89,667
NET POSITION (DEFICIT):					
BEGINNING OF YEAR	(4,632,854)	(4,798,080)	1,771,468	(7,659,466)	3,006,110
END OF YEAR	$ (4,662,460)	$ (3,952,409)	$ 1,460,743	$ (7,154,126)	$ 3,095,777

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received for operations	$ -	$ -	$ 909,819	$ 909,819	$ -
Cash paid for goods and services	(415,648)	-	(879,692)	(1,295,340)	-
Cash paid for claims	-	-	-	-	(215,536)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(415,648)	-	30,127	(385,521)	(215,536)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	717,889	1,024,873	-	1,742,762	285,000
Issuance of notes receivable	(1,257,104)	-	-	(1,257,104)	-
Payments received on notes receivable	185,155	-	-	185,155	-
Miscellaneous receipts	98,978	-	-	98,978	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(255,082)	1,024,873	-	769,791	285,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(749,655)	(870,000)	-	(1,619,655)	-
Proceeds from sale of capital assets	250,000	-	-	250,000	-
Purchase of capital assets	-	-	(28,480)	(28,480)	-
Interest paid on long-term debt	(535,911)	(154,873)	-	(690,784)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,035,566)	(1,024,873)	(28,480)	(2,088,919)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	171,119	-	-	171,119	4,270
NET CASH PROVIDED BY INVESTING ACTIVITIES	171,119	-	-	171,119	4,270
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,535,177)	-	1,647	(1,533,530)	73,734
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,796,875	-	774,245	4,571,120	705,168
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,261,698	$ -	$ 775,892	$ 3,037,590	$ 778,902
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating loss	$ (718,669)	$ -	$ (310,725)	$ (1,029,394)	$ (199,603)
Adjustments:					
Depreciation	411,537	-	135,724	547,261	48,625
Changes in assets and liabilities:					
Accounts receivable	(18,157)	-	23,348	5,191	-
Deferred outflows pension items	-	-	(633)	(633)	-
Due from other funds	-	-	(1,502)	(1,502)	1,498
Accounts payable and claims payable	(90,359)	-	189,161	98,802	(66,056)
Net pension liability	-	-	(11,390)	(11,390)	-
Deferred inflows pension items	-	-	6,144	6,144	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (415,648)	$ -	$ 30,127	$ (385,521)	$ (215,536)
NONCASH CAPITAL FINANCING ACTIVITIES					
Contribution of capital assets received	217,341	-	-	217,341	-

See accompanying notes to the basic financial statements.

City of Duluth, Georgia

Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

	Agency Fund
ASSETS	
Cash	$ 70,130
Total assets	$ 70,130
LIABILITIES	
Due to other agencies	$ 70,130
Total liabilities	$ 70,130

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.

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.

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.

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*.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds (the City's only fiduciary funds) have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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 water improvements.

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

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

The City reports the following major enterprise funds:

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City also reports the following:

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

Agency fund is used to to account for amounts held, in a fiduciary capacity for individuals, other governmental agencies or other entities.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Interfund Receivables and Payables

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

F. Prepaid Items

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

G. Management Estimates

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

H. Capital Assets

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (continued)

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

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

I. Long-Term Obligations

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

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

J. Compensated Absences

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position and Fund Equity

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

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

- ***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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position and Fund Equity (continued)

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

- Committed
- Assigned
- Unassigned

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

L. Deferred Outflows of Resources/Deferred Inflows of Resources

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 or other taxes 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. The City has other deferred inflows of resources related to pensions as disclosed below.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

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

N. Deficit Fund Equity

At June 30, 2018, the Rodger's Bridge Dog Park Fund had a deficit of $1,428; the Buford Highway Interchange Fund had a deficit of $2,874; the Buford Highway Median Fund had a deficit of $144,836; the 2009 SPLOST Vehicles Fund had deficit of $29,162; the Other Capital Projects Fund had a deficit of $6,152; the Downtown Parking Facility Fund had a deficit of $15,306; the Downtown Parking Fund had a deficit of $39,563; the Police Capital Projects Fund had a deficit of $47,886; the Park Improvements Fund had a deficit of $3,530; the Main Street Improvements Fund had a deficit of $5,169; and the Bunten Road Sidewalks Fund had a deficit of $40. The deficits in these funds will be funded with budgeted financing through grants or other funding or with transfers from other funds, if necessary. The Downtown Development Authority had a deficit net position of $4,662,460 and the Urban Redevelopment Authority had a deficit net position of $3,952,409. 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).

NOTE 2. LEGAL COMPLIANCE – BUDGETS (Continued)

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 or for the financial institution to participate in a State-sponsored pledging pool. At June 30, 2018, the City's bank balances were fully collateralized as defined by State statues.

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NOTE 4. RECEIVABLES

Receivables at June 30, 2018, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	General	2017 SPLOST	Nonmajor Governmental Fund	Downtown Development Authority	Stormwater
Receivables:					
Taxes	$ 86,282	$ -	$ 5,026	$ -	$ -
Accounts	1,008,389	-	4,242	21,427	5,120
Intergovernmental	35,268	765,806	394,756	-	-
Less allowance for uncollectible	-	-	-	-	-
Net total receivable	$ 1,129,939	$ 765,806	$ 404,024	$ 21,427	$ 5,120

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on January 1st. Tax bills are mailed on September 1st and are due by November 30th. All unpaid taxes levied become delinquent on December 1st. A tax lien is filed with the Gwinnett County Superior Court for all delinquent bills as of February 10th. The City bills and collects its own property taxes. Property taxes levied for the year ended June 30, 2018 and not collected are recorded as receivables, net of estimated uncollectibles.

NOTE 5. NOTES RECEIVABLE

The Downtown Development Authority issued two loans, from the 2015 bond proceeds, to finance construction and development of two different properties within the redevelopment area known as The Block. The Downtown Development Authority has signed repayment schedules with the two property owners at The Block (Dreamland Barbeque and Fabric Inc.) for repayment of the funds. The primary purpose of the notes is to promote development within the Block and the notes are not structured to be profit generating for the Authority. The Dreamland loan is fully drawn as of June 30, 2018 while the Fabric loan is still in the draw phase and both have gone into repayment. The Authority is not charging any interest during the draw period. The Dreamland Barbeque note carries an interest rate of 3.0% and the Fabric Inc. note carries an interest rate of 3.5%.

NOTE 5. NOTES RECEIVABLE (CONTINUED)

Activity on the notes for the fiscal year ended June 30, 2018 is shown below.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Receivable:					
Dreamland Barbeque	$ 1,308,033	$ -	$ (73,640)	$ 1,234,393	$ 75,880
Fabric Inc.	3,966,427	1,257,104	(111,515)	5,112,016	228,962
Total	$ 5,274,460	$ 1,257,104	$ (185,155)	$ 6,346,409	$ 304,842

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 304,842	$ 252,441	$ 557,283
2020	315,294	241,989	557,283
2021	326,105	231,178	557,283
2022	337,288	219,995	557,283
2023	348,857	208,426	557,283
2024-2028	4,724,023	993,940	5,717,963
Total	$ 6,356,409	$ 2,147,969	$ 8,504,378

The above repayment schedule is based on the signed agreements with Dreamland Barbeque and Fabric Inc. and do not agree with the outstanding balance at June 30, 2018. The schedule represents the full payment to be received Fabric Inc., once the loan is fully drawn, and the remaining $1,234,393 due from Dreamland Barbeque.

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NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Contributions/ Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 11,777,569	$ 27,043	$ -	$ (217,341)	$ 11,587,271
Land improvements	116,985	-	-	-	116,985
Construction in progress	7,747,928	2,386,222	-	(5,950,502)	4,183,648
Total	19,642,482	2,413,265	-	(6,167,843)	15,887,904
Capital assets, being depreciated:					
Buildings	34,947,937	408,763	-	-	35,356,700
Improvements other than buildings	50,803,276	267,133	-	5,897,506	56,967,915
Land improvements	3,989,356	-	(44,595)	-	3,944,761
Furniture, machinery and equipment	7,847,111	568,831	(133,801)	52,996	8,335,137
Total	97,587,680	1,244,727	(178,396)	5,950,502	104,604,513
Less accumulated depreciation for:					
Building	(11,438,410)	(959,978)	-	-	(12,398,388)
Improvements other than buildings	(33,839,829)	(1,165,047)	-	-	(35,004,876)
Land improvements	(1,855,289)	(753,411)	44,595	-	(2,564,105)
Furniture, machinery and equipment	(8,032,772)	(700,695)	133,801	-	(8,599,666)
Total	(55,166,300)	(3,579,131)	178,396	-	(58,567,035)
Total assets being depreciated, net	42,421,380	(2,334,404)	-	5,950,502	46,037,478
Governmental activities capital assets, net	$ 62,063,862	$ 78,861	$ -	$ (217,341)	$ 61,925,382
Business Type Activities:					
Capital assets, not being depreciated:					
Land	$ 1,664,627	$ -	$ (217,341)	$ 217,341	$ 1,664,627
Total	1,664,627	-	(217,341)	217,341	1,664,627
Capital assets, being depreciated:					
Buildings	6,996,132	-	-	-	6,996,132
Infrastructure	1,664,995	-	-	-	1,664,995
Furniture, machinery and equipment	83,900	28,480	(83,900)	-	28,480
Total	8,745,027	28,480	(83,900)	-	8,689,607
Less accumulated depreciation:					
Buildings	(2,830,719)	(411,537)	-	-	(3,242,256)
Infrastructure	(467,189)	(131,927)	-	-	(599,116)
Furniture, machinery and equipment	(83,900)	(3,797)	83,900	-	(3,797)
Total	(3,381,808)	(547,261)	83,900	-	(3,845,169)
Business Type Activities capital assets, net	$ 7,027,846	$ (518,781)	$ (217,341)	$ 217,341	$ 6,509,065

NOTE 6. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	$ 1,065,009
Judicial	2,783
Public safety	612,798
Public works	1,333,938
Culture and recreation	564,603
Total depreciation expense - governmental activities	$ 3,579,131

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 561,693	$ 744,301	$ 710,231	$ 595,763	$ 595,763
Net pension liability	1,204,968	1,150,609	1,874,611	480,966	-
Leases payable	36,682	309,585	60,844	285,423	99,539
Governmental activities long-term liabilities	$ 1,803,343	$ 2,204,495	$ 2,645,686	$ 1,362,152	$ 695,302
Business Activities:					
Bonds payable	$ 24,450,170	$ 404,697	$ 2,024,352	$ 22,830,515	$ 2,106,116
Premium on bonds	255	-	61	194	-
Net pension liability	32,202	7,545	18,935	20,812	-
Business-type activities long-term liabilities	$ 24,482,627	$ 412,242	$ 2,043,348	$ 22,851,521	$ 2,106,116

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

NOTE 7. 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 for purposes of controlling the use of the building. At the same time, the Downtown Development Authority also entered into a bond agreement, the 2008 Series C Bonds, with the seller of the building. The purpose of the 2008 Series C bonds is for the seller to pay the principal and interest on the 2008 Series B bonds until maturity or the bonds are redeemed. Each time the seller makes a payment on the 2008 Series B Bonds (principal or interest), the payment is a reduction in the 2008 Series B Bonds or related interest expense, and is treated as increase in the 2008 Series C Bonds. The 2008 Series C 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 $4,015,000 in outstanding refunded bonds at June 30, 2018 are not reported in the City's financial statements.

During fiscal year 2015, the Downtown Development Authority issued the Series 2015 bonds for $7,500,000, in order to finance the construction and development of The Block. Interest rates on the Series 2015 Bonds are 3.50% with annual maturities through fiscal year 2026.

NOTE 7. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,106,116	$ 603,093	$ 2,709,209
2020	2,173,672	527,618	2,701,290
2021	5,006,084	417,504	5,423,588
2022	1,335,635	279,654	1,615,289
2023	1,372,120	223,895	1,596,015
2024-2028	6,176,234	467,942	6,644,176
2029	4,660,654	-	4,660,654
Total	$ 22,830,515	$ 2,519,706	$ 25,350,221

Capital Lease Payable. The City entered into a capital lease to purchase a police dispatch console system on February 1, 2018. The lease calls for annual payments of $111,313 bearing interest of 4.72% per annum maturing February 1, 2021. The assets under capital lease have a historical cost of $433,939 and accumulated depreciation of $21,697 for a net book value of $412,242. Annual depreciation of these assets under capital leases is included in depreciation expense.

Year Ending June 30,	Principal	Interest	Total
2019	$ 99,539	$ 11,774	$ 111,313
2020	104,340	6,973	111,313
2021	81,544	1,940	83,484
Total	$ 285,423	$ 20,687	$ 306,110

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018, is as follows:

	Payable To			
Receivable From	General Fund	Other Governmental Funds	Downtown Development Authority	Total
General Fund	$ -	$ 5,359	$ 440	$ 5,799
Other Governmental Funds	285,972	-	-	285,972
Total	$ 285,972	$ 5,359	$ 440	$ 291,771

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

Interfund transfers for the year ended June 30, 2018 were:

	Transfers From					
Transfers To	General Fund	SPLOST 2009 Fund	SPLOST 2014 Fund	SPLOST 2017 Fund	Other Governmental Funds	Total
General Fund	$ -	$ -	$ -	$ -	$ 132,405	$ 132,405
Other Governmental Funds	49,554	565,571	1,383,880	1,459,366	-	3,458,371
Urban Redevelopment Authority	1,024,873	-	-	-	-	1,024,873
Downtown Development Authority	667,889	-	-	-	50,000	717,889
Internal Service Funds	285,000	-	-	-	-	285,000
Total	$ 2,027,316	$ 565,571	$ 1,383,880	$ 1,459,366	$ 182,405	$ 5,618,538

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2018 or for moving revenue to the fund in which expenditures were funded. Transfers from the 2009, 2014 and 2017 SPLOST Funds were to refund other capital projects funds for allowable costs incurred in prior years on projects.

In addition to the above transfers, during the year ended June 30, 2018, the governmental activities transferred capital assets with a net book value of $217,341 to the Downtown Development Authority. This transfer is reflected on the Statement of Activities.

NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Plan Membership As of January 1, 2018, the date of the most recent actuarial valuation, there were 212 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not receiving benefits	51
Active plan members	139
	212

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the fiscal year ended June 30, 2018, the City's contribution rate was 5.40% of annual payroll. City contributions to the Plan were $691,765 for the fiscal year ended June 30, 2018. Employees of the City of Duluth do not contribute to the Plan.

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2017.

Actuarial assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 8.25%, including inflation
Investment rate of return	7.5%, net of investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the table on the following page.

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.71%
International equity	20%	7.71
Real estate	10%	5.21
Golbal fixed income	5%	3.36
Domestic fixed income	20%	2.11
Cash	—%	
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.5%. This represents a reduction from the discount rate of 7.75% which was utilized in the prior year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, which is zero, and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/17	$ 8,563,731	$ 7,326,561	$ 1,237,170
Changes for the year:			
Service cost	312,812	-	312,812
Interest	658,743	-	658,743
Differences between expected and actual experience	(23,903)	-	(23,903)
Contributions—employer	-	719,424	(719,424)
Net investment income	-	1,150,219	(1,150,219)
Benefit payments, including refunds of employee contributions	(127,649)	(127,649)	-
Administrative expense	-	(25,288)	25,288
Assumption change	161,311	-	161,311
Net changes	981,314	1,716,706	(735,392)
Balances at 6/30/18	$ 9,545,045	$ 9,043,267	$ 501,778

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability (asset)	$ 1,889,724	$ 501,778	$ (642,518)

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City (continued). Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2017 and the current sharing pattern of costs between employer and employee.

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

For the fiscal year ended June 30, 2018, the City recognized pension expense of $305,589. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 173,731	$ 41,136
Changes in assumptions	129,048	130,248
Net difference between projected and actual earnings on pension plan investments	-	446,270
City contributions subsequent to the measurement date	484,238	-
Total	$ 787,017	$ 617,654

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

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

City contributions subsequent to the measurement date of $484,238 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2019	$	(101,498)
2020		(67,720)
2021		(73,113)
2022		(72,544)
Total	$	(314,875)

NOTE 10. DEFINED CONTRIBUTION PLAN

The City also has established under authority of the City Council, the City of Duluth Deferred Contribution and Deferred Compensation Program (a defined contribution plan) (the "Program). This Program is administered through Georgia Wealth Partners by OneAmerica. This Program covers substantially all employees and the City makes contribution after an employee's first year of service. Employees may contribute a maximum of $18,000 for calendar year 2017 and calendar year 2018. Individuals who are 50 or older can defer an additional $6,000. The City's contribution is limited to a maximum of 2% of gross wages or 50% of employee's contributions, whichever is less.

This Program may be amended by vote of the City Council. Contributions by the City for the current year were $127,551, with employee contributions amounting to $442,146.

NOTE 11. JOINT VENTURE

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

NOTE 12. RISK MANAGEMENT

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

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

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

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

NOTE 12. RISK MANAGEMENT (Continued)

Effective April 1, 1994, the City established a self-insurance program for workers' compensation. The City's third-party administrator processes claims and assists the City in determining its premium on an annual basis. Instead of paying the premium to an insurance company, the City deposits the premium into its own workers' compensation loss account. At June 30, 2018, the City had accumulated $648,407 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
2018	$ 84,047	$ 14,820	$ (80,620)	$ 18,247
2017	$ 391,637	$ 57,008	$ (364,598)	$ 84,047

NOTE 13. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Grant Contingencies:

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

NOTE 14. RENTAL MOTOR VEHCILE EXCISE TAX

The City has levied an excise tax on the rental of motor vehicles. The Official Code of Georgia Annotated 48-13-93 requires that all motor vehicle excise taxes be expended or obligated contractually, in accordance with state law, for the promotion of tourism or the acquisition, construction, renovating, improving, maintenance and equipping of pedestrian walkways, installation of traffic lights, and street lights associated with public safety facilities or public improvements for sports and recreational facilities. During the fiscal year ended June 30, 2018, the City received $49,593 in motor vehicle excise taxes. Of this amount, $50,000 was transferred to the Downtown Development Authority to pay for the management contract of the Red Clay Music Foundry.

NOTE 15. RESTATEMENTS

The City has determined a restatement of beginning fund balance of the non-major governmental funds and beginning net position of governmental activities is required to properly report intergovernmental revenues and receivable which was improperly reported in the prior year. Revenue from one intergovernmental agreement were recognized but should have been unearned and a receivable for a different grant was not reduced for a payment which was received (but rather revenue was recognized). The restatements are as follows:

	Governmental Activities	Other Governmental Funds
Fund Balance/Net Position as Previously Reported	$ 79,817,237	$ 279,050
Remove overstated receivable	(61,677)	(61,677)
Reduce revenue for amount not earned (unearned)	(52,440)	(52,440)
Fund Balance (deficit)/Net Position Restated	$ 79,703,120	$ 164,933

REQUIRED SUPPLEMENTARY INFORMATION

City of Duluth, Georgia
Schedule of Changes in the City's Net Pension Liability And Related Ratios

	2018	2017	2016	2015
Total pension liability				
Service cost	$ 312,812	$ 318,689	$ 291,136	$ 281,147
Interest on total pension liability	658,743	591,901	517,807	498,803
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(23,903)	72,404	250,924	(66,033)
Changes of assumptions	161,311	-	-	(390,741)
Benefit payments, including refunds of employee contributions	(127,649)	(113,395)	(94,236)	(61,694)
Net change in total pension liability	981,314	869,599	965,631	261,482
Total pension liability - beginning	8,563,731	7,694,132	6,728,501	6,467,019
Total pension liability - ending (a)	$ 9,545,045	$ 8,563,731	$ 7,694,132	$ 6,728,501
Plan fiduciary net position				
Contributions - employer	$ 719,424	$ 651,649	$ 591,584	$ 414,749
Net investment income	1,150,219	704,845	43,008	545,407
Benefit payments, including refunds of employee contributions	(127,649)	(113,395)	(94,236)	(61,694)
Administrative expenses	(25,288)	(14,635)	(16,133)	(12,633)
Net change in plan fiduciary net position	1,716,706	1,228,464	524,223	885,829
Plan fiduciary net position - beginning	7,326,561	6,098,097	5,573,874	4,688,045
Plan fiduciary net position - ending (b)	$ 9,043,267	$ 7,326,561	$ 6,098,097	$ 5,573,874
City's net pension liability - ending (a) - (b)	$ 501,778	$ 1,237,170	$ 1,596,035	$ 1,154,627
Plan fiduciary net position as a percentage of the total pension liability	94.7%	85.6%	79.3%	82.8%
Covered payroll	$ 7,840,209	$ 7,729,957	$ 7,630,679	6,915,892
City's net pension liability as a percentage of covered payroll	6.4%	16.0%	20.9%	16.7%

Notes to the Schedule
The schedule will present 10 years of information once it is accumulated.

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

	2018	2017	2016	2015
Actuarially determined contribution	$ 445,635	$ 424,502	$ 445,633	$ 450,318
Contributions in relation to the actuarially determined contribution	691,765	707,459	618,973	583,486
Contribution deficiency (excess)	$ (246,130)	$ (282,957)	$ (173,340)	$ (133,168)
Covered payroll	7,566,881	7,861,148	7,828,117	6,681,276
Contributions as a percentage of Covered payroll	9.1%	9.0%	7.9%	8.7%

Notes to the Schedule

Valuation Date	January 1, 2017
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return On Investments	7.50%
Projected Salary Increases	3.25% - 8.25% (including 2.75% for inflation)
Cost-of-living Adjustment	2.75%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	None remaining

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

City of Duluth, Georgia

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (GAAP Basis)

For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 14,444,570	$ 14,447,570	$ 15,295,698	$ 848,128
Licenses and permits	650,650	650,650	559,384	(91,266)
Charges for services	426,550	426,550	434,730	8,180
Fines and forfeitures	1,811,000	1,811,000	1,952,961	141,961
Intergovernmental	1,137,586	1,137,586	1,421,770	284,184
Interest income	60,500	60,500	84,027	23,527
Miscellaneous	338,030	345,130	633,576	288,446
TOTAL REVENUES	18,868,886	18,878,986	20,382,146	1,503,160
EXPENDITURES				
Current:				
General government:				
Mayor and Council				
Personal services	76,703	86,571	80,728	5,843
Other services and charges	206,406	197,906	163,508	34,398
City Administrator				
Personal services	241,532	241,532	227,794	13,738
Other services and charges	241,966	202,178	154,438	47,740
City Clerk/Business Office				
Personal services	1,270,943	1,267,011	1,212,418	54,593
Other services and charges	1,315,465	1,365,015	1,163,407	201,608
City Clerk/Human resources	307,815	307,985	281,830	26,155
Other				
Public information & marketing	841,169	864,437	833,233	31,204
Landscape maintenance	72,577	76,130	75,311	819
Contingency	75,000	67,500	-	67,500
Total general government	4,649,576	4,676,265	4,192,667	483,598

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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public safety:				
Municipal Court				
Personal services	$ 625,211	$ 620,270	$ 581,896	$ 38,374
Other services and charges	37,045	347,142	333,514	13,628
Police/Admin				
Personal services	619,400	619,400	595,987	23,413
Other services and charges	323,770	331,132	310,355	20,777
Police/CID				
Personal services	873,078	883,136	870,626	12,510
Other services and charges	373,688	373,688	210,630	163,058
Police/Uniform Division				
Personal services	4,103,712	3,758,329	3,666,859	91,470
Other services and charges	120,162	126,136	82,767	43,369
Police/Other				
Police vehicles	485,286	448,399	430,892	17,507
Police Support Services	1,892,964	2,103,943	1,760,137	343,806
Total public safety	9,454,316	9,611,575	8,843,663	767,912
Public works:				
Planning & Development				
Personal services	779,489	693,637	676,699	16,938
Other services and charges	585,767	667,719	591,035	76,684
Administration				
Personal services	1,255,709	1,255,709	1,128,673	127,036
Other services and charges	161,885	183,996	148,697	35,299
Supplies	75,350	70,750	67,972	2,778
Streets				
Building/grounds maintenance	172,843	165,998	143,599	22,399
Total public works	3,031,043	3,037,809	2,756,675	281,134

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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Culture and recreation:				
Parks/Recreation Admin				
Personal services	$ 1,199,880	$ 1,194,726	$ 1,186,105	$ 8,621
Other services and charges	301,873	312,011	302,918	9,093
Recreation operations	153,113	150,732	135,863	14,869
Total culture and recreation	1,654,866	1,657,469	1,624,886	32,583
Debt service:				
Principal retirement	60,844	60,844	60,844	-
Interest and fiscal charges	5,395	5,395	5,395	-
Total debt service	66,239	66,239	66,239	-
TOTAL EXPENDITURES	18,856,040	19,049,357	17,484,130	1,565,227
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,846	(170,371)	2,898,016	3,068,387
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	309,585	309,585
Transfers in	112,476	112,476	132,405	19,929
Transfers out	(2,152,422)	(2,202,065)	(2,027,316)	174,749
TOTAL OTHER FINANCING SOURCES (USES)	(2,039,946)	(2,089,589)	(1,585,326)	504,263
NET CHANGE IN FUND BALANCES	(2,027,100)	(2,259,960)	1,312,690	3,572,650
FUND BALANCES - BEGINNING OF YEAR	10,479,009	10,479,009	10,479,009	-
FUND BALANCES - END OF YEAR	$ 8,451,909	$ 8,219,049	$ 11,791,699	$ 3,572,650

COMBINING FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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 and donations restricted for various community policing programs.

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

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

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

Capital Projects Funds

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

Taylor Park Playground Fund – This fund accounts for the construction improvement project at Taylor Park.

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

W.P. Jones Activity Building – This fund is used to account for the renovation of the W.P. Jones Activity Building.

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

Abbots Bridge Road Improvements Fund – This fund is used to account for the construction improvements at Abbots Bridge Road.

Western Gwinnett Bikeway Phase 3 Fund – This fund is used to account for phase three construction of multi-use trail along Peachtree Industrial Boulevard.

Downtown Parking Facility Fund – This fund is used to account for the construction of a parking facility in downtown Duluth.

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

Bunten Road Facility Fund – This fund is used to account for the replacement of the HVAC system in the Bunten Road Park Community Center.

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.

Buford Highway Interchange Fund – This fund is used to account for safety improvements and landscaping at the Pleasant Hill Road and Buford Highway Interchange.

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

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

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

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

Police Capital Projects Fund – This fund is used to account for the installation of a City-wide camera system and other police capital equipment.

Park Improvements Fund – This fund is used to account for the replacement of three pedestrian bridges in Bunten Road Park and the development of the Willbrooke Trail in downtown.

Main Street Improvements Fund – This fund is used to account for the development of a multiuse trail and the realignment of Pine Needle Drive.

Bunten Road Sidewalks Fund – This fund is used to account for the installation of sidewalks along Bunten Road.

City of Duluth, Georgia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2018

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS			
Cash	$ 279,928	$ 337,067	$ 616,995
Taxes receivable	5,026	-	5,026
Intergovernmental receivable	-	394,756	394,756
Accounts receivable	-	4,242	4,242
Due from other funds	1,121	4,238	5,359
TOTAL ASSETS	$ 286,075	$ 740,303	$ 1,026,378
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,271	$ 485,451	$ 486,722
Accrued expenditures	38,092	-	38,092
Due to other funds	-	285,972	285,972
Unearned revenue	-	43,774	43,774
TOTAL LIABILITIES	39,363	815,197	854,560
FUND BALANCES (DEFICIT)			
Restricted:			
Capital construction	-	215,552	215,552
Law enforcement	94,447	-	94,447
Culture and recreation	126,270	-	126,270
Committed:			
Public works	8,000	-	8,000
Equipment purchases	17,995	-	17,995
Assigned:			
Gateway construction	-	5,500	5,500
Unassigned	-	(295,946)	(295,946)
TOTAL FUND BALANCES	246,712	(74,894)	171,818
TOTAL LIABILITIES, AND FUND BALANCES	$ 286,075	$ 740,303	$ 1,026,378

City of Duluth, Georgia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2018

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
REVENUES			
Taxes	$ 49,593	$ 35,924	$ 85,517
Intergovernmental	-	1,630,830	1,630,830
Fines and forfeitures	93,497	-	93,497
Miscellaneous	77,260	12,123	89,383
TOTAL REVENUES	220,350	1,678,877	1,899,227
EXPENDITURES			
Current:			
General government	-	1,869	1,869
Public safety	26,770	525,849	552,619
Public works	-	4,096,319	4,096,319
Culture and recreation	7,426	510,075	517,501
TOTAL EXPENDITURES	34,196	5,134,112	5,168,308
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	186,154	(3,455,235)	(3,269,081)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,458,371	3,458,371
Transfers out	(142,405)	(40,000)	(182,405)
TOTAL OTHER FINANCING SOURCES (USES)	(142,405)	3,418,371	3,275,966
NET CHANGE IN FUND BALANCES	43,749	(36,864)	6,885
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, RESTATED	202,963	(38,030)	164,933
FUND BALANCES (DEFICIT) - END OF YEAR	$ 246,712	$ (74,894)	$ 171,818

City of Duluth, Georgia

Combining Balance Sheet

Non-major Special Revenue Funds

June 30, 2018

	Sidewalk Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	Public Art Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Total Non-major Special Revenue Funds
ASSETS								
Cash	$ 8,000	$ 727	$ 73,676	$ 57,015	$ 89,402	$ 33,113	$ 17,995	$ 279,928
Taxes receivable	-	-	-	-	-	5,026	-	5,026
Due from other funds	-	-	1,121	-	-	-	-	1,121
TOTAL ASSETS	$ 8,000	$ 727	$ 74,797	$ 57,015	$ 89,402	$ 38,139	$ 17,995	$ 286,075
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	$ -	$ -	$ -	$ -	$ 1,271	$ -	$ -	$ 1,271
Accrued expenditures	-	-	38,092	-	-	-	-	38,092
TOTAL LIABILITIES	-	-	38,092	-	1,271	-	-	39,363
FUND BALANCES								
Restricted:								
Law enforcement	-	727	36,705	57,015	-	-	-	94,447
Culture & recreation	-	-	-	-	88,131	38,139	-	126,270
Committed:								
Public works	8,000	-	-	-	-	-	-	8,000
Equipment purchases	-	-	-	-	-	-	17,995	17,995
TOTAL FUND BALANCES	8,000	727	36,705	57,015	88,131	38,139	17,995	246,712
TOTAL LIABILITIES AND FUND BALANCES	$ 8,000	$ 727	$ 74,797	$ 57,015	$ 89,402	$ 38,139	$ 17,995	$ 286,075

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, 2018

	Sidewalk Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	Public Art Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Total Non-major Special Revenue Funds
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ -	$ 49,593	$ -	$ 49,593
Fines and forfeitures	-	-	-	-	-	-	93,497	93,497
Other	-	-	43,990	7,653	25,617	-	-	77,260
TOTAL REVENUES	-	-	43,990	7,653	25,617	49,593	93,497	220,350
EXPENDITURES								
Current:								
Public safety	-	-	23,290	3,480	-	-	-	26,770
Culture and recreation	-	-	-	-	7,426	-	-	7,426
TOTAL EXPENDITURES	-	-	23,290	3,480	7,426	-	-	34,196
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	20,700	4,173	18,191	49,593	93,497	186,154
OTHER FINANCING USES								
Transfers out	-	-	(2,405)	-	-	(50,000)	(90,000)	(142,405)
TOTAL OTHER FINANCING USES	-	-	(2,405)	-	-	(50,000)	(90,000)	(142,405)
NET CHANGE IN FUND BALANCES	-	-	18,295	4,173	18,191	(407)	3,497	43,749
FUND BALANCES - BEGINNING OF YEAR	8,000	727	18,410	52,842	69,940	38,546	14,498	202,963
FUND BALANCES - END OF YEAR	$ 8,000	$ 727	$ 36,705	$ 57,015	$ 88,131	$ 38,139	$ 17,995	$ 246,712

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2018

	SPLOST 1997	Taylor Park Playground	The Block	WP Jones Activity Building	Rodgers Bridge Dog Park	Abbots Bridge Road Improvements	Western Gwinnett Bikeway Phase 3	Downtown Parking Facility	Bunten Road Facility
ASSETS									
Cash	$ -	$ -	$ 40,238	$ -	$ 40,002	$ 17,683	$ -	$ -	$ -
Intergovernmetal receivable	25,713	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	4,242	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 25,713	$ -	$ 40,238	$ -	$ 44,244	$ 17,683	$ -	$ -	$ -
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	$ 8,657	$ -	$ -	$ -	$ 1,898	$ 4,758	$ -	$ 15,306	$ -
Due to other funds	15,696	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	43,774	-	-	-	-
TOTAL LIABILITIES	24,353	-	-	-	45,672	4,758	-	15,306	-
FUND BALANCES (DEFICIT)									
Restricted:									
Capital construction	1,360	-	40,238	-	-	12,925	-	-	-
Assigned:									
Gateway construction	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(1,428)	-	-	(15,306)	-
TOTAL FUND BALANCES (DEFICIT)	1,360	-	40,238	-	(1,428)	12,925	-	(15,306)	-
TOTAL LIABILITIES, AND FUND BALANCES (DEFICIT)	$ 25,713	$ -	$ 40,238	$ -	$ 44,244	$ 17,683	$ -	$ -	$ -

City of Duluth, Georgia

Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2018

	2009 SPLOST Vehicles	Transportation Infrastructure Improvements	Gateway Entrance	Buford Highway Interchange	Other Capital Projects	Downtown Parking	Buford Hwy Medians	TAD
ASSETS								
Cash	$ -	$ 228,725	$ 5,500	$ -	$ -	$ -	$ -	4,919
Intergovernmental receivable	-	-	-	8,559	236,474	-	89,340	-
Accounts receivable	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	4,238	-	-	-
TOTAL ASSETS	$ -	$ 228,725	$ 5,500	$ 8,559	$ 240,712	$ -	$ 89,340	$ 4,919
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	$ 29,162	$ 72,615	$ -	$ 7,529	$ 10,391	$ 39,563	$ 217,722	$ -
Due to other funds	-	-	-	3,904	236,473	-	16,454	-
Unearned revenue	-	-	-	-	-	-	-	-
LIABILITIES	29,162	72,615	-	11,433	246,864	39,563	234,176	-
FUND BALANCES (DEFICIT)								
Restricted:								
Capital construction	-	156,110	-	-	-	-	-	4,919
Assigned:								
Gateway construction	-	-	5,500	-	-	-	-	-
Unassigned	(29,162)	-	-	(2,874)	(6,152)	(39,563)	(144,836)	-
TOTAL FUND BALANCES (DEFICIT)	(29,162)	156,110	5,500	(2,874)	(6,152)	(39,563)	(144,836)	4,919
TOTAL LIABILITIES, AND FUND BALANCES (DEFICIT)	$ -	$ 228,725	$ 5,500	$ 8,559	$ 240,712	$ -	$ 89,340	$ 4,919

City of Duluth, Georgia

Combining Balance Sheet

Non-major Capital Projects Funds

June 30, 2018

	Police Capital Projects	Park Improvements	Main Street Improvements	Bunten Road Sidewalks	Total Non-major Capital Projects Funds
ASSETS					
Cash	$ -	$ -	$ -	$ -	$ 337,067
Intergovernmental receivable	-	-	33,935	735	394,756
Accounts receivable	-	-	-	-	4,242
Due from other funds	-	-	-	-	4,238
TOTAL ASSETS	$ -	$ -	$ 33,935	$ 735	$ 740,303
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 47,886	$ 3,530	$ 26,227	$ 207	$ 485,451
Due to other funds	-	-	12,877	568	285,972
Unearned revenue	-	-	-	-	43,774
LIABILITIES	47,886	3,530	39,104	775	815,197
FUND BALANCES (DEFICIT)					
Restricted:					
Capital construction	-	-	-	-	215,552
Assigned:					
Gateway construction	-	-	-	-	5,500
Unassigned	(47,886)	(3,530)	(5,169)	(40)	(295,946)
TOTAL FUND BALANCES (DEFICIT)	(47,886)	(3,530)	(5,169)	(40)	(74,894)
TOTAL LIABILITIES, AND FUND BALANCES (DEFICIT)	$ -	$ -	$ 33,935	$ 735	$ 740,303

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, 2018

	SPLOST 1997	Taylor Park Playground	The Block	WP Jones Activity Building	Rodgers Bridge Dog Park	Abbots Bridge Road Improvements	Western Gwinnett Bikeway Phase 3	Downtown Parking Facility	Bunten Road Facility
REVENUES									
Intergovernmental	$ 25,713	$ -	$ -	$ -	$ 54,887	$ 31,608	$ -	$ -	$ -
Property taxes	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	4,931	-	-	-	-	-
TOTAL REVENUES	25,713	-	-	4,931	54,887	31,608	-	-	-
EXPENDITURES									
Capital outlay:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	59,577	-	15,603	-	-	61,226	-	40,196	-
Culture and recreation	-	1,650	-	13,229	82,909	-	2,569	-	404,290
TOTAL EXPENDITURES	59,577	1,650	15,603	13,229	82,909	61,226	2,569	40,196	404,290
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(33,864)	(1,650)	(15,603)	(8,298)	(28,022)	(29,618)	(2,569)	(40,196)	(404,290)
OTHER FINANCING SOURCES (USES)									
Transfers in	56,468	26,036	186,381	8,298	33,156	3,901	2,569	24,890	404,290
Transfers out	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	56,468	26,036	186,381	8,298	33,156	3,901	2,569	24,890	404,290
NET CHANGE IN FUND BALANCES	22,604	24,386	170,778	-	5,134	(25,717)	-	(15,306)	-
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, RESTATED	(21,244)	(24,386)	(130,540)	-	(6,562)	38,642	-	-	-
FUND BALANCES (DEFICIT) - END OF YEAR	$ 1,360	$ -	$ 40,238	$ -	$ (1,428)	$ 12,925	$ -	$ (15,306)	$ -

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, 2018

	2009 SPLOST Vehicles	Transportation Infrastructure Improvements	Gateway Entrance	Buford Highway Interchange	Other Capital Projects	Downtown Parking	Buford Hwy Medians	TAD
REVENUES								
Intergovernmental	$ -	$ 228,724	$ -	$ 34,396	$ 770,832	$ -	$ 450,000	$ -
Property taxes	-	-	-	-	-	-	-	35,924
Miscellaneous	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	228,724	-	34,396	770,832	-	450,000	35,924
EXPENDITURES								
Capital outlay:								
General government	-	-	-	-	-	-	-	1,869
Public safety	301,481	-	-	-	-	-	-	-
Public works	-	1,405,143	-	57,433	1,304,488	358,828	752,691	-
Culture and recreation	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	301,481	1,405,143	-	57,433	1,304,488	358,828	752,691	1,869
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(301,481)	(1,176,419)	-	(23,037)	(533,656)	(358,828)	(302,691)	34,055
OTHER FINANCING SOURCES (USES)								
Transfers in	321,045	1,117,350	-	12,939	602,862	324,688	161,055	-
Transfers out	-	-	-	-	-	-	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	321,045	1,117,350	-	12,939	602,862	324,688	161,055	(40,000)
NET CHANGE IN FUND BALANCES	19,564	(59,069)	-	(10,098)	69,206	(34,140)	(141,636)	(5,945)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, RESTATED	(48,726)	215,179	5,500	7,224	(75,358)	(5,423)	(3,200)	10,864
FUND BALANCES (DEFICIT) - END OF YEAR	$ (29,162)	$ 156,110	$ 5,500	$ (2,874)	$ (6,152)	$ (39,563)	$ (144,836)	$ 4,919

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, 2018

	Police Capital Projects	Park Improvements	Main Street Improvements	Bunten Road Sidewalks	Total Non-major Capital Projects Funds
REVENUES					
Intergovernmental	$ -	$ -	$ 33,935	$ 735	$ 1,630,830
Property taxes	-	-	-	-	35,924
Miscellaneous	7,192	-	-	-	12,123
TOTAL REVENUES	7,192	-	33,935	735	1,678,877
EXPENDITURES					
Capital outlay:					
General government	-	-	-	-	1,869
Public safety	224,368	-	-	-	525,849
Public works	-	-	40,226	908	4,096,319
Culture and recreation	-	3,530	1,898	-	510,075
TOTAL EXPENDITURES	224,368	3,530	42,124	908	5,134,112
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(217,176)	(3,530)	(8,189)	(173)	(3,455,235)
OTHER FINANCING SOURCES (USES)					
Transfers in	169,290	-	3,020	133	3,458,371
Transfers out	-	-	-	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	169,290	-	3,020	133	3,418,371
NET CHANGE IN FUND BALANCES	(47,886)	(3,530)	(5,169)	(40)	(36,864)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, RESTATED	-	-	-	-	(38,030)
FUND BALANCES (DEFICIT) - END OF YEAR	$ (47,886)	$ (3,530)	$ (5,169)	$ (40)	$ (74,894)

City of Duluth, Georgia

Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Duluth Governmental Finance Corporation	Workers' Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash	$ -	$ 648,407	$ 130,495	$ 778,902
Total Current Assets	-	648,407	130,495	778,902
Noncurrent Assets:				
Capital assets:				
Nondepreciable capital assets	1,654,856	-	-	1,654,856
Depreciable capital assets, net	680,889	-	-	680,889
Total Noncurrent Assets	2,335,745	-	-	2,335,745
TOTAL ASSETS	2,335,745	648,407	130,495	3,114,647
LIABILITIES				
Current Liabilities:				
Accounts payable	-	320	303	623
Claims payable	-	18,247	-	18,247
Total Current Liabilities	-	18,567	303	18,870
TOTAL LIABILITIES	-	18,567	303	18,870
NET POSITION				
Investment in capital assets	2,335,745	-	-	2,335,745
Unrestricted	-	629,840	130,192	760,032
TOTAL NET POSITION	$ 2,335,745	$ 629,840	$ 130,192	$ 3,095,777

City of Duluth, Georgia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Duluth Governmental Finance Corporation	Workers' Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
OPERATING EXPENSES				
Claims	$ -	$ 88,404	$ 62,574	$ 150,978
Depreciation	48,625	-	-	48,625
TOTAL OPERATING EXPENSES	48,625	88,404	62,574	199,603
OPERATING (LOSS)	(48,625)	(88,404)	(62,574)	(199,603)
NON-OPERATING INCOME				
Interest income	-	4,270	-	4,270
TOTAL NON-OPERATING INCOME	-	4,270	-	4,270
(LOSS) BEFORE TRANSFERS	(48,625)	(84,134)	(62,574)	(195,333)
Transfers in	-	250,000	35,000	285,000
CHANGE IN NET POSITION	(48,625)	165,866	(27,574)	89,667
NET POSITION:				
BEGINNING OF YEAR	2,384,370	463,974	157,766	3,006,110
END OF YEAR	$ 2,335,745	$ 629,840	$ 130,192	$ 3,095,777

City of Duluth, Georgia

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Duluth Governmental Finance Corporation	Workers' Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash payments for claims	$ -	$ (154,477)	$ (61,059)	$ (215,536)
NET CASH (USED IN) OPERATING ACTIVITIES	-	(154,477)	(61,059)	(215,536)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	250,000	35,000	285,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	-	250,000	35,000	285,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	4,270	-	4,270
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	4,270	-	4,270
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	99,793	(26,059)	73,734
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	548,614	156,554	705,168
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 648,407	$ 130,495	$ 778,902
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES				
Operating (loss)	$ (48,625)	$ (88,404)	$ (62,574)	$ (199,603)
Adjustments:				
Depreciation	48,625	-	-	48,625
Change in assets and liabilities:				
Decrease in due from other funds	-	-	1,498	1,498
Increase (decrease) in accounts and claims payable	-	(66,073)	17	(66,056)
NET CASH (USED IN) OPERATING ACTIVITIES	$ -	$ (154,477)	$ (61,059)	$ (215,536)

SCHEDULES

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2009 Issue
For the Year Ended June 30, 2018

Project Description	Original Estimated Cost	Revised Estimated Cost*	Expenditures		
			Prior Years	Current Year	Total
Library	$ 1,340,000	$ 1,195,363	$ 1,188,150	$ -	$ 1,188,150
Public Safety Building	1,240,000	1,288,494	1,117,547	170,947	1,288,494
Recreational Facilities	7,800,000	7,055,000	6,475,964	45,046	6,521,010
Transportation	8,200,000	8,079,902	7,730,324	349,578	8,079,902
Sewer	1,340,000	1,002,906	117,118	-	117,118
	$ 19,920,000	$ 18,621,665	$ 16,629,103	$ 565,571 (1)	$ 17,194,674

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

* Revised Estimated Cost was adjusted for shortage in actual SPLOST collections ($2,197,034) plus interest net of bank and audit fees ($48,745) with the remaining increase in the budget coming from other funding sources.

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2014 Issue
For the Year Ended June 30, 2018

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Parking Facilities	$ 3,048,184	$ 2,736,264	$ 2,459,060	$ 28,502	$ 2,487,562
Public Safety Facilities & Equipment	725,757	651,368	597,550	53,787	651,337
Recreational Facilities & Equipment	725,757	641,768	51,199	39,324	90,523
Transportation	9,870,305	8,750,217	5,570,152	1,262,267	6,832,419
Administrative Facilities & Equipment	145,152	128,354	-	-	-
	$ 14,515,155	$ 12,907,971	$ 8,677,961	$ 1,383,880 (1)	$ 10,061,841

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

City of Duluth, Georgia

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2017 Issue
For the Year Ended June 30, 2018

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Parking Facilities	$ 4,397,227	$ 4,397,227	$ -	$ -	$ -
Public Safety Facilities & Equipment	5,042,154	5,042,154	-	388,064	388,064
Recreational Facilities & Equipment	1,172,594	1,172,594	-	387,410	387,410
Transportation	16,132,218	16,132,218	-	684,707	684,707
Administrative Facilities & Equipment	-	-	-	-	-
	$ 26,744,193	$ 26,744,193	$ -	$ 1,460,181 (1)	$ 1,460,181

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

COMPLIANCE SECTION

MAULDIN & JENKINS

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 26, 2018.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a material weakness.

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*.

The City's Response to the Finding

The City's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 26, 2018

INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Duluth, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 26, 2018

City of Duluth, Georgia

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Total Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Georgia Department of Transportation			
Highway Planning and Construction	20.205	CSSTP-0006-00(276)	$ 770,832
Highway Planning and Construction	20.205	0010658	450,000
Highway Planning and Construction	20.205	0013062	34,396
Highway Planning and Construction	20.205	0014160-1	46,221
Total Highway Planning and Construction Cluster			1,301,449
Total U.S. Department of Transportation			1,301,449
U.S. DEPARTMENT OF HOMELAND SECURITY			
Disaster Grants - Public Assistance	97.036	FEMA-DR-4338-DR-GA	32,196
Total U.S. Department of Homeland Security			32,196
U.S. DEPARTMENT OF JUSTICE			
Bullet Proof Vest	16.607	BVP 2016	359
Bullet Proof Vest	16.607	BVP 2017	2,405
Total Bullet Proof Vest			2,764
Total U.S. Department of Justice			2,764
Total Expenditures of Federal Awards			$ 1,336,409

See note to schedule of expenditures of federal awards.

(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.

Indirect Cost Rate

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

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? X yes ____ no

Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major federal programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified? _____ yes X none reported

Type of auditor's report issued on compliance for Major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2.CFR 200.516(a)? _____ yes X no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning & Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

Finding 2018-001 – Revenue Recognition and Related Receivables

Criteria: Generally accepted accounting principles ("GAAP") require that revenues be reported, under the modified accrual basis of accounting, when they're realized or realizable and are measurable and available. With voluntary non-exchange transactions, revenues should be recognized only when all eligibility requirements have been met.

Condition: Internal controls did not detect various misstatements in the reporting of certain of the City's intergovernmental revenue and related receivables.

Context/Cause: During our testing of receivables in the Buford Highway Interchange Fund, we noted an intergovernmental receivable of $61,677 which was recorded in fiscal year 2016 and not reversed in fiscal year 2017. A prior period adjustment was required to restate beginning fund balance for this amount. An audit adjustment of $20,828 was also required to properly record current year revenues and receivables.

During our testing of revenues in the Rodgers Bridge Dog Park Fund, we noted the City is administering a federal grant for the construction of bridge. The City of Johns Creek, Gwinnett County, and Fulton County (along with the City of Duluth) are equally sharing the 20% matching portion of the grant. The City received a total of $75,000 during fiscal year 2017 from the City of Johns Creek, Gwinnett County, and Fulton County of which $52,440 was incorrectly recorded as revenue as the eligibility requirements related to this amount had not been met as of June 30, 2017. A prior period adjustment was required to restate beginning fund balance and record unearned revenue for amounts not yet earned. An entry of $8,666 was required to record revenue earned during fiscal year 2018 on the remaining unearned balance.

Effect: Audit adjustments totaling $143,611 were required as detailed above.

Recommendation: We recommend the City ensure that intergovernmental revenues and related receivables are reported when they're realized or realizable and are earned in accordance with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the recommendation. The Finance department will work to determine that revenues are posted when the revenue recognition requirements have are met.

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section III – Federal Awards Findings and Questioned Costs

None

CITY OF DULUTH, GEORGIA

STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None noted in the prior year audit

Duluth
Capture the Spirit of Good Living

Department of Audits and Accounts
Nonprofit and Local Government Audits
270 Washington St. S.W., Room 1-156
Atlanta, Georgia 30334-8400

RE: City of Duluth
Corrective Action Plan
June 30, 2018

Finding Number: 2018-001 Revenue Recognition and Related Receivables

Corrective Action Plan: The City agrees with the finding. The City will monitor its year-end receivables to ensure all receivables are reversed in a timely manner. A report has been created using the City's accounting software system to view the receivable at any given time and monitor the reversal. The Finance Manager has been charged with review this report. In regards to the grant matching funds, this is the first time the City has been in charged with administering matching grant funds for its self and other government organizations for the construction of a capital project. The Finance Manager has discussed accounting for the matching funds with its outside auditors to ensure the project is accounting based on when the revenue recognition requirements are met. The Finance staff will monitor future grant matching expenditures to ensure grant match revenue is recognized accordingly.

Person Responsible for Corrective Action Plan: Kenneth Sakmar, Finance Manager

Timing of Implementation of Corrective Action Plan: November & December 2018

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