

**CITY OF DULUTH, GEORGIA**

***ANNUAL FINANCIAL REPORT***

**FOR THE FISCAL YEAR ENDED**

June 30, 2017

**CITY OF DULUTH, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **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, 2017, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## ***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, 2017, 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), 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.

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

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017 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 27, 2017

**CITY OF DULUTH, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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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, 2017. 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, 2017 by \$72,157,771 (net position), of this amount, \$12,974,697 (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 \$781,193 during the fiscal year ended June 30, 2017 with a decrease in governmental activities of \$1,741,695 and an increase of \$2,522,888 in business-type activities.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$17,672,872 an increase of \$1,743,293 in comparison with the prior year. This increase is primarily due to collections in the 2014 and 2017 SPLOST exceeding capital expenditures.
- The unassigned fund balance for the General Fund at June 30, 2017 was \$6,179,873 which was 32% 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 \$1,957,221 during the fiscal year ended June 30, 2017. This decrease was 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



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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 28 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

**CITY OF DULUTH, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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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 56-66 of this report.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**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 \$72,157,771 and \$71,376,578 at June 30, 2017 and 2016, 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	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current and other assets	\$ 20,547	\$ 19,732	\$ 9,876	\$ 8,181	\$ 30,423	\$ 27,913
Capital assets	62,064	66,013	7,028	7,629	69,092	73,642
Total assets	<u>82,611</u>	<u>85,745</u>	<u>16,904</u>	<u>15,810</u>	<u>99,515</u>	<u>101,555</u>
Deferred Outflows	<u>737</u>	<u>908</u>	<u>122</u>	<u>158</u>	<u>859</u>	<u>1,066</u>
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	1,205	1,596	22,459	24,105	23,664	25,701
Other liabilities	2,103	3,199	2,221	2,039	4,324	5,238
Total liabilities	<u>3,308</u>	<u>4,795</u>	<u>24,680</u>	<u>26,144</u>	<u>27,988</u>	<u>30,939</u>
Deferred Inflows	<u>223</u>	<u>298</u>	<u>6</u>	<u>6</u>	<u>228</u>	<u>304</u>
<b>Net Position (deficit):</b>						
Net Investment in						
capital assets	62,027	65,941	(10,357)	(11,025)	51,670	54,916
Restricted	7,513	6,011	-	-	7,513	6,011
Unrestricted	10,277	9,607	2,697	843	12,975	10,450
Total net position (deficit)	<u>\$ 79,817</u>	<u>\$ 81,559</u>	<u>\$ (7,659)</u>	<u>\$ (10,182)</u>	<u>\$ 72,158</u>	<u>\$ 71,377</u>

The largest portion of the City's net position (72%) 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 \$37,964 restricted for debt service. The City also has net position of \$7,294,277; \$71,979 and \$108,486 which are restricted by enabling legislation or outside grants or agreements for disbursement on capital projects, law enforcement, and culture, respectively. The remaining balance of unrestricted net position \$12,974,697 may be used to meet the City's ongoing obligations to citizens and creditors.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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Governmental activities decreased the City's net position by \$1,741,695 and business-type activities increased the City's net position by \$2,522,888. The decrease in governmental activities was primarily due to transfers out to business type activities.

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, 2017 and 2016.

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

	Governmental Activities		Business-Type		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 3,074	\$ 3,243	\$ 860	\$ 814	\$ 3,934	\$ 4,057
Operating grants and contributions	2,259	1,754	-	100	2,259	1,854
Capital grants and contributions	4,346	4,340	-	-	4,346	4,340
General revenues:						
Property taxes	7,454	6,242	-	-	7,454	6,242
Insurance premium tax	1,660	1,533	-	-	1,660	1,533
Other taxes	5,123	5,406	-	-	5,123	5,406
Other	613	909	133	107	745	1,016
Total revenues	<u>24,529</u>	<u>23,427</u>	<u>993</u>	<u>1,021</u>	<u>25,522</u>	<u>24,448</u>
Expenses						
General government	5,497	8,021	-	-	5,497	8,021
Public safety	8,980	9,335	-	-	8,980	9,335
Public works	4,253	4,501	-	-	4,253	4,501
Culture & recreation	2,451	2,577	-	-	2,451	2,577
Housing & development	-	4	-	-	-	4
Interest on long term debt	2	2	-	-	2	2
Stormwater	-	-	644	1,180	644	1,180
Development financing	-	-	2,915	1,460	2,915	1,460
Total expenses	<u>21,182</u>	<u>24,440</u>	<u>3,559</u>	<u>2,640</u>	<u>24,741</u>	<u>27,080</u>
Transfers	<u>(5,089)</u>	<u>(2,681)</u>	<u>5,089</u>	<u>2,681</u>	<u>-</u>	<u>-</u>
Change in net position	(1,742)	(3,694)	2,523	1,062	781	(2,632)
Net position-July 1	<u>81,559</u>	<u>85,253</u>	<u>(10,182)</u>	<u>(11,244)</u>	<u>71,377</u>	<u>74,009</u>
Net position-June 30	<u>\$ 79,817</u>	<u>\$ 81,559</u>	<u>\$ (7,659)</u>	<u>\$ (10,182)</u>	<u>\$ 72,158</u>	<u>\$ 71,377</u>

Governmental activities: Governmental activities revenues totaled \$24,529,459 for fiscal year 2017. Property taxes are the largest revenue source for governmental activities, accounting for 30% of total revenues. Other taxes (which include motor vehicle and franchise taxes), capital grants (which include sales taxes from the

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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County) and charges for services are the second, third, and fourth largest revenue sources accounting for 21%, 18%, and 13%, respectively, of governmental revenues for the year.

Governmental activities expenses totaled \$21,182,297 for fiscal year 2017. Of the expenses, 42% is related to public safety. In addition, general government and public works accounted for 26% and 20% of total governmental expenses for the year, respectively. Overall, expenses decreased as compared to the prior year.

Business-type activities: Business-type activities increased the City's net position by \$2,522,888 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 \$17,672,872 an increase of \$1,743,293 or 11% in comparison with the prior year. Approximately 33% of the fund balance or \$5,870,996 is classified as unassigned. This unassigned fund balance is net of \$308,877 in fund balance deficits to be funded by future revenues or transfers. The remaining fund balance is classified as follows: non-spendable form (\$301,411), restricted (\$7,512,706), committed (\$724,897) and assigned (\$3,262,862).

The General Fund is the chief operating fund of the City, at the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,179,873. 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 32% of total General Fund expenditures plus transfers-out.

The fund balance of the City's General Fund decreased by \$555,239 during the current fiscal year. Key factors in this activity are as follows:

- Overall General Fund revenue increased by \$782,173 or 4.3%.
- Revenue from taxes increased by \$1,000,162 over the prior year. This increase was mainly due to a 9% increase in the millage rate and continued property value increases.
- Revenue from Fines and Forfeitures decreased by \$409,850. This was due to fewer citations issued by the police department as efforts were directed to other projects.
- In addition, overall expenditures increased by \$491,758 from the prior year while net transfers out decreased \$523,868. Increase resulted from salary increases. Decreased transfers out resulted from large transfers to the Downtown Development Authority in the prior year.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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The SPLOST 2009 Fund continues to spend sales tax proceeds primarily, during the year ended June 30, 2017, 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, 2017, as transfers to reimburse other funds for past allowable SPLOST projects for transportation and parking facilities.

The SPLOST 2017 Fund began collecting sales taxes in April 2017 and has not yet spent any sales tax proceeds.

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 2017, 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 large transfers of properties from governmental activities which were subsequently sold by the Authority.

The Stormwater Fund activity resulted in revenues exceeding expenses by \$198,249 for the year ended June 30, 2017.

At the fiscal year end, the Workers' Compensation Fund has unrestricted net position of \$463,974. 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 \$2,384,370. The Health Reimbursement Fund has unrestricted net position of \$157,766.

### **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 \$11,500 or .07%, increased expenditures by \$84,187 or .45% and decreased net transfers out by \$4,389 or .17%.

During the year, General Fund revenues were more than budgetary projections and expenditures were less than budgetary estimates. Actual revenues were \$1,375,773 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 fines & forfeitures as discussed above. Expenditures were \$1,676,020 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, 2017, amounted to \$62,063,862, 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, 2016 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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

	2017	2016
Land and improvements	\$ 11,895	\$ 14,944
Buildings	34,948	34,948
Improvement other than buildings	50,803	49,946
Land Improvements	3,989	1,895
Furniture, machinery, and equipment	7,847	8,136
Construction in progress	7,748	8,025
Less accumulated depreciation	(55,166)	(51,881)
Total	\$ 62,064	\$ 66,013

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, 2017, the City had no general obligation bonded debt outstanding. The City has one outstanding capital lease totaling \$36,682, which 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 \$17,900,170 and \$6,550,255, respectively. This represents a net decrease of \$1,574,194 during the fiscal year 2017 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 should start moving into the development in early 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 should begin in the first quarter of 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.

**CITY OF DULUTH, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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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 2016 to 2017 grew by \$782,713 or 4.3%. This was due mainly to an increase in Taxes of \$1,000,162 and in Licenses and Permits of \$252,907. The City anticipates these reoccurring revenues will continue to grow for the next several year.

The City also continues to reduce its reliance on reserves to balance its budget. In fiscal year 2015, \$2,078,428 in reserves were needed to balance the budget, in 2016 \$1,370,062 was needed and in the current year only \$555,239. This decrease can be attributed to a growth in revenues and closely monitoring expenditures. Staff will continue to monitor its reoccurring revenues and the need for additional services, with the hopes of achieve a balance budget in the next two or three years.

**Request for Information**

This financial report is designed to provide a general overview of the City of Duluth's finances for our citizens, taxpayers, customers, investors, creditors, and other interested parties. Questions concerning any of the information should be addressed to the City of Duluth, Office of the City Clerk, Attn: Kenneth Sakmar, Budget and Accounting Manager, 3167 Main Street, Duluth, Georgia 30096.



## **BASIC FINANCIAL STATEMENTS**

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**City of Duluth, Georgia**  
*Statement of Net Position*  
*June 30, 2017*

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 18,123,235	\$ 4,571,120	\$ 22,694,355
Accounts receivable	1,006,076	31,738	1,037,814
Taxes receivable	110,001	-	110,001
Intergovernmental	1,005,325	-	1,005,325
Notes receivable, current	-	185,155	185,155
Notes receivable, long term	-	5,089,305	5,089,305
Internal balances	1,062	(1,062)	-
Prepaid items	301,411	-	301,411
Nondepreciable capital assets	19,642,482	1,664,627	21,307,109
Depreciable capital assets, net	42,421,380	5,363,219	47,784,599
<b>TOTAL ASSETS</b>	<b>82,610,972</b>	<b>16,904,102</b>	<b>99,515,074</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	-	105,767	105,767
Pension related items	736,950	16,572	753,522
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>736,950</b>	<b>122,339</b>	<b>859,289</b>
<b>LIABILITIES</b>			
Accounts payable	852,547	154,604	1,007,151
Accrued expenses	650,710	-	650,710
Accrued interest payable	1,282	43,089	44,371
Noncurrent liabilities:			
Net pension liability, due in more than one year	1,204,968	32,202	1,237,170
Bonds payable due within one year	-	2,023,682	2,023,682
Bonds payable due in more than one year	-	22,426,743	22,426,743
Capital lease payable due within one year	36,682	-	36,682
Compensated absences payable due within one year	561,693	-	561,693
<b>TOTAL LIABILITIES</b>	<b>3,307,882</b>	<b>24,680,320</b>	<b>27,988,202</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	222,803	5,587	228,390
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>222,803</b>	<b>5,587</b>	<b>228,390</b>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	62,027,180	(10,356,812)	51,670,368
Restricted for debt service	37,964	-	37,964
Restricted for capital construction	7,294,277	-	7,294,277
Restricted for law enforcement	71,979	-	71,979
Restricted for recreation	108,486	-	108,486
Unrestricted	10,277,351	2,697,346	12,974,697
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ 79,817,237</b>	<b>\$ (7,659,466)</b>	<b>\$ 72,157,771</b>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Statement of Activities*  
For the Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT:</b>						
<b>Governmental Activities:</b>						
General government	\$ 5,497,218	\$ 913,444	\$ -	\$ 32,871	\$ (4,550,903)	\$ -
Public safety	8,980,397	1,792,533	1,152,019	365,778	(5,670,067)	-
Public works	4,252,602	2,516	903,845	3,736,182	389,941	-
Culture and recreation	2,450,564	365,164	202,743	211,463	(1,671,194)	-
Interest on long-term obligations	1,516	-	-	-	(1,516)	-
<b>Total Governmental Activities</b>	<b>21,182,297</b>	<b>3,073,657</b>	<b>2,258,607</b>	<b>4,346,294</b>	<b>(11,503,739)</b>	<b>-</b>
<b>Business-Type Activities:</b>						
Downtown Development Authority	2,713,120	2,500	-	-	(2,710,620)	-
Urban Redevelopment Authority	202,028	-	-	-	(202,028)	-
Stormwater	643,661	857,802	-	-	214,141	-
<b>Total Business-Type Activities</b>	<b>3,558,809</b>	<b>860,302</b>	<b>-</b>	<b>-</b>	<b>(2,698,507)</b>	<b>-</b>
<b>Total - Primary Government</b>	<b>\$ 24,741,106</b>	<b>\$ 3,933,959</b>	<b>\$ 2,258,607</b>	<b>\$ 4,346,294</b>	<b>(11,503,739)</b>	<b>(14,202,246)</b>

**GENERAL REVENUES:**

Taxes:						
Property				7,454,231		7,454,231
Insurance premium				1,660,403		1,660,403
Other				5,123,365		5,123,365
Interest earned				75,171	30,509	105,680
Miscellaneous				537,731	102,029	639,760
<b>Total General Revenues</b>				<b>14,850,901</b>	<b>132,538</b>	<b>14,983,439</b>
Transfers				(5,088,857)	5,088,857	-
<b>Total General Revenues and Transfers</b>				<b>9,762,044</b>	<b>5,221,395</b>	<b>14,983,439</b>
<b>Change in Net Position</b>				<b>(1,741,695)</b>	<b>2,522,888</b>	<b>781,193</b>
<b>NET POSITION (DEFICIT) BEGINNING OF YEAR</b>				<b>81,558,932</b>	<b>(10,182,354)</b>	<b>71,376,578</b>
<b>NET POSITION (DEFICIT) END OF YEAR</b>				<b>\$ 79,817,237</b>	<b>\$ (7,659,466)</b>	<b>\$ 72,157,771</b>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2017*

	<b>General Fund</b>	<b>SPLOST 2009 Fund</b>	<b>SPLOST 2014 Fund</b>	<b>SPLOST 2017 Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash	\$ 10,666,349	\$ 1,645,739	\$ 4,197,976	\$ 343,910	\$ 564,093	\$ 17,418,067
Receivables:						
Taxes	106,210	-	-	-	3,791	110,001
Accounts	1,006,076	-	-	-	-	1,006,076
Intergovernmental	-	-	620	727,558	277,147	1,005,325
Due from other funds	81,620	-	-	-	4,238	85,858
Prepaid items	301,411	-	-	-	-	301,411
<b>TOTAL ASSETS</b>	<b>\$ 12,161,666</b>	<b>\$ 1,645,739</b>	<b>\$ 4,198,596</b>	<b>\$ 1,071,468</b>	<b>\$ 849,269</b>	<b>\$ 19,926,738</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 389,269	\$ -	\$ -	\$ -	\$ 462,399	\$ 851,668
Accrued salaries payable	371,553	-	-	-	-	371,553
Accrued expenditures	167,916	-	-	-	27,194	195,110
Due to other funds	4,678	990	-	-	80,626	86,294
<b>TOTAL LIABILITIES</b>	<b>933,416</b>	<b>990</b>	<b>-</b>	<b>-</b>	<b>570,219</b>	<b>1,504,625</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	749,241	-	-	-	-	749,241
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>749,241</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>749,241</b>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable:						
Prepays	301,411	-	-	-	-	301,411
Restricted:						
Debt service	37,964	-	-	-	-	37,964
Capital construction	-	1,644,749	4,198,596	1,071,468	379,464	7,294,277
Law enforcement	-	-	-	-	71,979	71,979
Culture and recreation	-	-	-	-	108,486	108,486
Committed:						
Capital construction	702,399	-	-	-	-	702,399
Public works	-	-	-	-	8,000	8,000
Equipment purchases	-	-	-	-	14,498	14,498
Assigned:						
Fiscal year 2018 operations	2,027,102	-	-	-	-	2,027,102
SDS Settlement	1,230,260	-	-	-	-	1,230,260
Gateway construction	-	-	-	-	5,500	5,500
Unassigned	6,179,873	-	-	-	(308,877)	5,870,996
<b>TOTAL FUND BALANCES</b>	<b>10,479,009</b>	<b>1,644,749</b>	<b>4,198,596</b>	<b>1,071,468</b>	<b>279,050</b>	<b>17,672,872</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,161,666</b>	<b>\$ 1,645,739</b>	<b>\$ 4,198,596</b>	<b>\$ 1,071,468</b>	<b>\$ 849,269</b>	<b>\$ 19,926,738</b>

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, 2017*

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$	17,672,872
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	\$ 114,077,418	
Less accumulated depreciation	<u>(54,397,926)</u>	59,679,492
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes and franchise taxes		749,241
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.		
		3,006,110
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	\$ 736,950	
Net pension liability	(1,204,968)	
Deferred inflows of resources-pension items	<u>(222,803)</u>	(690,821)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	\$ (36,682)	
Accrued interest	(1,282)	
Compensated absences	<u>(561,693)</u>	<u>(599,657)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>79,817,237</u></b>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended June 30, 2017*

	<b>General Fund</b>	<b>SPOST 2009 Fund</b>	<b>SPOST 2014 Fund</b>	<b>SPOST 2017 Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ 14,166,116	\$ -	\$ -	\$ -	\$ 72,269	\$ 14,238,385
Licenses and permits	897,078	-	-	-	-	897,078
Intergovernmental	1,151,114	-	3,253,754	1,071,279	1,099,163	6,575,310
Charges for services	459,079	-	-	-	-	459,079
Interest income	69,481	2,140	18,963	189	-	90,773
Fines and forfeitures	1,638,926	-	-	-	78,574	1,717,500
Miscellaneous	427,122	-	-	-	118,938	546,060
<b>TOTAL REVENUES</b>	<b>18,808,916</b>	<b>2,140</b>	<b>3,272,717</b>	<b>1,071,468</b>	<b>1,368,944</b>	<b>24,524,185</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	4,058,610	-	723	-	-	4,059,333
Public safety	8,400,718	-	-	-	41,571	8,442,289
Public works	2,735,719	-	-	-	-	2,735,719
Culture and recreation	1,711,499	-	-	-	42,465	1,753,964
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,640,759</b>	<b>3,640,759</b>
<b>Debt service:</b>						
Principal retirement	35,333	-	-	-	-	35,333
Interest and fiscal charges	2,751	-	-	-	-	2,751
<b>TOTAL EXPENDITURES</b>	<b>16,944,630</b>	<b>-</b>	<b>723</b>	<b>-</b>	<b>3,724,795</b>	<b>20,670,148</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,864,286</b>	<b>2,140</b>	<b>3,271,994</b>	<b>1,071,468</b>	<b>(2,355,851)</b>	<b>3,854,037</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	15,968	-	-	-	-	15,968
Transfers in	141,219	500,000	-	-	3,510,207	4,151,426
Transfers out	(2,576,712)	(1,469,503)	(2,040,704)	-	(191,219)	(6,278,138)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,419,525)</b>	<b>(969,503)</b>	<b>(2,040,704)</b>	<b>-</b>	<b>3,318,988</b>	<b>(2,110,744)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(555,239)</b>	<b>(967,363)</b>	<b>1,231,290</b>	<b>1,071,468</b>	<b>963,137</b>	<b>1,743,293</b>
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<b>11,034,248</b>	<b>2,612,112</b>	<b>2,967,306</b>	<b>-</b>	<b>(684,087)</b>	<b>15,929,579</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 10,479,009</b>	<b>\$ 1,644,749</b>	<b>\$ 4,198,596</b>	<b>\$ 1,071,468</b>	<b>\$ 279,050</b>	<b>\$ 17,672,872</b>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2017*

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>1,743,293</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Depreciation expense	\$ (3,731,155)	
Capital outlay/donations	3,138,236	(592,919)
<p>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.</p>		
		(3,282,145)
<p>Disposals of capital assets are not reflected on the governmental funds but the loss on the disposal of these assets at their net book value is reflected on the statement of activities</p>		
		(25,653)
<p>Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.</p>		
		(386)
<p>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.</p>		
		35,333
<p>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.</p>		
Change in compensated absences	\$ (11,171)	
Change in accrued interest	1,235	(9,936)
<p>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.</p>		
Change in net pension liability	\$ 354,595	
Change in deferred inflows and outflows of resources		
pension experience differences	29,169	
Change in deferred inflows of resources pension assumption changes	64,349	
Change in deferred inflows and outflows of resources		
pension investment earning differences		
Change in deferred outflows of resources pension contributions subsequent to measurement date	(210,231)	
	21,378	259,260
<p>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.</p>		
		131,458
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>(1,741,695)</b>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Statement of Net Position*  
*Proprietary Funds*  
*June 30, 2017*

	<b>Downtown Development Authority</b>	<b>Urban Redevelopment Authority</b>	<b>Stormwater Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash	\$ 3,796,875	\$ -	\$ 774,245	\$ 4,571,120	\$ 705,168
Accounts receivable	3,270	-	28,468	31,738	-
Notes receivable, current portion	185,155	-	-	185,155	-
Due from other funds	440	-	-	440	1,498
<b>Total Current Assets</b>	<b>3,985,740</b>	<b>-</b>	<b>802,713</b>	<b>4,788,453</b>	<b>706,666</b>
<b>Noncurrent Assets:</b>					
Notes receivable	5,089,305	-	-	5,089,305	-
<b>Capital assets:</b>					
Nondepreciable capital assets	5,525	1,659,102	-	1,664,627	1,654,856
Depreciable capital assets, net	4,321,140	-	1,042,079	5,363,219	729,514
<b>Total Noncurrent Assets</b>	<b>9,415,970</b>	<b>1,659,102</b>	<b>1,042,079</b>	<b>12,117,151</b>	<b>2,384,370</b>
<b>TOTAL ASSETS</b>	<b>13,401,710</b>	<b>1,659,102</b>	<b>1,844,792</b>	<b>16,905,604</b>	<b>3,091,036</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	-	105,767	-	105,767	-
Pension related items	-	-	16,572	16,572	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>105,767</b>	<b>16,572</b>	<b>122,339</b>	<b>-</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	103,999	-	50,605	154,604	879
Due to other funds	-	-	1,502	1,502	-
Claims payable	-	-	-	-	84,047
Accrued interest payable	30,395	12,694	-	43,089	-
Revenue bonds payable, current portion	1,153,682	870,000	-	2,023,682	-
<b>Total Current Liabilities</b>	<b>1,288,076</b>	<b>882,694</b>	<b>52,107</b>	<b>2,222,877</b>	<b>84,926</b>
<b>Noncurrent Liabilities:</b>					
Revenue bonds payable	16,746,488	5,680,255	-	22,426,743	-
Net pension liability	-	-	32,202	32,202	-
<b>Total Noncurrent Liabilities</b>	<b>16,746,488</b>	<b>5,680,255</b>	<b>32,202</b>	<b>22,458,945</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>18,034,564</b>	<b>6,562,949</b>	<b>84,309</b>	<b>24,681,822</b>	<b>84,926</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	-	-	5,587	5,587	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>5,587</b>	<b>5,587</b>	<b>-</b>
<b>NET POSITION (DEFICIT)</b>					
Net investment in capital assets	(6,613,505)	(4,785,386)	1,042,079	(10,356,812)	2,384,370
Unrestricted	1,980,651	(12,694)	729,389	2,697,346	621,740
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (4,632,854)</b>	<b>\$ (4,798,080)</b>	<b>\$ 1,771,468</b>	<b>\$ (7,659,466)</b>	<b>\$ 3,006,110</b>

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, 2017*

	<b>Downtown Development Authority</b>	<b>Urban Redevelopment Authority</b>	<b>Stormwater Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>					
Stormwater fees	\$ -	\$ -	\$ 857,802	\$ 857,802	\$ -
Income from development	2,500	-	-	2,500	-
<b>TOTAL OPERATING REVENUES</b>	<b>2,500</b>	<b>-</b>	<b>857,802</b>	<b>860,302</b>	<b>-</b>
<b>OPERATING EXPENSES</b>					
Administration	-	-	326,168	326,168	-
Costs of sales and services	-	-	143,876	143,876	-
Depreciation	411,537	-	173,617	585,154	48,625
Claims	-	-	-	-	145,576
Other	260,975	-	-	260,975	-
<b>TOTAL OPERATING EXPENSES</b>	<b>672,512</b>	<b>-</b>	<b>643,661</b>	<b>1,316,173</b>	<b>194,201</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(670,012)</b>	<b>-</b>	<b>214,141</b>	<b>(455,871)</b>	<b>(194,201)</b>
<b>NON-OPERATING INCOME (LOSS)</b>					
Interest and fiscal charges	(564,071)	(202,028)	-	(766,099)	-
Loss on sale of capital assets	(1,476,537)	-	-	(1,476,537)	-
Miscellaneous	102,029	-	(15,892)	86,137	-
Interest income	30,509	-	-	30,509	5,659
<b>TOTAL NON-OPERATING INCOME (LOSS)</b>	<b>(1,908,070)</b>	<b>(202,028)</b>	<b>(15,892)</b>	<b>(2,125,990)</b>	<b>5,659</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>					
	(2,578,082)	(202,028)	198,249	(2,581,861)	(188,542)
Capital contribution	3,298,037	-	-	3,298,037	-
Transfers in	1,282,533	1,024,179	-	2,306,712	320,000
Transfers out	(500,000)	-	-	(500,000)	-
	4,080,570	1,024,179	-	5,104,749	320,000
<b>CHANGE IN NET POSITION</b>	<b>1,502,488</b>	<b>822,151</b>	<b>198,249</b>	<b>2,522,888</b>	<b>131,458</b>
<b>NET POSITION (DEFICIT):</b>					
<b>BEGINNING OF YEAR</b>	<b>(6,135,342)</b>	<b>(5,620,231)</b>	<b>1,573,219</b>	<b>(10,182,354)</b>	<b>2,874,652</b>
<b>END OF YEAR</b>	<b>\$ (4,632,854)</b>	<b>\$ (4,798,080)</b>	<b>\$ 1,771,468</b>	<b>\$ (7,659,466)</b>	<b>\$ 3,006,110</b>

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended June 30, 2017

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received for operations	\$ 2,500	\$ -	\$ 946,154	\$ 948,654	\$ -
Cash paid for goods and services	(161,991)	-	(456,464)	(618,455)	-
Cash paid for claims	-	-	-	-	(448,427)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(159,491)</b>	<b>-</b>	<b>489,690</b>	<b>330,199</b>	<b>(448,427)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	1,282,533	1,024,179	-	2,306,712	320,000
Transfers to other funds	(500,000)	-	-	(500,000)	-
Issuance of notes receivable	(4,036,757)	-	-	(4,036,757)	-
Payments received on notes receivable	41,949	-	-	41,949	-
Miscellaneous receipts	102,029	-	-	102,029	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(3,110,246)</b>	<b>1,024,179</b>	<b>-</b>	<b>(2,086,067)</b>	<b>320,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on long-term debt	(724,126)	(850,000)	-	(1,574,126)	-
Proceeds from sale of capital assets	2,694,492	-	-	2,694,492	-
Purchase of capital assets	(872,117)	-	-	(872,117)	-
Interest paid on long-term debt	(568,011)	(174,179)	-	(742,190)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>530,238</b>	<b>(1,024,179)</b>	<b>-</b>	<b>(493,941)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	30,509	-	-	30,509	5,659
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>30,509</b>	<b>-</b>	<b>-</b>	<b>30,509</b>	<b>5,659</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,708,990)</b>	<b>-</b>	<b>489,690</b>	<b>(2,219,300)</b>	<b>(122,768)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>6,505,865</b>	<b>-</b>	<b>284,555</b>	<b>6,790,420</b>	<b>827,936</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,796,875</b>	<b>\$ -</b>	<b>\$ 774,245</b>	<b>\$ 4,571,120</b>	<b>\$ 705,168</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (670,012)	\$ -	\$ 214,141	\$ (455,871)	\$ (194,201)
Adjustments:					
Depreciation	411,537	-	173,617	585,154	48,625
Changes in assets and liabilities:					
Accounts receivable	(3,270)	-	88,352	85,082	-
Deferred outflows pension items	-	-	6,222	6,222	-
Due from other funds	-	-	(4,886)	(4,886)	4,896
Accounts payable and claims payable	102,254	-	17,045	119,299	(307,747)
Net pension liability	-	-	(4,270)	(4,270)	-
Deferred inflows pension items	-	-	(531)	(531)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (159,491)</b>	<b>\$ -</b>	<b>\$ 489,690</b>	<b>\$ 330,199</b>	<b>\$ (448,427)</b>
<b>NONCASH CAPITAL FINANCING ACTIVITIES</b>					
Contribution of capital assets received	3,298,037	-	-	3,298,037	-
Contribution of capital assets provided	-	-	(15,892)	(15,892)	-

See accompanying notes to the basic financial statements.

**City of Duluth, Georgia**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2017*

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<b>ASSETS</b>	<b>Agency Fund</b>
Cash	\$ 46,443
Total assets	<u>\$ 46,443</u>
<b>LIABILITIES</b>	
Due to other agencies	\$ 46,443
Total liabilities	<u>\$ 46,443</u>

See accompanying notes to the basic financial statements.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Duluth, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City of Duluth, Georgia was incorporated in 1876. The City operates under the Mayor-Council form of government and provides the following services to its citizens as authorized by its charter: public safety, public works, culture and recreation, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Duluth, Georgia (the “primary government”) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. In conformity with generally accepted accounting principles, 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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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 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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

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

The *SPLOST 2009 Fund* accounts for the financial resources provided from the 2009 voter approved one percent Special Purpose Local Option Sales Tax. Such resources are to be used for improvements to parks and recreation facilities, public safety building, road improvements, library facilities, and sewer improvements.

The *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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

The City 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.

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.



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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:

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

**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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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 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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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, 2017, the 1997 SPLOST Fund had a deficit of \$21,244; the Taylor Park Playground Fund had a deficit of \$24,386; the Block Fund had a deficit of \$130,540; the 2009 SPLOST Vehicles Fund had deficit of \$48,726; the Other Capital Projects Fund had a deficit of \$75,358; the Downtown Parking Fund had a deficit of \$5,423; and the Buford Highway Medians Fund had a deficit of \$3,200. 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 \$4,632,854 and the Urban Redevelopment Authority had a deficit net position of \$4,798,080. 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).

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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. At June 30, 2017, the City's bank balances were fully collateralized as defined by State statutes.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2017, for the City’s individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>2014 SPLOST</u>	<u>2017 SPLOST</u>	<u>Nonmajor Governmental Fund</u>	<u>Downtown Development Authority</u>	<u>Stormwater</u>
Receivables:						
Taxes	\$ 106,210	\$ -	\$ -	\$ 3,791	\$ -	\$ -
Accounts	1,006,076	-	-	-	3,270	28,468
Intergovernmental	-	620	727,558	277,147	-	-
Less allowance for uncollectible	-	-	-	-	-	-
Net total receivable	<u>\$ 1,112,286</u>	<u>\$ 620</u>	<u>\$ 727,558</u>	<u>\$ 280,938</u>	<u>\$ 3,270</u>	<u>28,468</u>

Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on January 1<sup>st</sup>. Tax bills are mailed on September 1<sup>st</sup> and are due by November 30<sup>th</sup>. All unpaid taxes levied become delinquent on December 1<sup>st</sup>. A tax lien is filed with the Gwinnett County Superior Court for all delinquent bills as of February 10<sup>th</sup>. The City bills and collects its own property taxes. Property taxes levied for the year ended June 30, 2017 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, 2017 while the Fabric loan is still in the draw phase and has not 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%.



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 5. NOTES RECEIVABLE (CONTINUED)**

Activity on the notes for the fiscal year ended June 30, 2017 is shown on the flowing page.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Notes Receivable:</b>					
Dreamland Barbeque	\$ 1,212,081	\$ 137,901	\$ (41,949)	\$ 1,308,033	73,640
Fabric Inc.	67,571	3,898,856	-	3,966,427	111,515
Total	<u>\$ 1,279,652</u>	<u>\$ 4,036,757</u>	<u>\$ (41,949)</u>	<u>\$ 5,274,460</u>	<u>\$ 185,155</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 185,155	\$ 149,424	\$ 334,579
2019	304,842	252,441	557,283
2020	315,294	241,990	557,284
2021	326,105	231,179	557,284
2022	337,288	219,995	557,283
2023-2027	2,330,361	923,110	3,253,471
2028	<u>3,908,987</u>	<u>279,256</u>	<u>4,188,243</u>
Total	<u>\$ 7,708,032</u>	<u>\$ 2,297,395</u>	<u>\$ 10,005,427</u>

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, 2017. The scheduled represents the full payment to be received Fabric Inc., once the loan is fully drawn, and the remaining \$1,308,033 due from Dreamland Barbeque.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Contributions/ Transfers</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 14,826,630	\$ -	\$ -	\$ (3,049,061)	\$ 11,777,569
Land improvements	116,985	-	-	-	116,985
Construction in progress	8,025,362	2,307,738	-	(2,585,172)	7,747,928
Total	<u>22,968,977</u>	<u>2,307,738</u>	<u>-</u>	<u>(5,634,233)</u>	<u>19,642,482</u>
Capital assets, being depreciated:					
Buildings	34,947,937	-	-	-	34,947,937
Improvements other than buildings	49,945,783	-	-	857,493	50,803,276
Land improvements	1,894,870	615,783	-	1,478,703	3,989,356
Furniture, machinery and equipment	8,136,262	214,715	(518,138)	14,272	7,847,111
Total	<u>94,924,852</u>	<u>830,498</u>	<u>(518,138)</u>	<u>2,350,468</u>	<u>97,587,680</u>
Less accumulated depreciation for:					
Building	(10,479,474)	(958,936)	-	-	(11,438,410)
Improvements other than buildings	(32,376,146)	(1,463,683)	-	-	(33,839,829)
Land improvements	(1,297,293)	(557,996)	-	-	(1,855,289)
Furniture, machinery and equipment	(7,727,712)	(799,165)	492,485	1,620	(8,032,772)
Total	<u>(51,880,625)</u>	<u>(3,779,780)</u>	<u>492,485</u>	<u>1,620</u>	<u>(55,166,300)</u>
Total assets being depreciated, net	<u>43,044,227</u>	<u>(2,949,282)</u>	<u>(25,653)</u>	<u>2,352,088</u>	<u>42,421,380</u>
Governmental activities capital assets, net	<u>\$ 66,013,204</u>	<u>\$ (641,544)</u>	<u>\$ (25,653)</u>	<u>\$ (3,282,145)</u>	<u>\$ 62,063,862</u>
<b>Business Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,664,627	\$ 872,117	\$ (3,921,178)	\$ 3,049,061	\$ 1,664,627
Construction in progress	-	-	(248,976)	248,976	-
Total	<u>1,664,627</u>	<u>872,117</u>	<u>(4,170,154)</u>	<u>3,298,037</u>	<u>1,664,627</u>
Capital assets, being depreciated:					
Buildings	6,996,132	-	-	-	6,996,132
Infrastructure	1,664,995	-	-	-	1,664,995
Furniture, machinery and equipment	98,172	-	-	(14,272)	83,900
Total	<u>8,759,299</u>	<u>-</u>	<u>-</u>	<u>(14,272)</u>	<u>8,745,027</u>
Less accumulated depreciation:					
Buildings	(2,263,453)	(567,266)	-	-	(2,830,719)
Infrastructure	(467,189)	-	-	-	(467,189)
Furniture, machinery and equipment	(64,392)	(17,888)	-	(1,620)	(83,900)
Total	<u>(2,795,034)</u>	<u>(585,154)</u>	<u>-</u>	<u>(1,620)</u>	<u>(3,381,808)</u>
Business Type Activities capital assets, net	<u>\$ 7,628,892</u>	<u>\$ 286,963</u>	<u>\$ (4,170,154)</u>	<u>\$ 3,282,145</u>	<u>\$ 7,027,846</u>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 6. CAPITAL ASSETS (Continued)**

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

Governmental activities:	
General government	\$ 969,402
Public safety	688,470
Public works	1,527,955
Culture and recreation	<u>593,953</u>
Total depreciation expense - governmental activities	<u><u>\$ 3,779,780</u></u>

**NOTE 7. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2017 is as follows:

	<u>Beginning</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> Balance	<u>Due</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 550,522	\$ 754,902	\$ 743,731	\$ 561,693	\$ 561,693
Net pension liability	1,559,563	988,334	1,342,929	1,204,968	-
Leases payable	<u>72,015</u>	<u>-</u>	<u>35,333</u>	<u>36,682</u>	<u>36,682</u>
Governmental activities long-term liabilities	<u>\$ 2,182,100</u>	<u>\$ 1,743,236</u>	<u>\$ 2,121,993</u>	<u>\$ 1,803,343</u>	<u>\$ 598,375</u>
<b>Business Activities:</b>					
Bonds payable	\$ 26,024,296	\$ 422,111	\$ 1,996,237	\$ 24,450,170	\$ 2,023,682
Premium on bonds	323	-	68	255	-
Net pension liability	<u>36,472</u>	<u>9,295</u>	<u>13,565</u>	<u>32,202</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 26,061,091</u>	<u>\$ 431,406</u>	<u>\$ 2,009,870</u>	<u>\$ 24,482,627</u>	<u>\$ 2,023,682</u>

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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 \$4,595,000 in outstanding refunded bonds at June 30, 2017 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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,023,682	\$ 674,396	\$ 2,698,078
2019	2,106,116	601,757	2,707,873
2020	2,173,672	526,285	2,699,957
2021	4,970,347	416,058	5,386,405
2022	1,335,635	278,208	1,613,843
2023-2027	7,584,762	700,499	8,285,261
2028-2029	4,255,956	-	4,255,956
Total	<u>\$ 24,450,170</u>	<u>\$ 3,197,203</u>	<u>\$ 27,647,373</u>

**Capital Lease Payable.** The City entered into a capital lease to purchase police radios on August 1, 2013. The lease calls for annual payments of \$38,084 bearing interest of 3.82% annum maturing August 1, 2017. The assets under capital lease have a historical cost of \$138,080 and accumulated depreciation of \$133,194 for a net book value of \$4,886. Annual depreciation of these assets under capital leases is included in depreciation expense.

The following is a schedule of future minimum lease payments under lease as of June 30, 2017:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 36,682	\$ 1,402	\$ 38,084
Total	<u>\$ 36,682</u>	<u>\$ 1,402</u>	<u>\$ 38,084</u>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2017, is as follows:

	Payable To				Total
	General Fund	Other Governmental Funds	Internal Service Funds	Downtown Development Authority	
<u>Receivable From</u>					
General Fund	\$ -	\$ 4,238	\$ -	\$ 440	\$ 4,678
2009 SPLOST Fund	990	-	-	-	990
Other Governmental Funds	80,626	-	-	-	80,626
Stormwater Fund	4	-	1,498	-	1,502
<b>Total</b>	<b><u>\$ 81,620</u></b>	<b><u>\$ 4,238</u></b>	<b><u>\$ 1,498</u></b>	<b><u>\$ 440</u></b>	<b><u>\$ 87,796</u></b>

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, 2017 were:

	Transfers From					Total
	General Fund	SPLOST 2009 Fund	Other Governmental Funds	SPLOST 2014 Fund	Downtown Development Authority	
<u>Transfers To</u>						
General Fund	\$ -	\$ -	\$ 141,219	\$ -	\$ -	\$ 141,219
2009 SPLOST	-	-	-	-	500,000	500,000
Other Governmental Funds	-	1,469,503	-	2,040,704	-	3,510,207
Urban Redevelopment Authority	1,024,179	-	-	-	-	1,024,179
Downtown Development Authority	1,232,533	-	50,000	-	-	1,282,533
Internal Service Funds	320,000	-	-	-	-	320,000
<b>Total</b>	<b><u>\$ 2,576,712</u></b>	<b><u>\$ 1,469,503</u></b>	<b><u>\$ 191,219</u></b>	<b><u>\$ 2,040,704</u></b>	<b><u>\$ 500,000</u></b>	<b><u>\$ 6,778,138</u></b>

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2017 or for moving revenue to the fund in which expenditures were funded. Transfers from the 2009 and 2014 SPLOST Funds were to refund other capital projects funds for allowable costs incurred in prior years on projects. The transfer to the 2009 SPLOST was for the purchase of land which was never developed and later sold to private developers.

In addition to the above transfers, during the year ended June 30, 2017, the governmental activities transferred capital assets with a net book value of \$3,298,037 to the Downtown Development Authority and the Stormwater fund transferred capital assets with a net book value of \$15,892 to the governmental activities. These transfers are reflected on the Statement of Activities.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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](http://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, 2017, the date of the most recent actuarial valuation, there were 206 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not receiving benefits	45
Active plan members	141
	<u>206</u>

*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, 2017, the City's contribution rate was 5.75% of annual payroll. City contributions to the Plan were \$707,459 for the fiscal year ended June 30, 2017. Employees of the City of Duluth do not contribute to the Plan.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

*Actuarial assumptions.* The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3.25%
Salary increases		3.75% - 8.75%, including inflation
Investment rate of return	7.75%, net of pension plan 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, 2016 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, 2016 are summarized in the table on the following page.



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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%	6.75%
International equity	20%	7.45
Real estate	10%	4.55
Global fixed income	5%	3.30
Domestic fixed income	20%	1.75
Cash	—%	
Total	100%	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. 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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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, 2017 were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at 6/30/16</b>	\$ 7,694,132	\$ 6,098,097	\$ 1,596,035
<b>Changes for the year:</b>			
Service cost	318,689	-	318,689
Interest	591,901	-	591,901
Differences between expected and actual experience	72,404	-	72,404
Contributions—employer	-	651,649	(651,649)
Net investment income	-	704,845	(704,845)
Benefit payments, including refunds of employee contributions	(113,395)	(113,395)	-
Administrative expense	-	(14,635)	14,635
<b>Net changes</b>	<u>869,599</u>	<u>1,228,464</u>	<u>(358,865)</u>
<b>Balances at 6/30/17</b>	<u>\$ 8,563,731</u>	<u>\$ 7,326,561</u>	<u>\$ 1,237,170</u>

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's net pension liability	\$ 2,501,273	\$ 1,237,170	\$ 195,499

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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, 2016 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, 2017, the City recognized pension expense of \$415,445. At June 30, 2017, 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
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 227,619	\$ 33,018
Changes in assumptions	-	195,372
Net difference between projected and actual earnings on pension plan investments	7,453	-
City contributions subsequent to the measurement date	<u>518,450</u>	<u>-</u>
Total	<u>\$ 753,522</u>	<u>\$ 228,390</u>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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 \$518,450 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, 2018. 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:	
2018	\$ (16,887)
2019	(16,887)
2020	16,891
2021	11,498
2022	12,067
Total	<u>\$ 6,682</u>

**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 2016 and calendar year 2017. 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 \$118,958, with employee contributions amounting to \$410,701.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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, 2017, the City had accumulated \$548,614 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:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>
2017	\$ 391,637	\$ 57,008	\$ (364,598)	\$ 84,047
2016	\$ 272,777	\$ 408,195	\$ (289,335)	\$ 391,637

**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.

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 14. RENTAL MOTOR VEHICLE 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, 2017, the City received \$53,910 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 424,502	\$ 445,633	\$ 450,318
Contributions in relation to the actuarially determined contribution	<u>707,459</u>	<u>618,973</u>	<u>583,486</u>
Contribution deficiency (excess)	<u>\$ (282,957)</u>	<u>\$ (173,340)</u>	<u>\$ (133,168)</u>
Covered-employee payroll	7,861,148	7,828,117	6,681,276
Contributions as a percentage of Covered-employee payroll	9.0%	7.9%	8.7%

**Notes to the Schedule**

Valuation Date	January 1, 2016
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	7.75%
Projected Salary Increases	3.75% - 8.75% (including 3.25% for inflation)
Cost-of-living Adjustment	3.25%
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, 2017*

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 12,872,831	\$ 12,872,831	\$ 14,166,116	\$ 1,293,285
Licenses and permits	546,050	546,050	897,078	351,028
Charges for services	398,938	398,938	459,079	60,141
Fines and forfeitures	2,100,100	2,100,100	1,638,926	(461,174)
Intergovernmental	1,122,198	1,125,198	1,151,114	25,916
Interest income	54,300	54,300	69,481	15,181
Miscellaneous	327,226	335,726	427,122	91,396
<b>TOTAL REVENUES</b>	<b>17,421,643</b>	<b>17,433,143</b>	<b>18,808,916</b>	<b>1,375,773</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government:				
Mayor and Council				
Personal services	75,869	82,634	77,053	5,581
Other services and charges	200,740	207,381	176,366	31,015
City Administrator				
Personal services	241,050	241,050	234,133	6,917
Other services and charges	221,467	217,888	138,834	79,054
City Clerk/Business Office				
Personal services	1,272,014	1,261,343	1,196,960	64,383
Other services and charges	1,306,783	1,332,537	1,188,542	143,995
City Clerk/Human resources	257,223	258,223	225,663	32,560
Other				
Public information & marketing	673,849	705,401	690,896	14,505
Consolidated services:				
Custodial services	61,650	61,237	58,623	2,614
Landscape maintenance	75,191	74,529	71,540	2,989
Contingency	100,000	100,000	-	100,000
Total general government	4,485,836	4,542,223	4,058,610	483,613

**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, 2017*

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
Public safety:				
Municipal Court				
Personal services	\$ 608,858	\$ 607,656	\$ 570,606	\$ 37,050
Other services and charges	36,706	37,083	26,742	10,341
Police/Admin				
Personal services	595,588	604,288	597,145	7,143
Other services and charges	434,325	441,797	343,006	98,791
Police/CID				
Personal services	955,828	955,988	855,111	100,877
Other services and charges	244,244	244,244	112,582	131,662
Police/Uniform Division				
Personal services	3,958,471	3,890,471	3,810,259	80,212
Other services and charges	116,946	118,514	73,696	44,818
Police/Other				
Police vehicles	492,043	472,804	405,948	66,856
Police Support Services	1,826,022	1,892,063	1,605,623	286,440
Total public safety	<u>9,269,031</u>	<u>9,264,908</u>	<u>8,400,718</u>	<u>864,190</u>
Public works:				
Planning & Development				
Personal services	764,464	684,667	648,395	36,272
Other services and charges	509,066	599,447	576,020	23,427
Administration				
Personal services	1,276,244	1,275,544	1,126,745	148,799
Other services and charges	155,925	197,225	171,644	25,581
Supplies	75,350	65,250	63,261	1,989
Streets				
Building/grounds maintenance	167,481	176,236	149,654	26,582
Total public works	<u>2,948,530</u>	<u>2,998,369</u>	<u>2,735,719</u>	<u>262,650</u>

**City of Duluth, Georgia**  
*General Fund*  
*Schedule of Revenues, Expenditures, and Changes in*  
*Fund Balances - Budget and Actual (GAAP Basis)*  
*For the Year Ended June 30, 2017*

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
Culture and recreation:				
Parks/Recreation Admin				
Personal services	\$ 1,259,705	\$ 1,248,749	\$ 1,198,696	\$ 50,053
Other services and charges	304,887	335,768	333,765	2,003
Recreation operations	230,076	192,549	179,038	13,511
Total culture and recreation	<u>1,794,668</u>	<u>1,777,066</u>	<u>1,711,499</u>	<u>65,567</u>
<b>Debt service:</b>				
Principal retirement	35,333	35,333	35,333	-
Interest and fiscal charges	3,065	2,751	2,751	-
Total debt service	<u>38,398</u>	<u>38,084</u>	<u>38,084</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>18,536,463</u>	<u>18,620,650</u>	<u>16,944,630</u>	<u>1,676,020</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,114,820)</u>	<u>(1,187,507)</u>	<u>1,864,286</u>	<u>3,051,793</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	15,968	15,968
Transfers in	122,476	122,476	141,219	18,743
Transfers out	<u>(2,701,718)</u>	<u>(2,697,329)</u>	<u>(2,576,712)</u>	<u>120,617</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,579,242)</u>	<u>(2,574,853)</u>	<u>(2,419,525)</u>	<u>155,328</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(3,694,062)</u>	<u>(3,762,360)</u>	<u>(555,239)</u>	<u>3,207,121</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>11,034,248</u>	<u>11,034,248</u>	<u>11,034,248</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 7,340,186</u>	<u>\$ 7,271,888</u>	<u>\$ 10,479,009</u>	<u>\$ 3,207,121</u>

**COMBINING FUND STATEMENTS AND SCHEDULES**

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# NONMAJOR GOVERNMENTAL FUNDS

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## 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.

**S. Hudgens Park Restrooms** – This fund is used to account for the construction of restrooms at the S. Hudgens Park.

**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

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## Capital Projects Funds (Continued)

**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.

**City Park Master Plan Fund** – This fund is used to account for the creation of a master park for all City parks to guide future park development.

**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.



**City of Duluth, Georgia**  
*Combining Balance Sheet*  
*Non-major Governmental Funds*  
*June 30, 2017*

	<b>Non-major Special Revenue Funds</b>	<b>Non-major Capital Projects Funds</b>	<b>Total Non-major Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 230,673	\$ 333,420	\$ 564,093
Taxes receivable	3,791	-	3,791
Intergovernmental receivable	-	277,147	277,147
Due from other funds	-	4,238	4,238
<b>TOTAL ASSETS</b>	<b>\$ 234,464</b>	<b>\$ 614,805</b>	<b>\$ 849,269</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 604	\$ 461,795	\$ 462,399
Accrued expenditures	27,194	-	27,194
Due to other funds	3,703	76,923	80,626
<b>TOTAL LIABILITIES</b>	<b>31,501</b>	<b>538,718</b>	<b>570,219</b>
<b>FUND BALANCES (DEFICIT)</b>			
Restricted:			
Capital construction	-	379,464	379,464
Law enforcement	71,979	-	71,979
Culture and recreation	108,486	-	108,486
Committed:			
Public works	8,000	-	8,000
Equipment purchases	14,498	-	14,498
Assigned:			
Gateway construction	-	5,500	5,500
Unassigned	-	(308,877)	(308,877)
<b>TOTAL FUND BALANCES</b>	<b>202,963</b>	<b>76,087</b>	<b>279,050</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 234,464</b>	<b>\$ 614,805</b>	<b>\$ 849,269</b>

**City of Duluth, Georgia**  
*Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balances*  
*Non-major Governmental Funds*  
*For the Year Ended June 30, 2017*

	<b>Non-major Special Revenue Funds</b>	<b>Non-major Capital Projects Funds</b>	<b>Total Non-major Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 53,910	\$ 18,359	\$ 72,269
Intergovernmental	-	1,099,163	1,099,163
Fines and forfeitures	78,574	-	78,574
Miscellaneous	118,938	-	118,938
<b>TOTAL REVENUES</b>	<b>251,422</b>	<b>1,117,522</b>	<b>1,368,944</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Public safety	41,571	-	41,571
Culture and recreation	42,465	-	42,465
<b>Capital outlay</b>	<b>-</b>	<b>3,640,759</b>	<b>3,640,759</b>
<b>TOTAL EXPENDITURES</b>	<b>84,036</b>	<b>3,640,759</b>	<b>3,724,795</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>167,386</b>	<b>(2,523,237)</b>	<b>(2,355,851)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	3,510,207	3,510,207
Transfers out	(139,644)	(51,575)	(191,219)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(139,644)</b>	<b>3,458,632</b>	<b>3,318,988</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>27,742</b>	<b>935,395</b>	<b>963,137</b>
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<b>175,221</b>	<b>(859,308)</b>	<b>(684,087)</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 202,963</b>	<b>\$ 76,087</b>	<b>\$ 279,050</b>

**City of Duluth, Georgia**  
*Combining Balance Sheet*  
**Non-major Special Revenue Funds**  
*June 30, 2017*

	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
<b>ASSETS</b>								
Cash	\$ 8,000	\$ 727	\$ 49,307	\$ 52,842	\$ 70,544	\$ 34,755	\$ 14,498	\$ 230,673
Taxes receivable	-	-	-	-	-	3,791	-	3,791
<b>TOTAL ASSETS</b>	<b>\$ 8,000</b>	<b>\$ 727</b>	<b>\$ 49,307</b>	<b>\$ 52,842</b>	<b>\$ 70,544</b>	<b>\$ 38,546</b>	<b>\$ 14,498</b>	<b>\$ 234,464</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 604	\$ -	\$ -	\$ 604
Accrued expenditures	-	-	27,194	-	-	-	-	27,194
Due to other funds	-	-	3,703	-	-	-	-	3,703
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>30,897</b>	<b>-</b>	<b>604</b>	<b>-</b>	<b>-</b>	<b>31,501</b>
<b>FUND BALANCES</b>								
Restricted:								
Law enforcement	-	727	18,410	52,842	-	-	-	71,979
Culture & recreation	-	-	-	-	69,940	38,546	-	108,486
Committed:								
Public works	8,000	-	-	-	-	-	-	8,000
Equipment purchases	-	-	-	-	-	-	14,498	14,498
<b>TOTAL FUND BALANCES</b>	<b>8,000</b>	<b>727</b>	<b>18,410</b>	<b>52,842</b>	<b>69,940</b>	<b>38,546</b>	<b>14,498</b>	<b>202,963</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,000</b>	<b>\$ 727</b>	<b>\$ 49,307</b>	<b>\$ 52,842</b>	<b>\$ 70,544</b>	<b>\$ 38,546</b>	<b>\$ 14,498</b>	<b>\$ 234,464</b>

**City of Duluth, Georgia**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Non-major Special Revenue Funds*  
*For the Year Ended June 30, 2017*

	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
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,910	\$ -	\$ 53,910
Fines and forfeitures	-	-	-	-	-	-	78,574	78,574
Other	-	-	1,833	4,700	112,405	-	-	118,938
<b>TOTAL REVENUES</b>	-	-	1,833	4,700	112,405	53,910	78,574	251,422
<b>EXPENDITURES</b>								
<b>Current:</b>								
Public safety	-	-	36,510	5,061	-	-	-	41,571
Culture and recreation	-	-	-	-	42,465	-	-	42,465
<b>TOTAL EXPENDITURES</b>	-	-	36,510	5,061	42,465	-	-	84,036
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	(34,677)	(361)	69,940	53,910	78,574	167,386
<b>OTHER FINANCING USES</b>								
Transfers out	-	-	(4,644)	-	-	(50,000)	(85,000)	(139,644)
<b>TOTAL OTHER FINANCING USES</b>	-	-	(4,644)	-	-	(50,000)	(85,000)	(139,644)
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(39,321)	(361)	69,940	3,910	(6,426)	27,742
<b>FUND BALANCES - BEGINNING OF YEAR</b>	8,000	727	57,731	53,203	-	34,636	20,924	175,221
<b>FUND BALANCES - END OF YEAR</b>	\$ 8,000	\$ 727	\$ 18,410	\$ 52,842	\$ 69,940	\$ 38,546	\$ 14,498	\$ 202,963

**City of Duluth, Georgia**  
*Combining Balance Sheet*  
*Non-major Capital Projects Funds*  
*June 30, 2017*

	SFLOST 1997	Taylor Park Playground	The Block	S. Hudgens Park Restrooms	Rodgers Bridge Dog Park	Abbots Bridge Road Improvements	Western Gwinnett Bikeway Phase 3	Downtown Parking Facility
<b>ASSETS</b>								
Cash	\$ -	\$ -	\$ 51,670	\$ -	\$ 47,285	\$ -	\$ -	\$ -
Intergovernmental receivable	-	-	-	-	18,876	112,191	-	-
Due from other funds	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,670</b>	<b>\$ -</b>	<b>\$ 66,161</b>	<b>\$ 112,191</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 21,244	\$ 24,386	\$ 182,210	\$ -	\$ 20,283	\$ 44,349	\$ -	\$ -
Due to other funds	-	-	-	-	-	29,200	-	-
<b>TOTAL LIABILITIES</b>	<b>21,244</b>	<b>24,386</b>	<b>182,210</b>	<b>-</b>	<b>20,283</b>	<b>73,549</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>								
Restricted:								
Capital construction	-	-	-	-	45,878	38,642	-	-
Assigned:								
Gateway construction	-	-	-	-	-	-	-	-
Unassigned	(21,244)	(24,386)	(130,540)	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(21,244)</b>	<b>(24,386)</b>	<b>(130,540)</b>	<b>-</b>	<b>45,878</b>	<b>38,642</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,670</b>	<b>\$ -</b>	<b>\$ 66,161</b>	<b>\$ 112,191</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Duluth, Georgia**  
*Combining Balance Sheet*  
*Non-major Capital Projects Funds*  
*June 30, 2017*

	2009 SPLOST Vehicles	Transportation Infrastructure Improvements	Gateway Entrance	Buford Highway Interchange	Other Capital Projects	City Master Park Plan	Downtown Parking	Buford Hwy Medians	TAD	Total Non-major Capital Projects Funds
<b>ASSETS</b>										
Cash	\$ -	\$ 218,101	\$ 5,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,864	\$ 333,420
Intergovernmental receivable	-	-	-	77,836	68,244	-	-	-	-	277,147
Due from other funds	-	-	-	-	4,238	-	-	-	-	4,238
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 218,101</b>	<b>\$ 5,500</b>	<b>\$ 77,836</b>	<b>\$ 72,482</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,864</b>	<b>\$ 614,805</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ 48,726	\$ 2,922	\$ -	\$ 7,398	\$ 101,654	\$ -	\$ 5,423	\$ 3,200	\$ -	\$ 461,795
Due to other funds	-	-	-	1,537	46,186	-	-	-	-	76,923
<b>LIABILITIES</b>	<b>48,726</b>	<b>2,922</b>	<b>-</b>	<b>8,935</b>	<b>147,840</b>	<b>-</b>	<b>5,423</b>	<b>3,200</b>	<b>-</b>	<b>538,718</b>
<b>FUND BALANCES (DEFICIT)</b>										
Restricted:										
Capital construction	-	215,179	-	68,901	-	-	-	-	10,864	379,464
Assigned:										
Gateway construction	-	-	5,500	-	-	-	-	-	-	5,500
Unassigned	(48,726)	-	-	-	(75,358)	-	(5,423)	(3,200)	-	(308,877)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(48,726)</b>	<b>215,179</b>	<b>5,500</b>	<b>68,901</b>	<b>(75,358)</b>	<b>-</b>	<b>(5,423)</b>	<b>(3,200)</b>	<b>10,864</b>	<b>76,087</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ -</b>	<b>\$ 218,101</b>	<b>\$ 5,500</b>	<b>\$ 77,836</b>	<b>\$ 72,482</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,864</b>	<b>\$ 614,805</b>

**City of Duluth, Georgia**

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Non-major Capital Projects Funds  
For the Year Ended June 30, 2017*

	SPLOST 1997	Taylor Park Playground	The Block	S. Hudgens Park Restrooms	Rodgers Bridge Dog Park	Abbots Bridge Road Improvements	Western Gwinnett Bikeway Phase 3	Downtown Parking Facility
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 195,318	\$ 126,985	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-	195,318	126,985	-	-
<b>EXPENDITURES</b>								
<b>Capital outlay:</b>								
Public safety	326,812	-	1,037,851	-	-	158,691	-	5,000
Public works	-	29,646	-	588,078	182,958	-	12,500	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	326,812	29,646	1,037,851	588,078	182,958	158,691	12,500	5,000
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(326,812)	(29,646)	(1,037,851)	(588,078)	12,360	(31,706)	(12,500)	(5,000)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	657,028	5,260	1,209,413	708,854	59,319	10,280	12,500	5,000
Transfers out	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	657,028	5,260	1,209,413	708,854	59,319	10,280	12,500	5,000
<b>NET CHANGE IN FUND BALANCES</b>	330,216	(24,386)	171,562	120,776	71,679	(21,426)	-	-
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	(351,460)	-	(302,102)	(120,776)	(25,801)	60,068	-	-
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ (21,244)	\$ (24,386)	\$ (130,540)	\$ -	\$ 45,878	\$ 38,642	\$ -	\$ -

**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, 2017*

	2009 SPLOST Vehicles	Transportation Infrastructure Improvements	Gateway Entrance	Buford Highway Interchange	Other Capital Projects	City Master Park Plan	Downtown Parking	Buford Hwy Medians	TAD	Total Non-major Capital Projects Funds
<b>REVENUES</b>										
Intergovernmental	\$ -	218,101	\$ -	\$ 147,221	\$ 411,538	\$ -	\$ -	\$ -	\$ -	\$ 1,099,163
Property taxes	-	-	-	-	-	-	-	-	18,359	18,359
<b>TOTAL REVENUES</b>	-	218,101	-	147,221	411,538	-	-	-	18,359	1,117,522
<b>EXPENDITURES</b>										
<b>Capital outlay:</b>										
Public safety	56,942	-	-	-	-	-	-	-	-	56,942
Public works	-	345,735	-	110,371	664,628	-	44,128	27,946	-	2,721,162
Culture and recreation	-	-	-	-	-	49,473	-	-	-	862,655
<b>TOTAL EXPENDITURES</b>	56,942	345,735	-	110,371	664,628	49,473	44,128	27,946	-	3,640,759
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(56,942)	(127,634)	-	36,850	(253,090)	(49,473)	(44,128)	(27,946)	18,359	(2,523,237)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	19,696	198,635	-	34,228	213,209	54,405	292,694	29,686	-	3,510,207
Transfers out	-	-	-	-	(37,575)	-	-	-	(14,000)	(51,575)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	19,696	198,635	-	34,228	175,634	54,405	292,694	29,686	(14,000)	3,458,632
<b>NET CHANGE IN FUND BALANCES</b>	(37,246)	71,001	-	71,078	(77,456)	4,932	248,566	1,740	4,359	935,395
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	(11,480)	144,178	5,500	(2,177)	2,098	(4,932)	(253,989)	(4,940)	6,505	(859,308)
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ (48,726)	\$ 215,179	\$ 5,500	\$ 68,901	\$ (75,358)	\$ -	\$ (5,423)	\$ (3,200)	\$ 10,864	\$ 76,087



**City of Duluth, Georgia**  
*Combining Statement of Net Position*  
*Internal Service Funds*  
*June 30, 2017*

	<b>Duluth Governmental Finance Corporation</b>	<b>Workers' Compensation Fund</b>	<b>Health Reimbursement Fund</b>	<b>Total Internal Service Funds</b>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	\$ -	\$ 548,614	\$ 156,554	\$ 705,168
Due from other funds	-	-	1,498	1,498
<b>Total Current Assets</b>	<b>-</b>	<b>548,614</b>	<b>158,052</b>	<b>706,666</b>
<b>Noncurrent Assets:</b>				
<b>Capital assets:</b>				
Nondepreciable capital assets	1,654,856	-	-	1,654,856
Depreciable capital assets, net	729,514	-	-	729,514
<b>Total Noncurrent Assets</b>	<b>2,384,370</b>	<b>-</b>	<b>-</b>	<b>2,384,370</b>
<b>TOTAL ASSETS</b>	<b>2,384,370</b>	<b>548,614</b>	<b>158,052</b>	<b>3,091,036</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	-	593	286	879
Claims payable	-	84,047	-	84,047
<b>Total Current Liabilities</b>	<b>-</b>	<b>84,640</b>	<b>286</b>	<b>84,926</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>84,640</b>	<b>286</b>	<b>84,926</b>
<b>NET POSITION</b>				
Investment in capital assets	2,384,370	-	-	2,384,370
Unrestricted	-	463,974	157,766	621,740
<b>TOTAL NET POSITION</b>	<b>\$ 2,384,370</b>	<b>\$ 463,974</b>	<b>\$ 157,766</b>	<b>\$ 3,006,110</b>

**City of Duluth, Georgia**  
*Combining Statement of Revenues, Expenses, and  
Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2017*

	<b>Duluth Governmental Finance Corporation</b>	<b>Workers' Compensation Fund</b>	<b>Health Reimbursement Fund</b>	<b>Total Internal Service Funds</b>
<b>OPERATING EXPENSES</b>				
Claims	\$ -	\$ 61,402	\$ 84,174	\$ 145,576
Depreciation	48,625	-	-	48,625
<b>TOTAL OPERATING EXPENSES</b>	<u>48,625</u>	<u>61,402</u>	<u>84,174</u>	<u>194,201</u>
<b>OPERATING (LOSS)</b>	<u>(48,625)</u>	<u>(61,402)</u>	<u>(84,174)</u>	<u>(194,201)</u>
<b>NON-OPERATING INCOME</b>				
Interest income	-	5,659	-	5,659
<b>TOTAL NON-OPERATING INCOME</b>	<u>-</u>	<u>5,659</u>	<u>-</u>	<u>5,659</u>
<b>(LOSS) BEFORE TRANSFERS</b>	<u>(48,625)</u>	<u>(55,743)</u>	<u>(84,174)</u>	<u>(188,542)</u>
Transfers in	-	250,000	70,000	320,000
<b>CHANGE IN NET POSITION</b>	<u>(48,625)</u>	<u>194,257</u>	<u>(14,174)</u>	<u>131,458</u>
<b>NET POSITION:</b>				
<b>BEGINNING OF YEAR</b>	<u>2,432,995</u>	<u>269,717</u>	<u>171,940</u>	<u>2,874,652</u>
<b>END OF YEAR</b>	<u>\$ 2,384,370</u>	<u>\$ 463,974</u>	<u>\$ 157,766</u>	<u>\$ 3,006,110</u>

**City of Duluth, Georgia**  
*Combining Statement of Cash Flows*  
*Internal Service Funds*  
*For the Year Ended June 30, 2017*

	<b>Duluth Governmental Finance Corporation</b>	<b>Workers' Compensation Fund</b>	<b>Health Reimbursement Fund</b>	<b>Total Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash payments for claims	\$ -	\$ (364,598)	\$ (83,829)	\$ (448,427)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>-</u>	<u>(364,598)</u>	<u>(83,829)</u>	<u>(448,427)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	250,000	70,000	320,000
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>250,000</u>	<u>70,000</u>	<u>320,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	-	5,659	-	5,659
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>5,659</u>	<u>-</u>	<u>5,659</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	-	(108,939)	(13,829)	(122,768)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>-</u>	<u>657,553</u>	<u>170,383</u>	<u>827,936</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 548,614</u>	<u>\$ 156,554</u>	<u>\$ 705,168</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>				
Operating (loss)	\$ (48,625)	\$ (61,402)	\$ (84,174)	\$ (194,201)
Adjustments:				
Depreciation	48,625	-	-	48,625
Change in assets and liabilities:				
Decrease in due from other funds	-	4,567	329	4,896
Increase (decrease) accounts and claims payable	-	(307,763)	16	(307,747)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ (364,598)</u>	<u>\$ (83,829)</u>	<u>\$ (448,427)</u>

## **SCHEDULES**

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**City of Duluth, Georgia**  
*Schedule of Expenditures of*  
*Special Purpose Local Option Sales Tax Proceeds*  
*1997 Issue*  
*For the Year Ended June 30, 2017*

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
SR 120 Realignment & Hill St.	\$ 1,646,184	\$ 1,834,424	\$ 1,834,425	\$ -	\$ 1,834,425
	<u>\$ 1,646,184</u>	<u>\$ 1,834,424</u>	<u>\$ 1,834,425</u>	-	<u>\$ 1,834,425</u>
				326,812	
				<u>\$ 326,812</u>	

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

**City of Duluth, Georgia**  
*Schedule of Expenditures of  
Special Purpose Local Option Sales Tax Proceeds  
2009 Issue  
For the Year Ended June 30, 2017*

Project Description	Original Estimated Cost	Revised Estimated Cost*	Expenditures		Total
			Prior Years	Current Year	
Library	\$ 1,340,000	\$ 1,195,363	\$ 1,173,689	\$ 14,461	\$ 1,188,150
Public Safety Building	1,240,000	1,117,547	1,117,547	-	1,117,547
Recreational Facilities	7,800,000	7,055,000	5,697,526	778,438	6,475,964
Transportation	8,200,000	7,730,324	7,091,295	639,029	7,730,324
Sewer	1,340,000	1,001,488	79,543	37,575	117,118
	<u>\$ 19,920,000</u>	<u>\$ 18,099,722</u>	<u>\$ 15,159,600</u>	<u>1,469,503</u> (1)	<u>\$ 16,629,103</u>

(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, 2017*

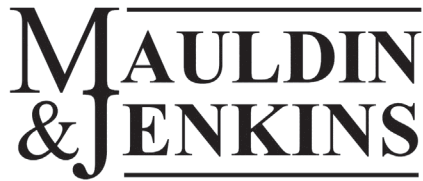
Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
Parking Facilities	\$ 3,048,184	\$ 2,726,877	\$ 1,773,745	\$ 685,315	\$ 2,459,060
Public Safety Facilities & Equipment	725,757	649,954	577,131	20,419	597,550
Recreational Facilities & Equipment	725,757	641,717	1,800	49,399	51,199
Transportation	9,870,305	8,727,637	4,283,858	1,286,294	5,570,152
Administrative Facilities & Equipment	145,152	128,348	-	-	-
	<u>\$ 14,515,155</u>	<u>\$ 12,874,533</u>	<u>\$ 6,636,534</u>	<u>\$ 2,041,427</u> (1)	<u>\$ 8,677,961</u>

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

## **COMPLIANCE SECTION**

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

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

We have audited, 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, 2017, 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 27, 2017.

**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.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Atlanta, Georgia  
December 27, 2017

**CITY OF DULUTH, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

Unmodified

Internal control over financial reporting:  
Material weaknesses identified?

\_\_\_ yes     X  no

Significant deficiencies identified?

\_\_\_ yes     X  none reported

Noncompliance material to financial statements noted?

\_\_\_ yes     X  no

**Federal Awards**

There was not an audit of major federal award programs as of June 30, 2017 due to the total amount of federal awards expended being less than \$750,000.