

CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

June 30, 2009

CITY OF DULUTH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	1 and 2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities... 14	
Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
In Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds.....	17
Statement of Revenues, Expenses, and Changes in Fund	
Net Assets – Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Notes to the Financial Statements.....	20-36
Required Supplementary Information:	
Schedule of Funding Progress.....	37
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances – Budget (GAAP Basis) and Actual – General Fund	38-40
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	41
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Governmental Funds.....	42
Combining Balance Sheet - Nonmajor Special Revenue Funds	43
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Special Revenue Funds	44
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	45 and 46
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Capital Projects Funds	47 and 48
Combining Statement of Net Assets – Internal Service Funds	49
Combining Statement of Revenues, Expenses, and Changes in Fund	
Net Assets – Internal Service Funds	50
Combining Statement of Cash Flows – Internal Service Funds	51
Combining Statement of Cash Flows – Component Units	52

CITY OF DULUTH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS (Continued)

Schedule of Expenditures of Special Purpose Local Option	
Sales Tax Proceeds	53
Schedule of Expenditures of Special Purpose Local Option	
Sales Tax Proceeds – SPLOST 1997	54
Schedule of Expenditures of Special Purpose Local Option	
Sales Tax Proceeds – SPLOST 2001	55
Schedule of Expenditures of Special Purpose Local Option	
Sales Tax Proceeds – SPLOST 2005	56

COMPLIANCE SECTION:

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	57 and 58
Schedule of Findings and Responses	59 - 63

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the **City of Duluth, Georgia** as of and for the year ended June 30, 2009, which collectively comprise City of Duluth, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Duluth, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Duluth, Georgia as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of the City of Duluth, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10, the actuarial Schedules of Funding Progress on page 37, and budgetary comparison information on pages 38 through 40 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth, Georgia's basic financial statements. The combining non-major fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 5, 2009

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

As management of the City of Duluth, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. This narrative is intended to assist the reader in understanding significant issues, material deviations from the original budget and provide an overview of financial activities and identify changes in financial position. We encourage readers to consider this information presented herein, in conjunction with the additional information furnished in the financial statements, and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at June 30, 2009 by \$85,284,942 (net assets), of this amount, \$21,330,664 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets decreased by \$2,318,619 during the fiscal year ended June 30, 2009; all of this decrease is attributable to governmental activities.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$20,700,093 a decrease of \$33,914 in comparison with the prior year. This decrease is attributable mainly to the expenditures on various capital projects.
- The unreserved fund balance for the General Fund at June 30, 2009 was \$11,777,841 which was 60% of total General Fund expenditures and transfers-out for the year. The unreserved General Fund balance at June 30, 2008 was \$12,803,037.
- The City's total long term debt experienced a net increase of \$1,690,544 during the fiscal year ended June 30, 2009. This increase was due to a new capital lease financing arrangement for real estate offset by repayments at scheduled maturity during the year.
- The City's Component Units (Urban Redevelopment Authority and Downtown Development Authority) total long term liabilities experienced a net increase of \$4,155,804 during the fiscal year ended June 30, 2009. The increase was due to the issuance of the DDA's 2008 Bonds for the purchase of a downtown building under development. The increase was offset by repayment of bonds at scheduled maturity during the year.

Overview of the Financial Statements

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

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

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

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

- 1) The "statement of net assets" presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the City is improving or deteriorating.
- 2) The "statement of activities" presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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

Both of the government-wide financial statements distinguish between functions that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, police services, judiciary, public works, planning and zoning, economic and community development, parks, and code enforcement. Business-type activities include sanitation services.

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements focus on the most significant funds, reporting on the City's operations in greater detail than the government-wide statements. All of the City's funds can be divided into two categories: governmental and proprietary.

Governmental Funds: Most of the basic services provided by the City are financed through governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. These statements assist the reader in determining whether there are adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is short-term and the focus of the government-wide financial statements is both short-term and long-term, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 32 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for all three funds which are considered to be major funds.

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

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

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Proprietary Funds: The City maintains two different types of proprietary funds, an enterprise fund and an internal service fund. Enterprise funds charge a fee for services to outside customers. The City uses an enterprise fund to account for its solid waste activities. The City's enterprise fund statements are the same as the business-type activities reported in the government-wide financial statements, but provide more detail. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities. The City uses internal service funds to account for the activities of the Duluth Governmental Finance Corporation and a risk management fund (worker's compensation). Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide information for solid waste services, which is considered to be a non-major fund of the City.

The two internal service funds are combined into a single, aggregated column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential for the reader in order to obtain a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 20-36 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 37-40 of this report.

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

Combining and individual fund statements and schedules can be found on pages 41-56 of this report.

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$85,284,942 and \$87,603,561 at June 30, 2009 and 2008, respectively. The following is a condensed version of the government-wide statement of net assets.

City of Duluth – Net Assets (\$000)

	Governmental Activities		Business-Type		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 22,992	\$ 22,904	\$ 27	\$ 19	\$ 23,019	\$ 22,923
Capital assets	66,053	66,245	-	-	66,053	132,298
Total assets	<u>89,045</u>	<u>89,149</u>	<u>27</u>	<u>19</u>	<u>89,072</u>	<u>155,221</u>
Liabilities:						
Long-term liabilities						
outstanding	935	793	-	-	935	793
Other liabilities	2,852	767	-	4	2,852	771
Total liabilities	<u>3,787</u>	<u>1,560</u>	<u>-</u>	<u>4</u>	<u>3,787</u>	<u>1,564</u>
Net assets:						
Invested in capital assets, net of related debt	63,954	65,837	-	-	63,954	65,837
Unrestricted	21,304	21,752	27	15	21,331	21,767
Total net assets	<u>\$ 85,258</u>	<u>\$ 87,589</u>	<u>\$ 27</u>	<u>\$ 15</u>	<u>\$ 85,285</u>	<u>\$ 87,604</u>

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

The remaining balance of unrestricted net assets \$21,330,664 may be used to meet the City's ongoing obligations to citizens and creditors. Much of this unrestricted balance however is earmarked (although not legally restricted) for future capital projects.

At the end of the current fiscal year, the City was able to report positive balances in both categories of net assets for governmental activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities decreased the City's net assets by \$2,330,900 and business-type activities increased the City's net assets by \$12,281. Much of the decrease in governmental activities net assets came _____. The increase in business-type activities net assets came from charges for services.

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The following condensed financial information was derived from the government-wide statement of activities and summarizes changes in net assets for the year ended June 30, 2009 and 2008.

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

	Governmental Activities		Business-Type		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 4,439	\$ 5,783	\$ 47	\$ 56	\$ 4,486	\$ 5,839
Operating grants and contributions	100	170	-	-	100	170
Capital grants and contributions	305	3,023	-	-	305	3,023
General revenues:						
Property taxes	6,108	5,884	-	-	6,108	5,884
Insurance premium tax	1,238	1,209	-	-	1,238	1,209
Sales tax	3,695	4,521	-	-	3,695	4,521
Other taxes	4,045	3,554	-	-	4,045	3,554
Other	871	1,413	-	-	871	1,413
Total revenues	20,801	25,557	47	56	20,848	25,613
Expenses						
General government	4,204	3,908	-	-	4,204	3,908
Public safety	9,053	9,144	-	-	9,053	9,144
Housing & development	93	98	-	-	93	98
Public works	8,203	6,472	-	-	8,203	6,472
Culture & recreation	1,563	1,544	-	-	1,563	1,544
Judicial	6	4	-	-	6	4
Interest on long term debt	10	15	-	-	10	15
Solid waste	-	-	35	47	35	47
Total expenses	23,132	21,185	35	47	23,167	21,232
Change in net assets	(2,331)	4,372	12	9	(2,319)	4,381
Net assets-July 1	87,589	83,217	15	6	87,604	83,223
Net assets-June 30	\$ 85,258	\$ 87,589	\$ 27	\$ 15	\$ 85,285	\$ 87,604

Governmental activities revenues totaled \$20,801,000 for fiscal year 2009. Property taxes are the largest revenue source for governmental activities, accounting for 29.4% of total revenues. Charges for services and sales taxes are the second and third largest revenue source accounting for 21.3% and 17.8% of governmental revenues for the year. Decreases in charges for services and sales taxes are attributed to _____.

Governmental activities expenses totaled \$23,132,000 for fiscal year. Of the expenses, 39.1% is related to public safety. In addition, public works and general government accounted for 35.5% and 18.2% of total governmental expenses for the year. Increases in public works expenses are due to _____.

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Business-type activities: Business-type activities increased the City's net assets by \$12,281, due to fees and the sale of garbage bags.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$20,700,093, a decrease of \$33,914 or 0.2% in comparison with the prior year. Approximately 99% of the fund balance or \$20,495,271 is classified as unreserved. Of this total amount all is available for spending in future years without restrictions. The unreserved fund balance consists of General Funds-undesignated of \$11,777,841, special revenue funds-undesignated of \$342,017 and capital projects funds-undesignated of \$8,375,413. The remainder of fund balance is reserved to indicate it is not available for new spending because it has been committed to pay General Fund prepaids of \$204,822.

The General Fund is the chief operating fund of the City, at the end of the current fiscal year, unreserved fund balance of the General Fund was \$11,777,841. As a measure of the general fund's liquidity, it would be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 60% of total General Fund expenditures plus transfers-out, which compares to 76% in the prior year.

The fund balance of the City's general fund decreased by \$1,025,202 during the current fiscal year. Key factors in this activity are as follows:

- Overall general fund revenue increased by \$632,104 or 4%.
- Revenue for taxes increased by \$690,737 (7%) over the prior year. This increase was mainly due to new development and reassessments.
- Overall general fund revenue exceeded expenditures by \$838,690 or 5.1%
- Transfer out exceeded transfer in and sale of capital assets by \$348,986.

Overall total expenditures (and transfers out) of the general fund decreased
\$ _____.

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

At the fiscal year end, the Worker's Compensation Fund has unrestricted net assets of \$603,708. Because the City self insures for worker's compensation this balance is restricted for paying claims and purchasing the 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 of \$2,783,311. The solid waste fund has an unrestricted fund balance of \$27,091, which is from franchise fees and the sale of garbage bags.

**CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

General Fund Budgetary Highlights

During the year several budget amendments were adopted by the City Council and are included in the final budget column totals.

During the year, general fund revenues exceed budgetary projections and expenditures were less than budgetary estimates. Actual revenues were \$1,604,791 higher than estimates and expenditures were \$2,827,960 less than budgetary appropriations.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2009, amounted to \$63,954,278, net of depreciation. The investment in capital assets includes land, plant and buildings, machinery, equipment and fixtures, streets and drainage, construction in progress. The majority of the increase in governmental capital assets is attributable to completion of construction of the city hall building and the purchase police vehicles and equipment, which increased capital assets by \$4,543,243.

City of Duluth – Capital Assets (\$000)

Governmental Activities	<u>2008</u>	<u>2008</u>
Land	\$ 9,834	\$ 9,354
Plant and building	34,976	34,976
Improvement other than building	53,130	53,048
Machinery, equipment, fixtures	4,601	5,275
Construction in progress	1,877	-
Less accumulated depreciation	<u>(38,365)</u>	<u>(36,408)</u>
Total	<u>\$66,053</u>	<u>\$66,245</u>

Additional information on the City's capital assets can be found in Note 5 Capital Assets on page ___ of this report.

Long-term debt: At June 30, 2009, the City had no bonded debt outstanding. The City has outstanding a capital lease of \$2,098,612, of which \$508,056 is due and payable within one year. The component units of the City, the Downtown Development Authority and the Urban Redevelopment Authority have outstanding revenue bonds of \$12,795,804 and \$11,975,968, respectively. Amounts due within one year are Downtown Development Authority \$259,178 and the Urban Redevelopment Authority \$595,000.

**CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

The City's total long term debt experienced a net increase of \$1,690,544 during the fiscal year ended June 30, 2009. This increase was due to a new capital lease financing arrangement for real estate offset by repayments at scheduled maturity during the year.

The City's Component Units (Urban Redevelopment Authority and Downtown Development Authority) total long term liabilities experienced a net increase of \$4,155,804 during the fiscal year ended June 30, 2009. The increase was due to the issuance of the DDA's 2008 Bonds for the purchase of a downtown building under development. The increase was offset by repayment of bonds at scheduled maturity during the year.

Additional information on the City's long-term debt can be found in Note 6 Long-term Debt on pages __ and __ of this report.

Economic Factors and Next Year's Budget and Rates

The City of Duluth's population has continued to grow, along with the diverse ethnicity of that population. Duluth's population grew 15% between 2000 and 2007. This growth has resulted in both a greater demand for services and an increased tax base to help support this growth. Property tax revenues in 2007 and 2008 have grown by 17.7% and 9.9% from the previous years. The City is home to a diverse population with a median age of 35.1 years old, with a median household income of \$62,305 and a median house value of \$195,500.

The City's elected officials consider many factors, including those mentioned above when developing the annual budget. Despite the recent changes in the economy, higher unemployment, and changes in the tax base the City Council has been able to maintain a millage rate of 5.191 mills since 2001.

Request for information

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

BASIC FINANCIAL STATEMENTS

City of Duluth, Georgia
Statement of Net Assets
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Urban Redevelopment Authority
ASSETS					
Cash	\$ 20,917,740	\$ 15,744	\$ 20,933,484	\$ 1,323,166	\$ -
Accounts receivable	862,869	11,337	874,206	25,000	-
Taxes receivable	1,007,085	-	1,007,085	-	-
Prepaid items	204,822	-	204,822	-	-
Nondepreciable capital assets	11,709,929	-	11,709,929	6,996,132	1,659,102
Depreciable capital assets, net	54,342,961	-	54,342,961	-	-
Deferred charges	-	-	-	116,083	216,667
TOTAL ASSETS	89,045,406	27,081	89,072,487	8,460,381	1,875,769
LIABILITIES					
Accounts payable	419,701	-	419,701	-	-
Claims payable	53,790	-	53,790	-	-
Accrued expenses	460,800	-	460,800	-	-
Unearned revenue	-	-	-	25,000	-
Accrued interest payable	-	-	-	23,870	40,045
Noncurrent liabilities:					
Net OPEB obligation due in more than one year	320,000	-	320,000	-	-
Bonds payable due within one year	-	-	-	259,178	595,000
Bonds payable due in more than one year	-	-	-	12,536,626	11,380,968
Capital lease payable due within one year	508,056	-	508,056	-	-
Capital lease payable due in more than one year	1,590,556	-	1,590,556	-	-
Compensated absences payable, due within one year	434,642	-	434,642	-	-
TOTAL LIABILITIES	3,787,545	-	3,787,545	12,844,674	12,016,013
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	63,954,278	-	63,954,278	(5,683,589)	(10,316,866)
Restricted for:					
Debt Service	-	-	-	-	(636,013)
Unrestricted	21,303,583	27,081	21,330,664	1,299,296	812,635
TOTAL NET ASSETS (DEFICIT)	\$ 85,257,861	\$ 27,081	\$ 85,284,942	\$ (4,384,293)	\$ (10,140,244)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Activities
For the Year Ended June 30, 2009

	Net (Expense) Revenue and Changes in Net Assets							Component Units	
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total		Downtown Development Authority
PRIMARY GOVERNMENT:									
Governmental Activities									
General government	\$ 4,203,875	\$ 368,033	\$ -	\$ -	\$ (3,835,842)	\$ -	\$ (3,835,842)	\$ -	\$ -
Judicial	6,078	-	-	-	(6,078)	-	(6,078)	-	-
Public safety	9,053,210	3,723,318	97,428	-	(5,232,464)	-	(5,232,464)	-	-
Public works	8,203,352	-	-	-	(8,203,352)	-	(8,203,352)	-	-
Culture and recreation	1,562,691	348,078	2,819	-	(1,211,794)	-	(1,211,794)	-	-
Housing and development	92,845	-	-	305,000	212,155	-	212,155	-	-
Interest on long-term obligation	10,458	-	-	-	(10,458)	-	(10,458)	-	-
Total Governmental Activities	23,132,509	4,439,429	100,247	305,000	(18,287,833)	-	(18,287,833)	-	-
Business-Type Activities:									
Solid Waste	34,970	47,251	-	-	-	12,281	12,281	-	-
Total Business-Type Activities	34,970	47,251	-	-	-	12,281	12,281	-	-
Total - Primary Government	\$ 23,167,479	\$ 4,486,680	\$ 100,247	\$ 305,000	(18,287,833)	12,281	(18,275,552)	-	-
Component Units:									
Downtown Development Authority	\$ 483,399	\$ -	\$ 450,228	\$ -	\$ -	\$ -	\$ -	\$ (33,171)	\$ -
Urban Redevelopment Authority	620,857	-	3,570,234	-	-	-	-	-	2,949,377
Total - Component Units	\$ 1,104,256	\$ -	\$ 4,020,462	\$ -	\$ -	\$ -	\$ -	(33,171)	2,949,377
GENERAL REVENUES:									
Taxes:									
Property					6,108,121		6,108,121		
Sales					3,695,003		3,695,003		
Insurance premium					1,238,129		1,238,129		
Other					4,044,704		4,044,704		
Interest earned					594,918		594,918	3,685	
Miscellaneous					250,992		250,992		
Gain on sale of capital asset					25,066		25,066		
Total General Revenue:					15,956,933		15,956,933	3,685	
Change in Net Assets					(2,330,900)	12,281	(2,318,619)	(29,486)	2,949,377
NET ASSETS (DEFICIT) BEGINNING OF YEAR					87,588,761	14,800	87,603,561	(4,354,807)	(13,089,621)
NET ASSETS (DEFICIT) END OF YEAR					\$ 85,257,861	\$ 27,081	\$ 85,284,942	\$ (4,384,293)	\$ (10,140,244)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	SPLOST 2005 Fund	City Hall Design-Build Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 12,018,148	\$ 4,652,810	\$ -	\$ 3,589,051	\$ 20,260,009
Receivables:					
Taxes	1,007,085	-	-	-	1,007,085
Accounts	-	-	-	862,869	862,869
Due from other funds	293,551	-	-	37,308	330,859
Prepaid items	204,822	-	-	-	204,822
TOTAL ASSETS	<u>\$ 13,523,606</u>	<u>\$ 4,652,810</u>	<u>\$ -</u>	<u>\$ 4,489,228</u>	<u>\$ 22,665,644</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 352,950	\$ -	\$ -	\$ 66,518	\$ 419,468
Salaries payable	100,505	-	-	-	100,505
Accrued expenditures	312,508	-	-	47,787	360,295
Due to other funds	20,556	-	68,181	242,122	330,859
Deferred revenues	754,424	-	-	-	754,424
TOTAL LIABILITIES	<u>1,540,943</u>	<u>-</u>	<u>68,181</u>	<u>356,427</u>	<u>1,965,551</u>
FUND BALANCES (DEFICIT)					
Reserved for prepaid	204,822	-	-	-	204,822
Unreserved:					
Undesignated, reported in:					
General Fund	11,777,841	-	-	-	11,777,841
Special Revenue Funds	-	-	-	342,017	342,017
Capital Projects Funds	-	4,652,810	(68,181)	3,790,784	8,375,413
TOTAL FUND BALANCES (DEFICIT)	<u>11,982,663</u>	<u>4,652,810</u>	<u>(68,181)</u>	<u>4,132,801</u>	<u>20,700,093</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,523,606</u>	<u>\$ 4,652,810</u>	<u>\$ -</u>	<u>\$ 4,489,228</u>	<u>\$ 22,665,644</u>

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009*

TOTAL GOVERNMENTAL FUND BALANCES		\$ 20,700,093
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$ 101,264,653	
Less accumulated depreciation	<u>(37,995,074)</u>	63,269,579
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes and franchise taxes		754,424
An internal service fund is used by management to charge the costs of workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.		
		3,387,019
Net OPEB obligations are not due and payable in current period and therefore not reported in the funds.		
		(320,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	\$ (2,098,612)	
Compensated absences	<u>(434,642)</u>	<u>(2,533,254)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 85,257,861</u></u>

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, 2009

	General Fund	SPLOST 2005 Fund	City Hall Design-Build Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 11,280,956	\$ 2,881,809	\$ -	\$ 844,508	\$ 15,007,273
Licenses and permits	366,577	-	-	-	366,577
Intergovernmental	-	-	-	399,428	399,428
Charges for services	388,787	-	-	31,506	420,293
Interest income	455,923	78,950	-	48,932	583,805
Fines and forfeitures	3,637,179	-	-	-	3,637,179
Miscellaneous	203,030	-	-	69,161	272,191
TOTAL REVENUES	16,332,452	2,960,759	-	1,393,535	20,686,746
EXPENDITURES					
Current:					
General government	3,580,266	19	-	-	3,580,285
Public safety	8,008,619	-	-	197,174	8,205,793
Public works	3,364,308	2,800,979	-	635,507	6,800,794
Culture and recreation	1,156,360	-	-	-	1,156,360
Capital outlay	-	-	222,246	2,460,334	2,682,580
Debt service:					
Principal retirement	299,578	-	-	-	299,578
Interest and fiscal charges	10,458	-	-	-	10,458
TOTAL EXPENDITURES	16,419,589	2,800,998	222,246	3,293,015	22,735,848
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(87,137)	159,761	(222,246)	(1,899,480)	(2,049,102)
OTHER FINANCING SOURCES (USES)					
Transfers in	291,342	-	405,527	3,050,099	3,746,968
Transfers out	(3,244,595)	(116,238)	-	(386,135)	(3,746,968)
Proceeds from capital lease	1,990,122	-	-	-	1,990,122
Sale of capital assets	25,066	-	-	-	25,066
TOTAL OTHER FINANCING SOURCES (USES)	(938,065)	(116,238)	405,527	2,663,964	2,015,188
NET CHANGE IN FUND BALANCES	(1,025,202)	43,523	183,281	764,484	(33,914)
FUND BALANCES (DEFICIT)- BEGINNING OF YEAR	13,007,865	4,609,287	(251,462)	3,368,317	20,734,007
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 11,982,663	\$ 4,652,810	\$ (68,181)	\$ 4,132,801	\$ 20,700,093

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, 2009*

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (33,914)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Depreciation expense	\$ (3,267,904)	
Capital outlay/donations	<u>3,101,995</u>	(165,909)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.

Property taxes and franchise taxes		78,684
------------------------------------	--	--------

The issuance of capital leases are reported as an other financing source on the fund level financial statement and as a liability on the Statement of Net Assets.

(1,990,122)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

299,578

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(49,286)

OPEB obligations did not require the use of current financial resources and therefore were not reported as expenditures in governmental funds in the Statement of Net Assets.

(320,000)

The internal service funds used by management to charge the costs of workers' compensation to individual funds are not reported in the government-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

(149,931)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (2,330,900)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds		
	Solid Waste Management Fund	Total	Internal Service Funds
ASSETS			
Current Assets:			
Cash	\$ 15,744	\$ 15,744	\$ 657,731
Accounts receivable	11,337	11,337	-
Total Current Assets	27,081	27,081	657,731
Noncurrent Assets:			
Capital assets:			
Nondepreciable capital assets	-	-	1,654,856
Depreciable capital assets, net	-	-	1,128,455
Total Noncurrent Assets	-	-	2,783,311
TOTAL ASSETS	27,081	27,081	3,441,042
LIABILITIES			
Current Liabilities:			
Accounts payable	-	-	233
Claims payable	-	-	53,790
Total Current Liabilities	-	-	54,023
TOTAL LIABILITIES	-	-	54,023
NET ASSETS			
Invested in capital assets	-	-	2,783,311
Unrestricted	27,081	27,081	603,708
TOTAL NET ASSETS	\$ 27,081	\$ 27,081	\$ 3,387,019

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
	<u>Solid Waste Management Fund</u>	<u>Total</u>	
OPERATING REVENUES			
Charges for services	\$ 47,251	\$ 47,251	\$ -
TOTAL OPERATING REVENUES	<u>47,251</u>	<u>47,251</u>	<u>-</u>
OPERATING EXPENSES			
Costs of sales and services	-	-	86,613
Administration	-	-	47,926
Supplies	34,970	34,970	-
Depreciation	-	-	26,505
TOTAL OPERATING EXPENSES	<u>34,970</u>	<u>34,970</u>	<u>161,044</u>
OPERATING INCOME (LOSS)	<u>12,281</u>	<u>12,281</u>	<u>(161,044)</u>
NON-OPERATING INCOME			
Interest income	-	-	11,113
TOTAL NON-OPERATING INCOME	<u>-</u>	<u>-</u>	<u>11,113</u>
CHANGE IN NET ASSETS	12,281	12,281	(149,931)
NET ASSETS:			
BEGINNING OF YEAR	<u>14,800</u>	<u>14,800</u>	<u>3,536,950</u>
END OF YEAR	<u>\$ 27,081</u>	<u>\$ 27,081</u>	<u>\$ 3,387,019</u>

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Enterprise Funds</u>		
	<u>Solid Waste Management Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 46,432	\$ 46,432	\$ -
Cash payments for goods and services	(38,857)	(38,857)	(98,795)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>7,575</u>	<u>7,575</u>	<u>(98,795)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	-	11,113
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>11,113</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,575	7,575	(87,682)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>8,169</u>	<u>8,169</u>	<u>745,413</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,744</u>	<u>\$ 15,744</u>	<u>\$ 657,731</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 12,281	\$ 12,281	\$ (161,044)
Adjustments:			
Depreciation	-	-	26,505
Increase (decrease) in assets/liabilities:			
Accounts receivable	(819)	(819)	-
Accounts payable	(3,887)	(3,887)	(1,234)
Claims payable	-	-	36,978
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 7,575</u>	<u>\$ 7,575</u>	<u>\$ (98,795)</u>

See accompanying notes to the basic financial statements.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Duluth, Georgia was incorporated in 1876. The City operates under the Mayor-Council form of government and provides the following services to its citizens as authorized by its charter: public safety, public works, culture and recreation, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Duluth, Georgia (the “primary government”) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the component units are presented as one blended component unit and two discretely presented component units.

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

Due to restrictions of the state constitution relating to the issuance of municipal debt, the City created separate organizations to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these organizations are solely for the benefit of the City. Organizations are blended into the City's primary government as an integral part of City operations although retaining separate legal identity, if they only are for the benefit of the City. If the organizations provide services in addition to the financing, such as redevelopment, the component units do not meet the criteria for blending, but are financially dependent upon the City, and are discretely presented.

The Duluth Governmental Finance Corporation (DGFC) is a blended component unit. It oversees funding for a public works facility. The Board consists of the Mayor and Council. The Corporation is presented as an internal service fund.

The Downtown Development Authority (DDA) is a discretely presented component unit. It provides various oversight services for the citizens of the City related to the development of downtown Duluth. The City Council appoints all members of the board of directors of the DDA and the DDA's budget must be approved by City Council.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Urban Redevelopment Authority (URA) is a discretely presented component unit. It provides various services related to the redevelopment of certain areas within the City. The City Council appoints all members of the board of directors of the URA and those board members may be removed by the City Council.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental activities and proprietary funds in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

The *SPLOST 2005 Fund* accounts for the financial resources provided from the 2004 voter approved one percent Special Purpose Local Option Sales Tax. Such resources are to be used for improvements to parks and recreation facilities, public safety building, road improvements and the administrative building.

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

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

The City also reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include all short-term highly liquid investments with original maturities of three months or less. Instruments considered cash equivalents include: Treasury Bills, certificates of deposit, money market funds, and cash management pools.

E. Interfund Receivables and Payables

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

F. Management Estimates

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Continued)

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

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

H. Long-Term Obligations

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

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

I. Compensated Absences

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

J. Net Assets and Fund Equity

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

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deficit Fund Equity

At June 30, 2009, the City Hall Design-Build Fund had a deficit of \$68,181; the Buford Hwy/SR120 Gateway to Downtown Fund had a deficit of \$41,751; the SR120 Sidewalks to Monarch Fund had a deficit of \$45,430; the Grants Fund had a deficit of \$8,450; the S. Hudgens Park Restroom Concession Fund had a deficit of \$41,148; the Taylor Park Playground fund had a deficit of \$91,329; the Rogers Bridge Trail & Trailhead Fund had a deficit of \$23,422; and the Buford Highway Medians Fund had a deficit of \$18,886. The deficits in these funds will be funded with transfers from other funds or with budgeted financing through grants or other funding.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

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

The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, debt service. This constitutes the legal level of control. 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.

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

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2. LEGAL COMPLIANCE – BUDGETS (Continued)

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2009.

General government	
Operations	\$ 3,368
Payments to:	
Downtown Development Authority	450,228
Urban Redevelopment Authority	769,256
Debt Service:	
Principal retirement	139,998
Other financing Uses:	
Transfers out	3,424,518

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, 2009, all of the deposits of the City were fully collateralized in accordance with the state statutes.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4. RECEIVABLES

Receivables at June 30, 2009, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Receivables:				
Taxes	\$ #####	-	-	\$ 1,007,085
Accounts	-	862,869	11,337	874,206
Gross Receivables	#####	862,869	11,337	1,881,291
Less allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$ #####</u>	<u>862,869</u>	<u>11,337</u>	<u>\$ 1,881,291</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1st. Tax bills are mailed on September 1st and are due by November 30th. All unpaid taxes levied become delinquent on December 1. A tax lien is filed with the Gwinnett County Superior Court for all delinquent bills as of February 10th. The City bills and collects its own property taxes. Property taxes levied for the year ending June 30, 2009 and not collected are recorded as receivables, net of estimated uncollectibles.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,237,431	\$ 478,900	\$ -	\$ 9,716,331
Land Improvements	116,985	-	-	116,985
Construction In Progress	-	1,876,613	-	1,876,613
Total	<u>9,354,416</u>	<u>2,355,513</u>	<u>-</u>	<u>11,709,929</u>
Capital assets, being depreciated:				
Building	34,976,394	-	-	34,976,394
Improvements other than buildings	53,047,448	82,862	-	53,130,310
Furniture, Machinery and Equipment	5,274,779	663,620	(1,337,634)	4,600,765
Total	<u>93,298,621</u>	<u>746,482</u>	<u>(1,337,634)</u>	<u>92,707,469</u>
Less accumulated depreciation for:				
Building	(3,757,526)	(970,985)	-	(4,728,511)
Improvements other than buildings	(28,501,223)	(1,778,794)	-	(30,280,017)
Furniture, Machinery and Equipment	(4,148,984)	(544,630)	1,337,634	(3,355,980)
Total	<u>(36,407,733)</u>	<u>(3,294,409)</u>	<u>1,337,634</u>	<u>(38,364,508)</u>
Total assets being depreciated, net	<u>56,890,888</u>	<u>(2,547,927)</u>	<u>-</u>	<u>54,342,961</u>
Governmental activities capital assets, net	<u>\$ 66,245,304</u>	<u>\$ (192,414)</u>	<u>\$ -</u>	<u>\$ 66,052,890</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Units:				
Capital assets, not being depreciated:				
Land	\$ 1,659,102	\$ -	\$ -	\$ 1,659,102
Construction in progress	-	6,996,132	-	6,996,132
Total	<u>1,659,102</u>	<u>6,996,132</u>	<u>-</u>	<u>8,655,234</u>
Component Units capital assets, net	<u>\$ 1,659,102</u>	<u>\$ 6,996,132</u>	<u>\$ -</u>	<u>\$ 8,655,234</u>

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5. CAPITAL ASSETS (Continued)

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

General government	\$	462,347
Public safety		736,405
Housing and development		107,378
Public works		1,551,281
Culture and recreation		436,998
Total depreciation expense - governmental activities	\$	3,294,409

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 385,356	\$ 505,403	\$ 456,117	\$ 434,642	\$ 434,642
Net OPEB Obligation	-	338,000	18,000	320,000	-
Lease payable	408,068	1,990,122	299,578	2,098,612	508,056
Governmental activities long-term liabilities	\$ 793,424	\$ 2,833,525	\$ 773,695	\$ 2,853,254	\$ 942,698
Component Units					
Bonds payable	\$ 20,615,000	\$ 7,290,804	\$ 3,135,000	\$ 24,770,804	\$ 854,178
Premium on bonds	1,112	-	144	968	-
Business-type activities long-term liabilities	\$ 20,616,112	\$ 7,290,804.00	\$ 3,135,144	\$ 24,771,772	\$ 854,178

The compensated absence and net OPEB obligation liabilities are usually paid by the General Fund.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6. LONG-TERM DEBT (Continued)

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

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 854,178	\$ 1,131,345	\$ 1,985,523
2011	983,440	1,089,405	2,072,845
2012	1,259,606	1,038,668	2,298,274
2013	6,160,423	831,539	6,991,962
2014	1,190,070	627,467	1,817,537
2015-2019	6,818,985	2,279,299	9,098,284
2020-2024	6,363,311	737,533	7,100,844
2025-2029	1,040,791	17,502	1,158,293
	<u>\$ 24,770,804</u>	<u>\$ 7,752,758</u>	<u>\$ 32,523,562</u>

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6. LONG-TERM DEBT (Continued)

Capital Lease Payable. The City has two capital leases. One capital lease involves a lease-to-purchase of real estate. This lease calls for quarterly payments of \$42,509 bearing interest of 3% annum maturing April 1, 2011. This includes the purchase of land only in the amount of \$1,800,000. The other capital lease involves a lease-to-purchase of software. This lease calls for annual payments of \$412,091 bearing interest of 3.7% annum maturing April 14, 2014. This includes the purchase of software only in the amount of \$1,990,122.

The following is a schedule of future minimum lease payments under lease as of June 30, 2008:

Fiscal Year	Principal	Interest	Total
2010	\$ 508,056	\$ 74,072	\$ 582,128
2011	440,422	56,687	497,109
2012	369,537	42,555	412,092
2013	383,209	28,882	412,091
2014	397,388	14,703	412,091
	\$ 2,098,612	\$ 216,899	\$ 2,315,511

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2009, is as follows:

Due To	Due From			Total
	General Fund	City Hall Design-Build	Other Governmental Funds	
General Fund	\$ -	\$ 68,181	\$ 225,370	\$ 293,551
Other Governmental Funds	20,556	-	16,752	37,308
Total	\$ 20,556	\$ 68,181	\$ 242,122	\$ 330,859

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.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

Interfund transfers for the year ended June 30, 2009 were:

<u>Transfers To</u>	<u>General Fund</u>	<u>2005 Fund</u>	<u>Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 13,179	\$ 278,163	\$ 291,342
City Hall Design- Build Fund	340,235	65,292	-	405,527
Other Governmental Funds	<u>2,904,360</u>	<u>37,767</u>	<u>107,972</u>	<u>3,050,099</u>
Total	<u>\$ 3,244,595</u>	<u>\$ 116,238</u>	<u>\$ 386,135</u>	<u>\$ 3,746,968</u>

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2009.

NOTE 8. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

At November 1, 2008, the time of the last actuarial valuation, the Plan membership consisted of:

Disabled employees, retirees, and beneficiaries currently receiving benefits	5
Terminated employees entitled to benefits not yet receiving them	23
Active Employees	<u>111</u>
Total Participants	<u>139</u>

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

B. Funding Policy

The funding policy of the Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 11.26% of annual covered payroll.

C. Annual Pension Cost

The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The recommended contribution was determined as part of the November 1, 2008 actuarial valuation. The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

Year Ended June 30,	Annual Pension Cost	Percentage Contributed	Net Pension Asset
2007	\$ 287,974	100%	\$ -
2008	348,297	100%	-
2009	382,101	100%	-

As of the most recent valuation date, November 1, 2008, the funded status of the Plan was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	(5) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
11/1/2008	\$ 1,620,782	2,280,163	71.08%	\$ (659,381)	5,854,533	11.26%

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of November 1, 2008.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

C. Annual Pension Cost (Continued)

The assumptions used in the November 1, 2008 actuarial valuation are as follows.

Actuarial Assumptions

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Determined by rolling forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the prior 10 years
Assumed Rate of Return	
On Investments	8.0% (includes inflation of 3.07%)
Projected Salary Increases	5.5% (includes inflation of 3.07%)
Cost-of-living Adjustment	None.
Amortization Method	Level Dollar Percent of Pay (closed)
Remaining Amortization Period	20 years

NOTE 9. DEFINED CONTRIBUTION PLAN

The City also has established under Authority of the City Council, the City of Duluth Deferred Contribution and Deferred Compensation Program (a defined contribution plan). This Program is administered through GMA by Citistreet, LLC. This program covers substantially all employees and the City makes contribution after an employee's first year of service. Employees may contribute a maximum of \$15,500 for calendar year 2008 and \$16,500 for calendar year 2009. Individuals who are 50 or older can defer an additional \$5,500. Individuals within 3 years of retirement (62 years of age) can contribute up to \$33,000. The City's contribution is limited to a maximum of 2% of gross wages or 50% of employee's contributions, whichever is less.

This plan may be amended by vote of the City Council. Contributions by the City for the current year were \$82,531, with employee contributions amounting to \$309,563.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10. JOINT VENTURE

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

NOTE 11. RISK MANAGEMENT

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

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

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

The City carries commercial insurance for other risks of losses, such as general property and liability insurance, and self insurance for workers compensation. For insured programs, there have been no significant reductions in insurance coverage.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 11. RISK MANAGEMENT (Continued)

Effective April 1, 1994, the City established a self-insurance program for workers compensation. The city's third-party administrator processes claims and assists the City in determining its premium on an annual basis. Instead of paying the premium to an insurance company, the City deposits the premium into its own workers compensation loss account. At June 30, 2009, the City had accumulated \$657,731 in the account after the payment of claims and administrative fees.

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

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Grant Contingencies:

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

NOTE 13. OTHER POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits for retired employees, through a single-employer, defined benefit plan. The Plan does not issue separate financial statements. Employees must retire from active service at age 60 or later with at least 25 years of service or at age 62 or later with at least 20 years of service. Coverage ends upon the attainment of age 65 when the employee is eligible for Medicare. The City contributes prior to the age of 65 3.00% of the premium for single coverage for each year of service and 1.50% of the premium for spousal coverage for each year of service. The City's contribution is limited to 95% of the premium for single coverage and 85% of the premium for spousal coverage. The provision of these benefits, along with the City's obligation to contribute, is established under the authority of the City Council through passage of a local ordinance. At June 30, 2009, there were no retirees eligible for the benefits.

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13. OTHER POST EMPLOYMENT BENEFITS (Continued)

Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of January 1, 2009.

Active members fully eligible for benefits	4
Active members not yet fully eligible for benefits	127
Retired members	-
Total	131

Contributions

The City contributed \$18,000 to the OPEB Health Care Plan in fiscal year 2009. The annual required contribution amount is determined using actuarial methods and assumptions approved by the City Council. The City Council establishes and may amend the funding policy for the OPEB Health Care Plan.

FY09 Schedule of Employer Cost and Contributions:

Annual Required Contribution	\$ 338,000
Annual OPEB Cost	\$ 338,000
Actual Contribution	\$ 18,000
Percentage of ARC Contributed	5.33%
Net OPEB Liability End of Year	\$ 320,000

OPEB Health Care Plan

As of the most recent valuation date, January 1, 2009, the funded status of the OPEB Health Care Plan was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	(3) Unfunded (1)-(2)	(4) Annual Covered Payroll	(5) UAAL as a Percentage of Covered Payroll
1/1/2009	-	1,536,000	0.00%	(1,536,000)	6,413,000	23.95%

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

CITY OF DULUTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13. OTHER POST EMPLOYMENT BENEFITS (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 continued 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 plan in effect at January 1, 2009. The assumptions used in the January 1, 2009 actuarial valuation are as follows:

Actuarial Assumptions

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value
Assumed Rate of Return	
On Investments	7.0% (includes inflation of 3.00%)
Projected Salary Increases	Not relevant to OPEB measurement
Healthcare cost trend rate(s):	
Select rates	8.00% for 2009 graded to 5.50% for 2014
Ultimate rate	5.00% per annum – achieved in 2015
Cost of living adjustment	Increase in accordance with healthcare cost trends
Amortization Method	Level Dollar (15 year open period)
Remaining Amortization Period	15 years

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DULUTH, GEORGIA

Schedule of Funding Progress City of Duluth Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	Annual Covered Payroll	Percentage of Covered Payroll
11/1/2006	\$ 879,523	1,364,238	64.47%	\$ (484,715)	5,112,846	9.48%
11/1/2007	1,242,784	1,781,794	69.75%	(539,010)	5,694,026	9.47%
11/1/2008	1,620,782	2,280,163	71.08%	(659,381)	5,854,533	11.26%

Actuarial assumptions used in the calculation of above amounts are disclosed in the notes to the financial statements.

Schedule of Funding Progress City of Duluth Other Post Employee Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	Annual Covered Payroll	Percentage of Covered Payroll
1/1/2009	\$ -	1,536,000	0.00%	\$ (1,536,000)	6,413,000	23.95%

Actuarial assumptions used in the calculation of above amounts are disclosed in the notes to the financial statements.

City of Duluth, Georgia
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 10,613,800	\$ 10,613,800	\$ 11,280,956	\$ 667,156
Licenses and permits	424,900	424,900	366,577	(58,323)
Intergovernmental	-	-	0	-
Charges for services	399,471	399,471	388,787	(10,684)
Fines and forfeitures	4,875,000	4,875,000	3,637,179	(1,237,821)
Interest income	236,000	236,000	455,923	219,923
Miscellaneous	201,992	201,992	203,030	1,038
TOTAL REVENUES	16,751,163	16,751,163	16,332,452	(418,711)
EXPENDITURES				
Current:				
General government:				
Mayor and Council				
Personal services	42,630	42,630	42,178	452
Other services and charges	23,000	23,000	8,116	14,884
Contingency	164,309	164,309	-	164,309
City Administrator				
Personal services	208,620	208,620	203,057	5,563
Other services and charges	75,500	75,500	40,620	34,880
Strategic planning	11,400	11,400	7,610	3,790
City Clerk/Business Office				
Personal services	692,680	692,680	647,133	45,547
Other services and charges	399,746	399,746	335,583	64,163
City Clerk/City attorney	91,871	91,871	89,489	2,382
City Clerk/Human resources	230,810	230,810	189,373	41,437
Other				
Employee / council / community relations	200,020	200,020	83,095	116,925
Public information & marketing	497,860	497,860	446,648	51,212
Downtown pavilion / amphitheatre	135,955	135,955	110,565	25,390
Operations	203,150	203,150	206,518	(3,368)
Consolidated services:				
Office supplies	71,500	71,500	60,632	10,868
Computer maintenance	566,220	566,220	535,437	30,783
Custodial services	71,640	71,640	68,079	3,561
Emergency Repairs & Fuel and Oil	384,547	384,547	348,991	35,556
Landscape Maintenance	177,025	177,025	157,142	19,883
Capital Outlay	350,000	350,000	-	350,000
Total general government	4,598,483	4,598,483	3,580,266	1,018,217

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, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public safety:				
Municipal Court				
Personal services	526,010	526,010	488,555	37,455
Other services and charges	1,549,500	1,549,500	1,079,432	470,068
Police / Admin				
Personal services	464,530	464,530	459,099	5,431
Other services and charges	471,301	471,301	458,312	12,989
Police / CID				
Personal services	652,580	652,580	605,828	46,752
Other services and charges	16,000	16,000	9,552	6,448
Police / Records				
Personal services	277,570	277,570	210,269	67,301
Other services and charges	30,290	30,290	7,162	23,128
Police / Uniform Division				
Personal services	3,773,590	3,773,590	3,453,064	320,526
Other services and charges	329,133	329,133	286,331	42,802
Police / Community Policing Division				
Personal services	348,920	348,920	309,718	39,202
Other services and charges	23,700	23,700	16,642	7,058
Police / Other				
Consolidated vehicle maintenance	127,392	127,392	107,146	20,246
Police vehicles	310,058	310,058	307,564	2,494
Red light monitoring system	352,480	352,480	209,945	142,535
Total public safety	<u>9,253,054</u>	<u>9,253,054</u>	<u>8,008,619</u>	<u>1,244,435</u>
Public works:				
Planning & Development				
Personal services	612,840	612,840	568,668	44,172
Other services and charges	287,400	287,400	231,168	56,232
Street Safety	354,840	354,840	312,278	42,562
Downtown Development Authority	-	-	450,228	(450,228)
Urban Redevelopment Authority	-	-	769,256	(769,256)
Streets				
Personal services	878,949	878,949	706,181	172,768
Other services and charges	145,228	145,228	118,037	27,191
Capital outlay	117,597	117,597	117,115	482
Building / Grounds maintenance	115,294	115,294	91,377	23,917
Total public works	<u>2,512,148</u>	<u>2,512,148</u>	<u>3,364,308</u>	<u>(852,160)</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, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Culture and recreation:				
Parks / Recreation Admin				
Personal services	788,107	788,107	787,875	232
Other services and charges	22,240	22,240	16,248	5,992
Recreation operations	406,410	406,410	352,237	54,173
Total culture and recreation	<u>1,216,757</u>	<u>1,216,757</u>	<u>1,156,360</u>	<u>60,397</u>
Debt service:				
Principal retirement	159,580	159,580	299,578	(139,998)
Interest and fiscal charges	10,460	10,460	10,458	2
Total debt service	<u>170,040</u>	<u>170,040</u>	<u>310,036</u>	<u>(139,996)</u>
TOTAL EXPENDITURES	<u>17,750,482</u>	<u>17,750,482</u>	<u>16,419,589</u>	<u>1,330,893</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(999,319)</u>	<u>(999,319)</u>	<u>(87,137)</u>	<u>912,182</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	179,923	179,923	291,342	111,419
Transfers out	-	-	(3,244,595)	(3,244,595)
Loan Proceeds	-	-	1,990,122	
Sale of capital assets	32,727	32,727	25,066	(7,661)
TOTAL OTHER FINANCING SOURCES (USES)	<u>212,650</u>	<u>212,650</u>	<u>(938,065)</u>	<u>(3,140,837)</u>
NET CHANGE IN FUND BALANCES	<u>(786,669)</u>	<u>(786,669)</u>	<u>(1,025,202)</u>	<u>(2,228,655)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>13,063,361</u>	<u>13,063,361</u>	<u>13,007,865</u>	<u>(55,496)</u>
FUND BALANCES - END OF YEAR	<u>\$ 12,276,692</u>	<u>\$ 12,276,692</u>	<u>\$ 11,982,663</u>	<u>\$ (2,284,151)</u>

COMBINING FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

Operation Drive Smart Fund – This fund accounts for the financial resources related to the Operation Drive Smart Grant.

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

Taylor Park Playground Fund – This fund accounts for the construction of the playgrounds at Taylor Park.

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

Rogers Bridge Trail & Trailhead Fund - This fund accounts for the construction of the Rogers Bridge Trail and Trailhead.

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

SPLOST 2009 Fund – This fund is used to account for the construction of projects financed by the SPLOST 2009 program.

Buford Highway Corridor Study Fund – This fund accounts for the study regarding the possible redevelopment potential of the corridor.

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

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

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

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

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

City of Duluth, Georgia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2009

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS			
Cash	\$ 447,103	\$ 3,141,948	\$ 3,589,051
Accounts receivable	49,675	813,194	862,869
Due from other funds	19,085	18,223	37,308
TOTAL ASSETS	\$ 515,863	\$ 3,973,365	\$ 4,489,228
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,681	\$ 58,837	\$ 66,518
Accrued expenditures	47,687	100	47,787
Due to other funds	118,478	123,644	242,122
TOTAL LIABILITIES	173,846	182,581	356,427
FUND BALANCES			
Unreserved - undesignated	342,017	3,790,784	4,132,801
TOTAL LIABILITIES AND FUND BALANCES	\$ 515,863	\$ 3,973,365	\$ 4,489,228

City of Duluth, Georgia
*Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances*
Non-major Governmental Funds
For the Year Ended June 30, 2009

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
REVENUES			
Taxes	\$ 31,314	\$ 813,194	\$ 844,508
Intergovernmental	94,428	305,000	399,428
Charges for services	31,506	-	31,506
Interest income	78	48,854	48,932
Miscellaneous	69,161	-	69,161
TOTAL REVENUES	226,487	1,167,048	1,393,535
EXPENDITURES			
Current:			
Public safety	197,174	-	197,174
Public works	635,507	-	635,507
Capital outlay	-	2,460,334	2,460,334
TOTAL EXPENDITURES	832,681	2,460,334	3,293,015
EXCESS OF REVENUES OVER EXPENDITURES	(606,194)	(1,293,286)	(1,899,480)
OTHER FINANCING SOURCES (USES)			
Transfers in	705,669	2,344,430	3,050,099
Transfers out	(29,245)	(356,890)	(386,135)
TOTAL OTHER FINANCING SOURCES	676,424	1,987,540	2,663,964
NET CHANGE IN FUND BALANCES	70,230	694,254	764,484
FUND BALANCES - BEGINNING OF YEAR	271,787	3,096,530	3,368,317
FUND BALANCES - END OF YEAR	\$ 342,017	\$ 3,790,784	\$ 4,132,801

City of Duluth, Georgia
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2009

	Greenspace Program Fund	Landscaping Trees Fund	Sidewalk Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	H.F.A.T. Grant Fund	SRI20 Gateway to Downtown Fund	SRI20 Sidewalks to Monarch Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Grants Fund	Mounted Patrol Fund	COPS Fundraiser-Donations Fund	Total Non-major Special Revenue Funds
ASSETS															
Cash	\$ 59,467	\$ 11,706	\$ 8,000	\$ 151,897	\$ 89,090	\$ 42,381	\$ 21,850	\$ -	\$ -	\$ 28,965	\$ 33,172	\$ 2,460	\$ 3,906	\$ 16,059	\$ 447,103
Accounts receivable	-	-	-	-	-	24,907	-	-	-	2,610	-	308	-	-	49,675
Due from other funds	-	-	-	-	-	-	-	-	-	-	16,318	2,767	-	-	19,085
TOTAL ASSETS	\$ 59,467	\$ 11,706	\$ 8,000	\$ 151,897	\$ 89,090	\$ 67,288	\$ 21,850	\$ -	\$ -	\$ 31,575	\$ 49,490	\$ 5,535	\$ 3,906	\$ 16,059	\$ 515,863
LIABILITIES AND FUND BALANCES															
LIABILITIES															
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,180	\$ 3,126	\$ -	\$ -	\$ -	\$ 375	\$ -	\$ 7,681
Accrued expenditures	-	-	-	-	47,687	-	-	-	-	-	-	-	-	-	47,687
Due to other funds	-	-	-	2,768	-	-	21,850	37,571	42,304	-	-	13,985	-	-	118,478
TOTAL LIABILITIES	-	-	-	2,768	47,687	-	21,850	41,751	45,430	-	-	13,985	375	-	173,846
FUND BALANCES (DEFICIT)															
Unreserved - undesignated	59,467	11,706	8,000	149,129	41,403	67,288	-	(41,751)	(45,430)	31,575	49,490	(8,450)	3,531	16,059	342,017
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 59,467	\$ 11,706	\$ 8,000	\$ 151,897	\$ 89,090	\$ 67,288	\$ 21,850	\$ -	\$ -	\$ 31,575	\$ 49,490	\$ 5,535	\$ 3,906	\$ 16,059	\$ 515,863

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, 2009

	Greenspace Program Fund	Landscaping Tree Fund	Sidewalk Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	H.E.A.T Grant Fund	Enford Hwy/SRI20 Gateway to Downtown Fund	SRI20 Sidewalks to Monarch Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Grants Fund	Mounted Patrol Fund	COPS Fundraiser-Donations Fund	Total Non-major Special Revenue Funds
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,314	\$ -	\$ -	\$ -	\$ -	\$ 31,314
Intergovernmental	-	-	-	-	-	35,322	53,571	-	-	-	-	5,535	-	-	94,428
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,506
Special assessments	15,380	-	-	31,506	-	-	-	-	-	-	-	-	-	-	15,380
Interest income	-	-	-	57	20	-	-	-	-	1	-	-	-	-	78
Contributions and donations	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000	3,000
Drug forfeitures	-	-	-	-	50,781	-	-	-	-	-	-	-	-	-	50,781
TOTAL REVENUES	15,380	-	-	31,563	50,801	35,322	53,571	-	-	31,315	-	5,535	-	3,000	226,487
EXPENDITURES															
Current:															
Public safety	-	-	-	12,168	23,087	18,721	120,039	-	-	-	-	5,535	5,093	12,531	197,174
Public works	-	-	-	-	-	-	-	32,007	33,067	-	-	570,433	-	-	635,507
TOTAL EXPENDITURES	-	-	-	12,168	23,087	18,721	120,039	32,007	33,067	-	-	575,968	5,093	12,531	832,681
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,380	-	-	19,395	27,714	16,601	(66,468)	(32,007)	(33,067)	31,315	-	(570,433)	(5,093)	(9,531)	(606,194)
OTHER FINANCING SOURCES (USES)															
Transfers in	-	-	-	-	-	-	176,616	-	-	260	49,490	450,903	11,500	16,900	705,669
Transfers out	-	-	-	-	-	(28,400)	-	-	-	-	-	-	(808)	(37)	(29,245)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(28,400)	176,616	-	-	260	49,490	450,903	10,692	16,863	676,424
NET CHANGE IN FUND BALANCES	15,380	-	-	19,395	27,714	(11,799)	110,148	(32,007)	(33,067)	31,575	49,490	(119,530)	5,599	7,332	70,230
FUND BALANCES - BEGINNING OF YEAR	44,087	11,706	8,000	129,734	13,689	79,087	(110,148)	(9,744)	(12,363)	-	-	111,080	(2,068)	8,727	271,787
FUND BALANCES - END OF YEAR	\$ 59,467	\$ 11,706	\$ 8,000	\$ 149,129	\$ 41,403	\$ 67,288	\$ -	\$ (41,751)	\$ (45,430)	\$ 31,575	\$ 49,490	\$ (8,450)	\$ 3,531	\$ 16,059	\$ 342,017

City of Duluth, Georgia
Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2009

	SPLOST 1997	S. Hudgens Park Restroom-Concession	SPLOST 2001	Railway Museum Access Rd.	Taylor Park Restrooms	Taylor Park Playground	Rogers Bridge Trail & Trailhead
ASSETS							
Cash	\$ 1,641,494	\$ -	\$ 1,035,488	\$ 1,866	\$ 1	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,641,494	\$ -	\$ 1,035,488	\$ 1,866	\$ 1	\$ -	\$ -
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 2,496	\$ 600	\$ -	\$ -	\$ -	\$ 41,851	\$ 2,807
Accrued expenditures	-	-	-	-	-	-	-
Due to other funds	-	40,548	-	-	-	49,478	20,615
LIABILITIES	2,496	41,148	-	-	-	91,329	23,422
FUND BALANCES							
Unreserved - undesignated	1,638,998	(41,148)	1,035,488	1,866	1	(91,329)	(23,422)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,641,494	\$ -	\$ 1,035,488	\$ 1,866	\$ 1	\$ -	\$ -

City of Duluth, Georgia
Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2009

	SPLOST 2009	Buford Hwy Corridor Study	Buford Hwy Medians	Living Memorial	Gateway Entrance	Citywide Software	SPLOST
ASSETS							
Cash	\$ 464	\$ -	\$ -	\$ 61,017	\$ 5,500	\$ 396,118	\$ -
Accounts receivable	813,194	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	18,223
TOTAL ASSETS	\$ 813,658	\$ -	\$ -	\$ 61,017	\$ 5,500	\$ 396,118	\$ 18,223
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 5,883	\$ 5,200	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-	-	100
Due to other funds	-	-	13,003	-	-	-	-
LIABILITIES	-	-	18,886	5,200	-	-	100
FUND BALANCES							
Unreserved - undesignated	-	-	(18,886)	55,817	5,500	396,118	18,123
TOTAL LIABILITIES AND FUND BALANCES	\$ 813,658	\$ -	\$ -	\$ 61,017	\$ 5,500	\$ 396,118	\$ 18,223

	Total Non-major Capital Projects Funds
ASSETS	
Cash	\$ 3,141,948
Accounts receivable	\$ 813,194
Due from other funds	18,223
TOTAL ASSETS	\$ 3,973,365
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 58,837
Accrued expenditures	100
Due to other funds	123,644
LIABILITIES	182,581
FUND BALANCES	
Unreserved - undesignated	3,790,784
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,973,365

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, 2009*

	SPLOST 1997	S. Hudgens Park Restroom-Concession	SPLOST 2001	Railway Museum Access Rd.	Taylor Park Restrooms	Taylor Park Playground	Rogers Bridge Trail & Trailhead	Community Development Block Grant Improvements
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	305,000
Interest income	28,030	-	20,342	-	-	-	-	-
TOTAL REVENUES	28,030	-	20,342	-	-	-	-	305,000
EXPENDITURES								
Capital outlay:								
General government	119,158	36,669	-	-	-	-	14,414	393,298
Public works	-	-	-	-	-	90,372	-	-
Culture and recreation	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	119,158	36,669	-	-	-	90,372	14,414	393,298
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(91,128)	(36,669)	20,342	-	-	(90,372)	(14,414)	(88,298)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	124,294
Transfers out	-	-	(317,436)	-	-	-	-	(35,996)
TOTAL OTHER FINANCING SOURCES	-	-	(317,436)	-	-	-	-	88,298
NET CHANGE IN FUND BALANCES	(91,128)	(36,669)	(297,094)	-	-	(90,372)	(14,414)	-
FUND BALANCES - BEGINNING OF YEAR	1,730,126	(4,479)	1,332,582	1,866	1	(957)	(9,008)	-
FUND BALANCES - END OF YEAR	\$ 1,638,998	\$ (41,148)	\$ 1,035,488	\$ 1,866	\$ 1	\$ (91,329)	\$ (23,422)	\$ -

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, 2009

	SPILOST 2009	Buford Hwy Corridor Study	Buford Hwy Medians	Living Memorial	Gateway Entrance	Citywide Software	SPLOST	Total Non-major Capital Projects Funds
REVENUES								
Taxes	\$ 813,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 813,194
Intergovernmental	-	-	-	-	-	-	-	305,000
Interest income	464	-	-	-	-	18	-	48,854
TOTAL REVENUES	813,658	-	-	-	-	18	-	1,167,048
EXPENDITURES								
Capital outlay:								
General government	-	-	18,886	-	-	1,594,022	-	\$ 1,594,022
Public works	-	-	-	5,200	-	-	188,315	770,740
Culture and recreation	-	-	-	-	-	-	-	95,572
TOTAL EXPENDITURES	-	-	18,886	5,200	-	1,594,022	188,315	2,460,334
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	813,658	-	(18,886)	(5,200)	-	(1,594,004)	(188,315)	(1,293,286)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	(3,458)	-	-	-	1,990,122	230,014	2,344,430
Transfers out	-	-	-	-	-	-	-	(356,890)
TOTAL OTHER FINANCING SOURCES	-	(3,458)	-	-	-	1,990,122	230,014	1,987,540
NET CHANGE IN FUND BALANCES	813,658	(3,458)	(18,886)	(5,200)	-	396,118	41,699	694,254
FUND BALANCES - BEGINNING OF YEAR	-	3,458	-	61,017	5,500	-	(23,576)	3,096,530
FUND BALANCES - END OF YEAR	\$ 813,658	\$ -	\$ (18,886)	\$ 55,817	\$ 5,500	\$ 396,118	\$ 18,123	\$ 3,790,784

City of Duluth, Georgia
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash	\$ -	\$ 657,731	\$ 657,731
Total Current Assets	<u>-</u>	<u>657,731</u>	<u>657,731</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable capital assets	1,654,856	-	1,654,856
Depreciable capital assets, net	1,128,455	-	1,128,455
Total Noncurrent Assets	<u>2,783,311</u>	<u>-</u>	<u>2,783,311</u>
TOTAL ASSETS	<u>2,783,311</u>	<u>657,731</u>	<u>3,441,042</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	233	233
Claims payable	-	53,790	53,790
Total Current Liabilities	<u>-</u>	<u>54,023</u>	<u>54,023</u>
TOTAL LIABILITIES	<u>-</u>	<u>54,023</u>	<u>54,023</u>
NET ASSETS			
Invested in capital assets	2,783,311	-	2,783,311
Unrestricted	-	603,708	603,708
TOTAL NET ASSETS	<u>\$ 2,783,311</u>	<u>\$ 603,708</u>	<u>\$ 3,387,019</u>

City of Duluth, Georgia
*Combining Statement of Revenues, Expenses, and
 Changes in Fund Net Assets
 Internal Service Funds
 For the Year Ended June 30, 2009*

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
TOTAL OPERATING REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Costs of sales and services	-	86,613	86,613
Administration	-	47,926	47,926
Depreciation	26,505	-	26,505
TOTAL OPERATING EXPENSES	<u>26,505</u>	<u>134,539</u>	<u>161,044</u>
OPERATING INCOME (LOSS)	<u>(26,505)</u>	<u>(134,539)</u>	<u>(161,044)</u>
NON-OPERATING INCOME			
Interest income	-	11,113	11,113
TOTAL NON-OPERATING INCOME	<u>-</u>	<u>11,113</u>	<u>11,113</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(26,505)</u>	<u>(123,426)</u>	<u>(149,931)</u>
Transfers in	-	-	-
CHANGE IN NET ASSETS	<u>(26,505)</u>	<u>(123,426)</u>	<u>(149,931)</u>
NET ASSETS:			
BEGINNING OF YEAR	<u>2,809,816</u>	<u>727,134</u>	<u>3,536,950</u>
END OF YEAR	<u>\$ 2,783,311</u>	<u>\$ 603,708</u>	<u>\$ 3,387,019</u>

City of Duluth, Georgia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments for goods and services	\$ -	\$ (98,795)	\$ (98,795)
NET CASH (USED IN) OPERATING ACTIVITIES	-	(98,795)	(98,795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	11,113	11,113
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	11,113	11,113
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(87,682)	(87,682)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	745,413	745,413
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 657,731	\$ 657,731
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (26,505)	\$ (134,539)	\$ (161,044)
Adjustments:			
Depreciation	26,505	-	26,505
Increase (decrease) in liabilities:			
Accounts payable		(1,234)	(1,234)
Claims payable	-	36,978	36,978
NET CASH (USED IN) OPERATING ACTIVITIES	\$ -	\$ (98,795)	\$ (98,795)

City of Duluth, Georgia
Statement of Cash Flows
Component Unit - Proprietary Fund Types
For the Year Ended June 30, 2009

	Component Units		
	Downtown Development Authority	Urban Redevelopment Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash paid for operations	\$ (25,771)	\$ (144)	\$ (25,915)
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(25,771)</u>	<u>(144)</u>	<u>(25,915)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payments from the City of Duluth	450,228	3,570,234	4,020,462
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>450,228</u>	<u>3,570,234</u>	<u>4,020,462</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(6,996,132)	-	(6,996,132)
Proceeds from capital debt	7,290,804	-	7,290,804
Payment of bond issuance costs	(116,083)	-	(116,083)
Principal paid on long-term debt	(155,000)	(2,980,000)	(3,135,000)
Interest paid on long-term debt	(458,301)	(590,119)	(1,048,420)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(434,712)</u>	<u>(3,570,119)</u>	<u>(4,004,831)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	3,685	-	3,685
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,685</u>	<u>-</u>	<u>3,685</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,570)	(29)	(6,599)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,329,736</u>	<u>29</u>	<u>1,329,765</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,323,166</u>	<u>\$ -</u>	<u>\$ 1,323,166</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating (loss)	\$ (25,771)	\$ (39,219)	\$ (64,990)
Adjustments:			
Amortization	<u>-</u>	<u>39,075</u>	<u>39,075</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>\$ (25,771)</u>	<u>\$ (144)</u>	<u>\$ (25,915)</u>

SCHEDULES

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

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
Bunten Maintenance Facility PK-26	\$ 123,775	\$ 123,775	\$ -	\$ -	\$ -
Bunten Road Park Water Reuse PK-28	95,798	95,798	54,963	-	54,963
CDBG Improvements Phase IIB CD-52	348,836	348,836	57,191	-	57,191
CIP/Street Resurfacing	100,000	100,000	70,190	-	70,190
CIP/Streetscape Improvements CD-23	512,595	512,595	168,973	130,665	299,638
Davenport Road Extension CD-55	904,902	904,902	385,223	-	385,223
HPP Match - Preliminary End	30,000	30,000	18,677	-	18,677
McClure Bridge LCI (Hosp. Conn.)	1,821,729	1,821,729	30,668	57,650	88,318
Ridgeway Extension	480,096	480,096	222,716	-	222,716
Taylor Park Restroom Facility CD-48	216,133	216,133	-	-	-
	<u>\$ 4,633,864</u>	<u>\$ 4,633,864</u>	<u>\$ 1,008,601</u>	<u>\$ 188,315</u>	<u>\$ 1,196,916</u>

City of Duluth, Georgia
Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
SPLOST 1997
For the Year Ended June 30, 2009

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
SR 120 Realignment & Hill St.	\$ 1,646,184	\$ 1,646,184	\$ 52,590	\$ 119,158	\$ 171,748
	<u>\$ 1,646,184</u>	<u>\$ 1,646,184</u>	<u>\$ 52,590</u>	<u>\$ 119,158</u>	<u>\$ 171,748</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
2001 Issue
For the Year Ended June 30, 2009

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
<u>TRANSPORTATION</u>					
Main Street	\$ 600,000	\$ 600,000	\$ 150,000	\$ -	\$ 150,000
Hospital Connector	419,935	419,935	-	-	-
W. Lawrenceville R/W	116,000	116,000	-	116,000	116,000
Intersection Study	9,000	9,000	-	-	-
Ridgeway LCI Match	11,000	11,000	-	-	-
Davenport LCI Match	10,565	10,565	-	-	-
Hill Area CDBG Match	40,000	40,000	-	40,000	40,000
Rogers Bridge Road	16,764	16,764	16,764	-	16,764
Resurfacing - 06	50,000	39,181	-	39,181	39,181
Resurfacing - 07	50,000	-	-	-	-
Resurfacing - Hill Area	-	60,819	-	60,819	-
Engineering Davenport & Pine Needle	15,231	15,231	-	-	-
Davenport Road	125,000	125,000	125,000	-	125,000
Davenport Road	-	128,249	128,249	-	128,249
Subtotal	<u>1,463,495</u>	<u>1,591,744</u>	<u>420,013</u>	<u>256,000</u>	<u>615,194</u>
<u>RECREATION FACILITIES</u>					
Rogers Bridge Park	230,000	230,000	230,000	-	230,000
Rogers Bridge Park	171,280	171,280	171,280	-	171,280
W P Jones Park	468,773	468,773	468,773	-	468,773
Water Reuse Line	75,000	75,000	20,000	55,000	75,000
Water Reuse Line (Interior)	25,000	6,436	-	6,436	6,436
Bunten Restrooms/Maintenance Building	360,155	259,860	259,860	-	259,860
S. Hudgens Restrooms	-	92,511	-	-	-
Taylor Park Restrooms	150,000	150,000	150,000	-	150,000
Taylor Park Restrooms (Additional Cost)	70,800	110,038	110,038	-	110,038
Master Park Plan	-	36,535	36,500	-	36,500
	<u>1,551,008</u>	<u>1,600,433</u>	<u>1,446,451</u>	<u>61,436</u>	<u>1,507,887</u>
	<u>\$ 3,014,503</u>	<u>\$ 3,192,177</u>	<u>\$ 1,866,464</u>	<u>\$ 317,436</u>	<u>\$ 2,123,081</u>

City of Duluth, Georgia
Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2005 Issue
For the Year Ended June 30, 2009

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
Administrative Building (City Hall)	\$ 7,000,000	\$ 7,000,000	\$ 4,920,407	\$ 1,522,512	\$ 6,442,919
Public Safety Building	5,962,836	5,862,836	4,619,078	1,343,759	5,962,837
Recreational Facilities	550,000	550,000	88,500	-	88,500
Transportation	2,100,000	2,100,000	57,011	50,946	107,957
Other	-	-	17	19	36
	<u>\$ 15,612,836</u>	<u>\$ 15,512,836</u>	<u>\$ 9,685,013</u>	<u>\$ 2,917,236</u>	<u>\$ 12,602,249</u>

COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Georgia (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2009-1, 2009-2, and 2009-3 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2009-4 and 2009-5 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Duluth in a separate letter dated January 5, 2009.

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

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



Atlanta, Georgia
January 5, 2009

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes no

Significant deficiencies identified not considered

to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2009 due to the total amount expended being less than \$500,000.

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings

2009-1. Deferred Revenue

Criteria: Internal controls should be in place to ensure that the amounts reported as deferred revenue are accurate and in accordance with accounting principles generally accepted in the United States of America.

Condition: Internal controls did not detect a misstatement in the reporting of the City's deferred revenue related to property taxes.

Context/Cause: During our testing of property taxes and the related deferred revenue, audit adjustments were required to increase the deferred revenue and decrease the property tax revenue in the General Fund as of and for the year ended June 30, 2009. Property tax revenue is deferred at year end to the extent it is not collected within 60 days after year end.

Effect: Audit adjustments were required to increase deferred revenue related to property taxes by \$170,806 for the amount of the property tax receivables that were not received within 60 days after year end and thus not available to meet revenue recognition standards.

Recommendation: We recommend the City carefully review these year-end closing entries in order to ensure the related journal entries are accurate and made.

Response: _____

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

2009-2. Recording of New Loans

Criteria: Governmental Accounting Standards require that governmental funds use a current focus of accounting and thus do not report noncurrent assets and liabilities. These amount are only reported at the government wide level.

Condition: Internal controls did not require the proper treatment of recording a new capital financing agreement entered into by the City.

Context/Cause: During our testing of liabilities, audit adjustments were required to accurately account for a new capital financing agreement entered into by the City..

Effect: An audit adjustment was required to remove the long-term liability from the General Fund in the amount of \$1,850,122 as of June 30, 2009. A corresponding increase in debt service expenditures was required for the amount of principal paid during the year, in the amount of \$140,000. Additionally, the adjustment increased proceeds from loan as an other financing source in the amount of \$1,990,122 in the General Fund for the year ended June 30, 2009.

Recommendation: We recommend the City carefully review transactions that deal with long term assets and liabilities to ensure they are properly reported at the fund level.

Response: _____

CITY OF DULUTH, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

2009-3. Liability Account

Criteria: Internal controls should be in place to ensure that the amounts reported as liabilities are accurate and in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's liability accounts for amounts due to others.

Context: During our testing of liabilities, an audit adjustment was required to correct a due to road improvement account.

Effect: An audit adjustment to remove the Due to the Grants fund liability for road improvements in the amount of \$125,064 was required to properly report liabilities of General Fund as of June 30, 2009. These amounts were determined to have been paid or forgiven and should no longer be liabilities. The Grants Fund had a corresponding entry to reduce Due from the General Fund in the amount of 125,064. The offset of these entries in each fund was a transfer to or from the other fund.

Recommendation: We recommend the City carefully review all liabilities in the funds to ensure that these amounts continue to represent and amount owed to others.

Response: _____

CITY OF DULUTH, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

2009-4. Escrow Liability Account

Criteria: Internal controls should be in place to ensure that the amounts reported as liabilities held in escrow are accurate.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's liability for amounts held in escrow.

Context/Cause: During our testing of cash and liabilities audit adjustments were required to correct the liability for amounts due to others.

Effect: An audit adjustment in the amount of \$20,258 was required to increase the liability for amounts due to others that are being held in escrow in the Police State and Drug Escrow Fund as of June 30, 2009. A corresponding amount increased the police seizure expenditure account in the amount of 20,258.

Recommendation: We recommend the City carefully review all liabilities in the Police State and Drug Escrow Fund to ensure that the amount report is correct.

Response: _____

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

2009-5. Depreciation Expense

Criteria: Internal controls should be in place to ensure that appropriate amounts are recorded for depreciation expense for the year.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's accumulated depreciation and depreciation expense in the internal service funds.

Context/Cause: During our testing of capital assets, audit adjustments were required to correct the accumulated depreciation and depreciation expense accounts in the internal service funds.

Effect: An audit adjustment to increase accumulated depreciation, and the related depreciation expense, in the amount of \$26,505 was required to properly report depreciation calculated for capital assets for the year ended June 30, 2009.

Recommendation: We recommend the City review the internal service fund during closing entries to financial statements to ensure that depreciation is recorded.

Response: _____

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings

2009-1. Recording of New Loans

Criteria: Governmental Accounting Standards require that governmental funds use a current focus of accounting and thus do not report noncurrent assets and liabilities. These amounts are only reported at the government wide level.

Condition: Internal controls were not sufficient to properly record a new capital financing agreement entered into by the City.

Context/Cause: During our testing of liabilities, audit adjustments were required to accurately account for a new capital financing agreement entered into by the City.

Effect: An audit adjustment was required to remove the long-term liability from the General Fund in the amount of \$1,850,122 as of June 30, 2009. A corresponding increase in debt service expenditures was required for the amount of principal paid during the year, in the amount of \$140,000. Additionally, the adjustment increased proceeds from loan as another financing source in the amount of \$1,990,122 in the General Fund for the year ended June 30, 2009.

Recommendation: We recommend the City carefully review transactions that deal with long term assets and liabilities to ensure they are properly reported at the fund level.

Response: The City agrees with the recommendation above. Procedures have been put in place for staff to review GAAP policies for the recording of long term assets and liabilities to ensure they are properly recorded and classified. Continued staff training will also improve and ensure compliance.

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

2009-2. Liability Account

Criteria: Internal controls should be in place to ensure that the amounts reported as liabilities are accurate and in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's liability accounts for amounts due to others.

Context: During our testing of liabilities, an audit adjustment was required to correct a due to road improvement account.

Effect: An audit adjustment to remove the Due to the Grants Fund liability for road improvements in the amount of \$125,064 was required to properly report liabilities of the General Fund as of June 30, 2009. These amounts were determined to have been paid or forgiven and should no longer be liabilities. The Grants Fund had a corresponding entry to reduce the Due from the General Fund in the amount of \$125,064. The offset of these entries in each fund was a transfer to or from the other fund.

Recommendation: We recommend the City carefully review all liabilities in the funds to ensure that these amounts continue to represent amounts owed to others.

Response: The City agrees with the recommendation above. The City will continue to monitor and review its balance sheet accounts to ensure that the accounts are properly recorded and classified.

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

2009-3. Escrow Liability Account

Criteria: Internal controls should be in place to ensure that the amounts reported as liabilities held in escrow are accurate.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's liability for amounts held in escrow.

Context/Cause: During our testing of cash and liabilities audit adjustments were required to correct the liability for amounts due to others.

Effect: An audit adjustment in the amount of \$20,258 was required to increase the liability for amounts due to others that are being held in escrow in the Police State and Drug Escrow Fund as of June 30, 2009. A corresponding amount increased the police seizure expenditure account in the amount of \$20,258.

Recommendation: We recommend the City carefully review all liabilities in the Police State and Drug Escrow Fund to ensure that the amount reported is correct.

Response: The City agrees with the recommendation above. Procedures have been implemented to ensure that funds seized by the police department are recorded as a liability and held in escrow until all legal matters are resolved.

CITY OF DULUTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

2009-4. Depreciation Expense

Criteria: Internal controls should be in place to ensure that appropriate amounts are recorded for depreciation expense for the year.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's accumulated depreciation and depreciation expense in one of the internal service funds.

Context/Cause: During our testing of capital assets, audit adjustments were required to correct the accumulated depreciation and depreciation expense accounts in one of the internal service funds.

Effect: An audit adjustment to increase accumulated depreciation, and the related depreciation expense, in the amount of \$26,505 was required to properly report depreciation calculated for capital assets for the year ended June 30, 2009.

Recommendation: We recommend the City review the internal service fund during closing entries to the City's financial statements to ensure that depreciation is properly recorded.

Response: The City agrees with the recommendation above. Procedures have been implemented to ensure that the annual depreciation expense is recorded in the financial statements for the City's internal service funds.