

CITY OF DULUTH, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

June 30, 2015

CITY OF DULUTH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Duluth, Georgia** (the "City") as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Duluth, Georgia as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 8 and 14, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions, and the budgetary comparison of the General Fund on pages 4-12, 48, 49, and 50-52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth, Georgia's basic financial statements. The combining and individual fund statements and schedules, including the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds (as required by the Official Code of Georgia Annotated 48-8-121), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 on our consideration of the City of Duluth, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 29, 2015

CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

As management of the City of Duluth, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. This narrative is intended to assist the reader in understanding significant issues, material deviations from the original budget and provide an overview of financial activities and identify changes in financial position. We encourage readers to consider this information presented herein, in conjunction with the additional information furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities deferred inflows of resources at June 30, 2015 by \$74,009,285 (net position), of this amount, \$12,259,786 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$135,397 during the fiscal year ended June 30, 2015 with an increase in governmental activities of \$89,078 and an increase of \$46,319 in business-type activities.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$21,008,536 a decrease of \$1,610,614 in comparison with the prior year. This decrease is primarily due to capital expenditures on park improvements and the downtown detention facility.
- The unassigned fund balance for the General Fund at June 30, 2015 was \$6,626,363 which was 33% of total General Fund expenditures and transfers-out for the year.
- The City's total long term debt, including the debt of the City's blended component units (Urban Redevelopment Authority and Downtown Development Authority), experienced a net increase of \$6,272,992 during the fiscal year ended June 30, 2015. This increase was due to the issuance of the Series 2015 bonds by the Downtown Development Authority for financing The Block construction.

Overview of the Financial Statements

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

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

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

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

- 1) The "statement of net position" presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.
- 2) The "statement of activities" presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

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

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

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

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

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

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

Proprietary Funds: The City maintains two different types of proprietary funds, three enterprise funds, and three internal service funds. Enterprise funds charge a fee for services to outside customers. The City uses enterprise funds to account for its stormwater fees as well as the financing activities of the City's blended component units, the Downtown Development Authority and the Urban Redevelopment Authority ("URA"). The City's enterprise fund statements are the same as the business-type activities reported in the government-wide financial statements, but provide more detail. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities. The City uses internal service funds to account for the activities of the Duluth Governmental Finance Corporation, a Health Reimbursement Fund, and a risk management fund (the Worker's Compensation Fund). Because these services predominantly benefit governmental rather than business-

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type functions, they have been included within governmental activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

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

The fiduciary fund financial statements can be found on page 22 of this report.

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

The notes to the financial statements can be found on pages 23-47 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 48-52 of this report.

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

Combining and individual fund statements and schedules can be found on pages 53-63 of this report.

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$74,009,285 and \$73,873,888 at June 30, 2015 and 2014, respectively. The following is a condensed version of the government-wide statement of net position.

City of Duluth – Net Position (\$000)

	Governmental Activities		Business-Type		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 23,927	\$ 25,729	\$ 8,134	\$ 1,078	\$ 32,061	\$ 26,807
Capital assets	64,667	63,283	8,218	8,806	72,885	72,089
Total assets	<u>88,594</u>	<u>89,012</u>	<u>16,352</u>	<u>9,884</u>	<u>104,947</u>	<u>98,896</u>
Deferred Outflows	<u>507</u>	<u>342</u>	<u>179</u>	<u>212</u>	<u>686</u>	<u>554</u>
Liabilities:						
Long-term liabilities						
outstanding	1,202	2,402	25,674	19,706	26,876	22,108
Other liabilities	2,141	1,788	2,090	1,680	4,231	3,468
Total liabilities	<u>3,343</u>	<u>4,190</u>	<u>27,764</u>	<u>21,386</u>	<u>31,107</u>	<u>25,576</u>
Deferred Inflows	<u>505</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>516</u>	<u>-</u>
Net Position (deficit):						
Net Investment in						
capital assets	64,561	63,144	(11,660)	(12,226)	52,901	50,918
Restricted	8,848	9,026	-	-	8,848	9,026
Unrestricted	11,844	12,994	416	936	12,260	13,930
Total net position (deficit)	<u>\$ 85,253</u>	<u>\$ 85,164</u>	<u>\$ (11,244)</u>	<u>\$ (11,290)</u>	<u>\$ 74,009</u>	<u>\$ 73,874</u>

The largest portion of the City's net position (71%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. These capital assets are used by the City to provide services to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City does have \$106,048 restricted for debt service. The City also has net position of \$8,611,188 and \$130,918 which are restricted by enabling legislation or outside grants or agreements for disbursement on capital

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projects and law enforcement, respectively. The remaining balance of unrestricted net position \$12,259,786 may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities increased the City's net position by \$89,078 and business-type activities increased the City's net position by \$46,319. Increases were due to property tax revenue increases due to higher assessed values on the tax digest.

The following condensed financial information was derived from the government-wide statement of activities and summarizes changes in net position for the years ended June 30, 2015 and 2014.

	City of Duluth – Changes in Net Position (\$000)					
	Governmental Activities		Business-Type		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 3,573	\$ 2,906	\$ 778	\$ 790	\$ 4,351	\$ 3,696
Operating grants and contributions	1,683	1,397	-	-	1,683	1,397
Capital grants and contributions	4,246	3,763	-	-	4,246	3,763
General revenues:						
Property taxes	6,051	5,495	-	-	6,051	5,495
Insurance premium tax	1,435	1,372	-	-	1,435	1,372
Other taxes	5,341	5,278	-	-	5,341	5,278
Other	627	397	103	112	730	509
Total revenues	<u>22,956</u>	<u>20,608</u>	<u>881</u>	<u>902</u>	<u>23,837</u>	<u>21,510</u>
Expenses						
General government	5,600	5,022	-	-	5,600	5,022
Public safety	8,813	8,905	-	-	8,813	8,905
Public works	4,221	3,967	-	-	4,221	3,967
Culture & recreation	2,382	2,216	-	-	2,382	2,216
Housing & development	4	7	-	-	4	7
Interest on long term debt	5	15	-	-	5	15
Stormwater	-	-	1,348	620	1,348	620
Development financing	-	-	1,330	1,204	1,330	1,204
Total expenses	<u>21,025</u>	<u>20,132</u>	<u>2,678</u>	<u>1,824</u>	<u>23,702</u>	<u>21,956</u>
Transfers	<u>(1,843)</u>	<u>(3,372)</u>	<u>1,843</u>	<u>3,372</u>	<u>-</u>	<u>-</u>
Change in net position	89	(2,896)	46	2,450	135	(446)
Net position-July 1	85,164	89,459	(11,290)	(13,709)	73,874	75,750
Restatement	-	(1,399)	-	(31)	-	(1,430)
Net position-June 30	<u>\$ 85,253</u>	<u>\$ 85,164</u>	<u>\$ (11,244)</u>	<u>\$ (11,290)</u>	<u>\$ 74,009</u>	<u>\$ 73,874</u>

Governmental activities: Governmental activities revenues totaled \$22,956,407 for fiscal year 2015. Property taxes are the largest revenue source for governmental activities, accounting for 26% of total revenues. Other taxes (which include motor vehicle and franchise taxes), capital grants (which include sales taxes from the

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County) and charges for services are the second, third, and fourth largest revenue sources accounting for 23%, 18%, and 16%, respectively, of governmental revenues for the year.

Governmental activities expenses totaled \$21,024,707 for fiscal year 2015. Of the expenses, 42% is related to public safety. In addition, general government and public works accounted for 27% and 20% of total governmental expenses for the year, respectively. Overall, expenses increased as compared to the prior year.

Business-type activities: Business-type activities increased the City's net position by \$46,319 due to the stormwater collections.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$21,008,536 a decrease of \$1,610,614 or 7% in comparison with the prior year. Approximately 30% of the fund balance or \$6,372,150 is classified as unassigned. This unassigned fund balance is net of \$254,213 in fund balance deficits to be funded by future revenues or transfers. The remaining fund balance is classified as follows: non-spendable form (\$249,203), restricted (\$8,848,154), committed (\$787,945) and assigned (\$4,751,084).

The General Fund is the chief operating fund of the City, at the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,626,363. As a measure of the General Fund's liquidity, it would be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 33% of total General Fund expenditures plus transfers-out.

The fund balance of the City's General Fund decreased by \$2,078,428 during the current fiscal year. Key factors in this activity are as follows:

- Overall General Fund revenue increased by \$1,226,078 or 7.3%.
- Revenue from taxes increased by \$347,710 over the prior year. This increase was mainly due to the increased tax digest as property values increase.
- Revenue from licenses and permits increased \$357,198 or 112% over the prior year. This is primarily due to permits for the large development at Peachtree Industrial Boulevard and Sugarloaf Parkway.
- Revenue from Fines and Forfeitures increased by \$260,348 as two additional officers were assigned to the patrol unit.
- In addition, overall expenditures increased by \$58,854 from the prior year while net transfers out increased \$2,274,429. Increase resulted from transfers out to the park improvement and detention facility funds for capital purposes. This transfer out is the predominate reason for the decrease in fund balance.

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

At the fiscal year end, the Worker's Compensation Fund has unrestricted net position of \$422,888. Because the City self insures for worker's compensation, this balance is planned to be used for paying claims and purchasing an excess workers' compensation policy. The Duluth Governmental Finance Corporation has no liabilities and only capital assets consisting of land and a building with a balance (net of accumulated depreciation) of \$2,481,620. The Health Reimbursement Fund has unrestricted net position of \$166,050.

General Fund Budgetary Highlights

During the year, several budget amendments were adopted by the City Council and are included in the final budget column totals. The net impact of these amendments decreased expenditures by \$22,797 or .12% and increased net transfers in/out by \$1,576,226 or 70.79%.

During the year, General Fund revenues were more than budgetary projections and expenditures were less than budgetary estimates. Actual revenues were \$790,112 more than estimates mainly due to the motor vehicle Title Ad Valorem Tax or TVAT and the large permit revenue from the development at Peachtree Industrial Boulevard and Sugarloaf Parkway. Expenditures were \$2,618,621 less than budgetary appropriations due to staff vacancies in various departments, mainly the Police and Public Works departments and a much lower than expected increase in employee benefit cost.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2015, amounted to \$64,667,166, net of accumulated depreciation. The investment in capital assets includes: land, plant and buildings, machinery, equipment and fixtures, streets and drainage, and construction in progress. The additions to governmental capital assets are attributable to completed or ongoing construction projects: Bunten Road Park/Trail (ongoing), Downtown Parking (ongoing), The Block (ongoing), Taylor Park Fountain/Pumphouse (ongoing) and Red Clay Theater (complete). Capital assets had a net overall increase of \$1,384,034 as additions exceeded depreciation.

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

	2015	2014
Land and improvements	\$ 15,024	\$ 13,119
Buildings	35,465	35,437
Improvement other than buildings	49,529	49,410
Land Improvements	2,016	1,932
Furniture, machinery, and equipment	7,752	7,257
Construction in progress	3,887	1,803
Less accumulated depreciation	(49,006)	(45,675)
Total	\$ 64,667	\$ 63,283

Additional information on the City's capital assets can be found in Note 5 Capital Assets on pages 34 and 35 of this report.

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Long-term debt: At June 30, 2015, the City had no general obligation bonded debt outstanding. The City has one outstanding capital lease totaling \$106,048, of which \$34,033 is due and payable within one year. The blended component units of the City, the Downtown Development Authority and the Urban Redevelopment Authority have outstanding revenue bonds of \$19,312,502 and \$8,230,398, respectively. This represents a net increase of \$6,305,744 during the fiscal year 2015 due to the Downtown Development Authority's issuance of Series 2015 bonds (\$7,500,000) net of repayment of bonds at scheduled maturity during the year.

Additional information on the City's long-term debt can be found in Note 6 on pages 35 through 37 of this report.

Economic Factors and Next Year's Budget and Rates

Many of the initiatives the City of Duluth has undertaken in the past several years, including updating the Unified Development Code, creation of a Tax Allocation District, strong economic development efforts and financial planning based on a 10 year financial forecast, are now starting to take hold to make the City a more vibrant, diverse, safe, and financially stable destination for resident, visitors and business alike. The City's General Fund revenues grew from \$16,178,731 in Fiscal Year 2014 to \$17,861,291 in the current year, an increase of \$1,683,560 or 10%. This increase was largely attributed to increases in property taxes, occupational taxes, residential and commercial building permits revenue and court fines. On the other hand, the City's General Fund expenditures, excluding Other Financing Uses, have remained relatively unchanged from \$16,179,642 in Fiscal Year 2014 to \$16,238,495 in the current year, an increase of \$58,853. Through the use of the above initiatives, the City is committed to offering its residents the level of service they have come to expect, while continuing to work to achieve a balanced budget.

The City continues to see strong economic development throughout much of the downtown and surrounding area. One such private/public development, adjacent to the City's Town Green, estimated to cost over \$12 million is The Block, which is a 42,000 square foot restaurant district consisting of a plaza and public gathering areas which is currently in construction. Just outside of the immediate downtown is a second private development called Sugarloaf Marketplace which is a mixed used development consisting of 330 apartments and 72,000 square feet of retail space. The development is estimated to cost over \$90 million and will open in spring 2016. The City is also actively working with Pulte Homes to construct 120 single family homes and townhomes on 20+ acres immediately adjacent to the City's Town Hall. In addition, the City is also in discussion with a developer to create a \$70 million mixed use development featuring residential units over restaurants and retail within walking distance of the city's downtown. There are also several residential developments in various stages of completion throughout the City. The City believes that this economic development will lead to an active, diverse and vibrant community and will provide the financial support for the services necessary to maintain a strong and financially healthy City for years to come.

The task ahead for the City leaders and staff is to continue to see the above developments through to completion, but to also work day to day to be a City that is safe and inviting for residents and visitors alike, offers a variety of entertainment and recreation option and is responsive to the needs of its residents.

**CITY OF DULUTH, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Request for Information

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

BASIC FINANCIAL STATEMENTS

City of Duluth, Georgia
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 21,756,433	\$ 8,029,612	\$ 29,786,045
Accounts receivable	1,757,053	106,594	1,863,647
Taxes receivable	162,475	-	162,475
Internal balances	1,682	(1,682)	-
Prepaid items	249,703	-	249,703
Nondepreciable capital assets	18,911,115	1,664,627	20,575,742
Depreciable capital assets, net	45,756,051	6,552,995	52,309,046
TOTAL ASSETS	88,594,512	16,352,146	104,946,658
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	168,181	168,181
Pension related items	506,527	11,077	517,604
TOTAL DEFERRED OUTFLOWS OF RESOURCES	506,527	179,258	685,785
LIABILITIES			
Accounts payable	712,552	141,385	853,937
Accrued expenses	830,944	-	830,944
Accrued interest payable	3,707	55,062	58,769
Noncurrent liabilities:			
Net pension liability, due in more than one year	1,129,918	24,709	1,154,627
Bonds payable due within one year	-	1,893,145	1,893,145
Bonds payable due in more than one year	-	25,649,755	25,649,755
Capital lease payable due within one year	34,033	-	34,033
Capital lease payable due in more than one year	72,015	-	72,015
Compensated absences payable due within one year	560,171	-	560,171
TOTAL LIABILITIES	3,343,340	27,764,056	31,107,396
DEFERRED INFLOWS OF RESOURCES			
Pension related items	504,725	11,037	515,762
TOTAL DEFERRED INFLOWS OF RESOURCES	504,725	11,037	515,762
NET POSITION (DEFICIT)			
Net investment in capital assets	64,561,118	(11,659,773)	52,901,345
Restricted for debt service	106,048	-	106,048
Restricted for capital construction	8,611,188	-	8,611,188
Restricted for law enforcement	130,918	-	130,918
Unrestricted	11,843,702	416,084	12,259,786
TOTAL NET POSITION (DEFICIT)	\$ 85,252,974	\$ (11,243,689)	\$ 74,009,285

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Activities
For the Year Ended June 30, 2015

		Net (Expense) Revenue and Changes in Net Position				
		Program Revenues			Primary Government	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:						
Governmental Activities:						
General government	\$ 5,600,203	\$ -	\$ 42,459	\$ (4,861,077)	\$ -	\$ (4,861,077)
Public safety	8,812,867	1,148,203	212,292	(4,910,243)	-	(4,910,243)
Public works	4,220,661	2,782	3,778,806	86,604	-	86,604
Culture and recreation	2,381,668	331,097	9,495	(1,828,784)	-	(1,828,784)
Housing and development	4,004	-	-	(4,004)	-	(4,004)
Interest on long-term obligations	5,304	-	-	(5,304)	-	(5,304)
Total Governmental Activities	21,024,707	1,683,375	4,245,849	(11,522,808)	-	(11,522,808)
Business-Type Activities:						
Downtown Development Authority	1,084,039	-	-	-	(1,084,039)	(1,084,039)
Urban Redevelopment Authority	245,500	-	-	-	(245,500)	(245,500)
Stormwater	1,347,553	778,203	-	-	(569,350)	(569,350)
Total Business-Type Activities	2,677,092	778,203	-	-	(1,898,889)	(1,898,889)
Total - Primary Government	\$ 23,701,799	\$ 1,683,375	\$ 4,245,849	(11,522,808)	(1,898,889)	(13,421,697)

GENERAL REVENUES:

Taxes:						
Property				6,051,374	-	6,051,374
Insurance premium				1,434,719	-	1,434,719
Other				5,340,996	-	5,340,996
Interest earned				69,999	538	70,537
Miscellaneous				557,420	102,048	659,468
Total General Revenues				13,454,508	102,586	13,557,094
Transfers				(1,842,622)	1,842,622	-
Total General Revenues and Transfers				11,611,886	1,945,208	13,557,094

Change in Net Position

	89,078	46,319	135,397
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NET POSITION (DEFICIT) BEGINNING OF YEAR, RESTATED

	85,163,896	(11,290,008)	73,873,888
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NET POSITION (DEFICIT) END OF YEAR

	\$ 85,252,974	\$ (11,243,689)	\$ 74,009,285
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See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	SPLOST 2009 Fund	SPLOST 2014 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 12,279,647	\$ 2,863,628	\$ 3,752,194	\$ 1,998,918	\$ 20,894,387
Receivables:					
Taxes	157,706	-	-	4,769	162,475
Accounts	1,032,044	-	363,979	361,030	1,757,053
Due from other funds	301,583	200	-	4,238	306,021
Prepaid items	249,203	-	-	-	249,203
TOTAL ASSETS	\$ 14,020,183	\$ 2,863,828	\$ 4,116,173	\$ 2,368,955	\$ 23,369,139
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 366,338	\$ -	\$ -	\$ 344,261	\$ 710,599
Accrued salaries payable	250,536	-	-	-	250,536
Accrued expenditures	207,945	-	-	99,686	307,631
Due to other funds	4,678	-	-	300,783	305,461
TOTAL LIABILITIES	829,497	-	-	744,730	1,574,227
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	786,376	-	-	-	786,376
TOTAL DEFERRED INFLOWS OF RESOURCES	786,376	-	-	-	786,376
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepays	249,203	-	-	-	249,203
Restricted:					
Debt service	106,048	-	-	-	106,048
Capital construction	-	2,863,828	4,116,173	1,631,187	8,611,188
Law enforcement	-	-	-	130,918	130,918
Committed:					
Capital construction	677,112	-	-	-	677,112
Greenspace preservation	-	-	-	59,467	59,467
Tree preservation	-	-	-	3,779	3,779
Public works	-	-	-	8,000	8,000
Equipment purchases	-	-	-	39,587	39,587
Assigned:					
Fiscal year 2016 operations	3,518,143	-	-	-	3,518,143
SDS Settlement	1,227,441	-	-	-	1,227,441
Gateway construction	-	-	-	5,500	5,500
Unassigned	6,626,363	-	-	(254,213)	6,372,150
TOTAL FUND BALANCES	12,404,310	2,863,828	4,116,173	1,624,225	21,008,536
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,020,183	\$ 2,863,828	\$ 4,116,173	\$ 2,368,955	\$ 23,369,139

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

TOTAL GOVERNMENTAL FUND BALANCES	\$	21,008,536
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.</p>		
Cost	\$ 110,779,002	
Less accumulated depreciation	<u>(48,593,456)</u>	62,185,546
<p>Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
Property taxes and franchise taxes		786,376
<p>An internal service fund is used by management to charge the costs of financing and workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.</p>		
		3,070,558
<p>The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources-pension items	\$ 506,527	
Net pension liability	(1,129,918)	
Deferred inflows of resources-pension items	<u>(504,725)</u>	(1,128,116)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Capital leases	\$ (106,048)	
Accrued interest	(3,707)	
Compensated absences	<u>(560,171)</u>	<u>(669,926)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>85,252,974</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, 2015

	General Fund	SPLOST 2009 Fund	SPLOST 2014 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 12,646,249	\$ -	\$ -	\$ 50,828	\$ 12,697,077
Licenses and permits	673,885	-	-	-	673,885
Intergovernmental	1,143,433	-	4,232,549	525,677	5,901,659
Charges for services	432,306	-	-	-	432,306
Interest income	65,245	3,739	7,566	1,995	78,545
Fines and forfeitures	2,354,902	-	-	111,582	2,466,484
Miscellaneous	545,271	-	-	26,414	571,685
TOTAL REVENUES	17,861,291	3,739	4,240,115	716,496	22,821,641
EXPENDITURES					
Current:					
General government	3,870,722	-	-	-	3,870,722
Public safety	8,079,498	-	-	89,708	8,169,206
Public works	2,545,129	-	-	5,762	2,550,891
Culture and recreation	1,705,061	-	-	30,000	1,735,061
Capital outlay	-	-	-	5,906,167	5,906,167
Debt service:					
Principal retirement	32,782	-	-	-	32,782
Interest and fiscal charges	5,304	-	-	-	5,304
TOTAL EXPENDITURES	16,238,496	-	-	6,031,637	22,270,133
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,622,795	3,739	4,240,115	(5,315,141)	551,508
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	500	-	-	-	500
Transfers in	111,510	-	-	5,840,494	5,952,004
Transfers out	(3,813,233)	(2,814,757)	(1,150,512)	(336,124)	(8,114,626)
TOTAL OTHER FINANCING SOURCES (USES)	(3,701,223)	(2,814,757)	(1,150,512)	5,504,370	(2,162,122)
NET CHANGE IN FUND BALANCES	(2,078,428)	(2,811,018)	3,089,603	189,229	(1,610,614)
FUND BALANCES - BEGINNING OF YEAR	14,482,738	5,674,846	1,026,570	1,434,996	22,619,150
FUND BALANCES - END OF YEAR	\$ 12,404,310	\$ 2,863,828	\$ 4,116,173	\$ 1,624,225	\$ 21,008,536

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, 2015*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (1,610,614)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>		
Depreciation expense	\$ (3,540,604)	
Capital outlay/donations	<u>5,044,254</u>	1,503,650
Disposals of capital assets	<u>(70,992)</u>	(70,992)
Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.		130,012
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		32,782
Some expenses reported in the Statement of Activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(36,769)
Some expenses reported in the Statement of Activities, such as the change in the net pension liability and the related deferred inflows and outflows of resources, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		271,387
The internal service funds used by management to charge the costs of certain financing and workers' compensation to individual funds are included in the government-wide Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		<u>(130,378)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 89,078</u>

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash	\$ 7,512,212	\$ -	\$ 517,400	\$ 8,029,612	\$ 862,046
Accounts receivable	61,636	-	44,958	106,594	-
Prepays	-	-	-	-	500
Due from other funds	440	-	-	440	2,122
Total Current Assets	7,574,288	-	562,358	8,136,646	864,668
Noncurrent Assets:					
Capital assets:					
Nondepreciable capital assets	5,525	1,659,102	-	1,664,627	1,654,856
Depreciable capital assets, net	5,144,215	-	1,408,780	6,552,995	826,764
Total Noncurrent Assets	5,149,740	1,659,102	1,408,780	8,217,622	2,481,620
TOTAL ASSETS	12,724,028	1,659,102	1,971,138	16,354,268	3,346,288
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	-	168,181	-	168,181	-
Pension related items	-	-	11,077	11,077	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	168,181	11,077	179,258	-
LIABILITIES					
Current Liabilities:					
Accounts payable	59,051	-	82,334	141,385	1,953
Due to other funds	-	-	2,122	2,122	1,000
Claims payable	-	-	-	-	272,777
Accrued interest payable	39,258	15,804	-	55,062	-
Revenue bonds payable, current portion	1,063,145	830,000	-	1,893,145	-
Total Current Liabilities	1,161,454	845,804	84,456	2,091,714	275,730
Noncurrent Liabilities:					
Revenue bonds payable	18,249,357	7,400,398	-	25,649,755	-
Net pension liability	-	-	24,709	24,709	-
Total Noncurrent Liabilities	18,249,357	7,400,398	24,709	25,674,464	-
TOTAL LIABILITIES	19,410,811	8,246,202	109,165	27,766,178	275,730
DEFERRED INFLOWS OF RESOURCES					
Pension related items	-	-	11,037	11,037	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	11,037	11,037	-
NET POSITION (DEFICIT)					
Net investment in capital assets	(6,665,438)	(6,403,115)	1,408,780	(11,659,773)	2,481,620
Unrestricted	(21,345)	(15,804)	453,233	416,084	588,938
TOTAL NET POSITION (DEFICIT)	\$ (6,686,783)	\$ (6,418,919)	\$ 1,862,013	\$ (11,243,689)	\$ 3,070,558

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
OPERATING REVENUES					
Stormwater fees	\$ -	\$ -	\$ 778,203	\$ 778,203	\$ -
TOTAL OPERATING REVENUES	<u>-</u>	<u>-</u>	<u>778,203</u>	<u>778,203</u>	<u>-</u>
OPERATING EXPENSES					
Administration	-	-	263,303	263,303	-
Costs of sales and services	-	-	907,056	907,056	-
Depreciation	411,537	-	177,194	588,731	48,625
Claims	-	-	-	-	406,507
Other	268,817	-	-	268,817	-
TOTAL OPERATING EXPENSES	<u>680,354</u>	<u>-</u>	<u>1,347,553</u>	<u>2,027,907</u>	<u>455,132</u>
OPERATING INCOME (LOSS)	<u>(680,354)</u>	<u>-</u>	<u>(569,350)</u>	<u>(1,249,704)</u>	<u>(455,132)</u>
NON-OPERATING INCOME (LOSS)					
Interest and fiscal charges	(403,685)	(245,500)	-	(649,185)	-
Miscellaneous	102,048	-	-	102,048	-
Interest income	538	-	-	538	4,754
TOTAL NON-OPERATING INCOME (LOSS)	<u>(301,099)</u>	<u>(245,500)</u>	<u>-</u>	<u>(546,599)</u>	<u>4,754</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>(981,453)</u>	<u>(245,500)</u>	<u>(569,350)</u>	<u>(1,796,303)</u>	<u>(450,378)</u>
Transfers in	828,428	1,014,194	-	1,842,622	320,000
	<u>828,428</u>	<u>1,014,194</u>	<u>-</u>	<u>1,842,622</u>	<u>320,000</u>
CHANGE IN NET POSITION	<u>(153,025)</u>	<u>768,694</u>	<u>(569,350)</u>	<u>46,319</u>	<u>(130,378)</u>
NET POSITION (DEFICIT):					
BEGINNING OF YEAR, RESTATED	<u>(6,533,758)</u>	<u>(7,187,613)</u>	<u>2,431,363</u>	<u>(11,290,008)</u>	<u>3,200,936</u>
END OF YEAR	<u>\$ (6,686,783)</u>	<u>\$ (6,418,919)</u>	<u>\$ 1,862,013</u>	<u>\$ (11,243,689)</u>	<u>\$ 3,070,558</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, 2015

	Downtown Development Authority	Urban Redevelopment Authority	Stormwater Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received for operations	\$ -	\$ -	\$ 771,335	\$ 771,335	\$ -
Cash paid for goods and services	(297,636)	-	(1,142,744)	(1,440,380)	-
Cash paid for claims	-	-	-	-	(319,092)
NET CASH USED BY OPERATING ACTIVITIES	(297,636)	-	(371,409)	(669,045)	(319,092)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	828,428	1,014,194	-	1,842,622	320,000
Increase (decrease) in due from other funds	440	(6,588)	-	(6,148)	-
Miscellaneous receipts	102,048	-	-	102,048	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	930,916	1,014,194	-	1,945,110	320,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(384,145)	(810,000)	-	(1,194,145)	-
Proceeds from bond issuance	7,500,000	-	-	7,500,000	-
Interest paid on long-term debt	(381,771)	(204,194)	-	(585,965)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	6,734,084	(1,014,194)	-	5,719,890	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	538	-	-	538	4,754
NET CASH PROVIDED BY INVESTING ACTIVITIES	538	-	-	538	4,754
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,367,902	-	(371,409)	6,996,493	5,662
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	144,310	-	888,809	1,033,119	856,384
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,512,212	\$ -	\$ 517,400	\$ 8,029,612	\$ 862,046
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES					
Operating loss	\$ (680,354)	\$ -	\$ (569,350)	\$ (1,249,704)	\$ (455,132)
Adjustments:					
Depreciation	411,537	-	177,194	588,731	48,625
Changes in assets and liabilities:					
Accounts receivable	(61,636)	-	(6,869)	(68,505)	-
Prepays	-	-	-	-	(500)
Deferred outflows pension items	-	-	(3,611)	(3,611)	-
Due from other funds	(440)	-	765	325	(765)
Accounts payable and claims payable	33,257	-	32,786	66,043	87,680
Due to other funds	-	-	-	-	1,000
Net pension liability	-	-	(13,361)	(13,361)	-
Deferred inflows pension items	-	-	11,037	11,037	-
NET CASH USED BY OPERATING ACTIVITIES	\$ (297,636)	\$ -	\$ (371,409)	\$ (669,045)	\$ (319,092)

See accompanying notes to the basic financial statements.

City of Duluth, Georgia
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2015

ASSETS	Agency Fund
Cash	\$ 64,093
Total assets	<u>\$ 64,093</u>
LIABILITIES	
Due to other agencies	\$ 64,093
Total liabilities	<u>\$ 64,093</u>

See accompanying notes to the basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Due to restrictions of the state constitution relating to the issuance of municipal debt, the City created separate organizations to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these organizations are solely for the benefit of the City. Organizations are blended into the City's primary government as an integral part of City operations although retaining separate legal identity.

The Duluth Governmental Finance Corporation (DGFC) is a blended component unit. It oversees funding for a public works facility. The Board consists of the Mayor and Council who have the ability to make all decisions for the Corporation. The DGFC serves only as a financing vehicle for property used by the City. The Corporation is presented as an internal service fund.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Downtown Development Authority (DDA) is a blended component unit. The City Council appoints all members of the board of directors of the DDA and the DDA's budget must be approved by the City Council. The DDA serves only as a financing vehicle for redevelopment property on behalf of the City.

The Urban Redevelopment Authority (URA) is a blended component unit. The City Council appoints all members of the board of directors of the URA and those board members may be removed by the City Council. The URA serves only as a financing vehicle for redevelopment property on behalf of the City.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City also reports the following:

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

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

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

D. Cash and Investments

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

E. Interfund Receivables and Payables

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

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

G. Management Estimates

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

H. Capital Assets

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

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

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

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

J. Compensated Absences

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

K. Net Position and Fund Equity

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

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

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

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position and Fund Equity (Continued)

- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment, also through adoption of a resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City’s finance committee to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deferred Outflows of Resources / Deferred Inflows of Resources

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

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

The City also has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. See Note 8 for further detail.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

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

N. Deficit Fund Equity

At June 30, 2015, the Taylor Park Improvement Fund had a deficit of \$4,469; the Abbots Bridge Road Improvements Fund had a deficit of \$7,781; the Downtown Detention Facility Fund had a deficit of \$1,380; the Downtown Parking Fund had deficit of \$92,175; the Buford Highway Medians Fund had a deficit of \$14,180; the 2009 SPLOST Vehicles Fund had a deficit of \$10,258; and the Block Fund had a deficit of \$123,970. The deficits in these funds will be funded with budgeted financing through grants or other funding or with transfers from other funds, if necessary. The Downtown Development Authority had a deficit net position of \$6,686,783 and the Urban Redevelopment Authority had a deficit net position of \$6,418,919. The deficits in these funds will be funded with the sale or development of assets, transfers from other funds, or with budgeted financing through other funding.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

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

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

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015, the City’s bank balances were under collateralized by \$7,972,057 as defined by State statutes.

NOTE 4. RECEIVABLES

Receivables at June 30, 2015, for the City’s individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>2014 SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Downtown Development Authority</u>	<u>Stormwater</u>
Receivables:					
Taxes	\$ 157,706	\$ -	\$ 4,769	\$ -	\$ -
Accounts	1,032,044	363,979	361,030	61,636	44,958
Gross receivables	<u>1,189,750</u>	<u>363,979</u>	<u>365,799</u>	<u>61,636</u>	<u>44,958</u>
Less allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$ 1,189,750</u>	<u>\$ 363,979</u>	<u>\$ 365,799</u>	<u>\$ 61,636</u>	<u>\$ 44,958</u>

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on January 1st. Tax bills are mailed on September 1st and are due by November 30th. All unpaid taxes levied become delinquent on December 1st. A tax lien is filed with the Gwinnett County Superior Court for all delinquent bills as of February 10th. The City bills and collects its own property taxes. Property taxes levied for the year ended June 30, 2015 and not collected are recorded as receivables, net of estimated uncollectibles.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 13,001,699	\$ 1,905,482	\$ -	\$ -	\$ 14,907,181
Land improvements	116,985	-	-	-	116,985
Construction in progress	1,802,835	2,409,401	-	(325,287)	3,886,949
Total	<u>14,921,519</u>	<u>4,314,883</u>	<u>-</u>	<u>(325,287)</u>	<u>18,911,115</u>
Capital assets, being depreciated:					
Buildings	35,437,437	-	(100,000)	128,000	35,465,437
Improvements other than buildings	49,410,099	90,653	-	27,860	49,528,612
Land improvements	1,932,014	83,518	-	-	2,015,532
Furniture, machinery and equipment	7,257,416	555,200	(229,538)	169,427	7,752,505
Total	<u>94,036,966</u>	<u>729,371</u>	<u>(329,538)</u>	<u>325,287</u>	<u>94,762,086</u>
Less accumulated depreciation for:					
Building	(9,181,726)	(962,645)	44,942	-	(10,099,429)
Improvements other than buildings	(29,516,195)	(1,423,607)	-	-	(30,939,802)
Land improvements	(591,395)	(421,731)	-	-	(1,013,126)
Furniture, machinery and equipment	(6,386,036)	(781,246)	213,604	-	(6,953,678)
Total	<u>(45,675,352)</u>	<u>(3,589,229)</u>	<u>258,546</u>	<u>-</u>	<u>(49,006,035)</u>
Total assets being depreciated, net	<u>48,361,614</u>	<u>(2,859,858)</u>	<u>(70,992)</u>	<u>325,287</u>	<u>45,756,051</u>
Governmental activities capital assets, net	<u>\$ 63,283,133</u>	<u>\$ 1,455,025</u>	<u>\$ (70,992)</u>	<u>\$ -</u>	<u>\$ 64,667,166</u>
Business Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,664,627	\$ -	\$ -	\$ -	\$ 1,664,627
Total	<u>1,664,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,664,627</u>
Capital assets, being depreciated:					
Buildings	6,996,132	-	-	-	6,996,132
Infrastructure	1,664,995	-	-	-	1,664,995
Furniture, machinery and equipment	98,172	-	-	-	98,172
Total	<u>8,759,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,759,299</u>
Less accumulated depreciation:					
Buildings	(1,440,380)	(411,537)	-	-	(1,851,917)
Infrastructure	(155,729)	(155,730)	-	-	(311,459)
Furniture, machinery and equipment	(21,464)	(21,464)	-	-	(42,928)
Total	<u>(1,617,573)</u>	<u>(588,731)</u>	<u>-</u>	<u>-</u>	<u>(2,206,304)</u>
Business Type Activities capital assets, net	<u>\$ 8,806,353</u>	<u>\$ (588,731)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,217,622</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 956,381
Public safety	715,726
Public works	1,461,794
Housing & development	4,004
Culture and recreation	<u>451,324</u>
Total depreciation expense - governmental activities	<u>\$ 3,589,229</u>

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 522,256	\$ 646,589	\$ 608,674	\$ 560,171	\$ 560,171
Net pension liability	1,740,904	776,731	1,387,717	1,129,918	-
Leases payable	<u>138,830</u>	<u>-</u>	<u>32,782</u>	<u>106,048</u>	<u>34,033</u>
Governmental activities long-term liabilities	<u>\$ 2,401,990</u>	<u>\$ 1,423,320</u>	<u>\$ 2,029,173</u>	<u>\$ 1,796,137</u>	<u>\$ 594,204</u>
Business Activities:					
Bonds payable	\$ 21,236,647	\$ 7,913,574	\$ 1,607,719	\$ 27,542,502	\$ 1,893,145
Premium on bonds	479	-	81	398	-
Net pension liability	<u>38,070</u>	<u>-</u>	<u>13,361</u>	<u>24,709</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 21,275,196</u>	<u>\$ 7,913,574</u>	<u>\$ 1,621,161</u>	<u>\$ 27,567,609</u>	<u>\$ 1,893,145</u>

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6. LONG-TERM DEBT (Continued)

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

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

During fiscal year 2013, the Urban Redevelopment Authority refunded most of its outstanding Series 2003 bonds with Series 2012 Refunding Bonds issued in the amount of \$7,095,000. Interest rates on the Series 2012 Bonds are 1.63% with annual maturities through fiscal year 2024. The net proceeds from the Series 2012 Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$725,942 and a present value savings, or economic gain, of \$654,799. The refunded bonds are considered defeased and thus the assets in the trust fund along with the \$5,685,000 in outstanding refunded bonds at June 30, 2015 are not reported in the City's financial statements.

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

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>
2016	\$ 1,893,145	\$ 800,448	\$ 2,693,593
2017	5,810,965	661,301	6,472,266
2018	1,755,075	523,014	2,278,089
2019	1,826,411	461,474	2,287,885
2020	1,882,744	397,225	2,279,969
2021-2025	6,490,776	1,223,134	7,713,910
2026-2029	7,883,386	87,739	7,971,125
	<u>\$ 27,542,502</u>	<u>\$ 4,154,335</u>	<u>\$ 31,696,837</u>

Capital Lease Payable. The City entered into a capital lease to purchase police radios on August 1, 2013. The lease calls for annual payments of \$38,084 bearing interest of 3.82% annum maturing August 1, 2017. The assets under capital lease have a historical cost of \$138,080 and accumulated depreciation of \$65,556 for a net book value of \$73,274. Annual depreciation of these assets under capital leases is included in depreciation expense.

The following is a schedule of future minimum lease payments under lease as of June 30, 2015:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 34,033	\$ 4,051	\$ 38,084
2017	35,333	2,751	38,084
2018	36,682	1,401	38,083
	<u>\$ 106,048</u>	<u>\$ 8,203</u>	<u>\$ 114,251</u>

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2015, is as follows:

	Payable To					Total
	General Fund	2009 SPLOST Fund	Other Governmental Funds	Internal Service Funds	Downtown Development Authority	
<u>Receivable From</u>						
General Fund	\$ -	\$ -	\$ 4,238	\$ -	\$ 440	\$ 4,678
Other Governmental Funds	300,583	200	-	-	-	300,783
Non Major Proprietary Fund	-	-	-	2,122	-	2,122
Internal service funds	1,000	-	-	-	-	1,000
Total	<u>\$ 301,583</u>	<u>\$ 200</u>	<u>\$ 4,238</u>	<u>\$ 2,122</u>	<u>\$ 440</u>	<u>\$ 308,583</u>

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

Interfund transfers for the year ended June 30, 2015 were:

	Transfers From				Total
	General Fund	SPLOST 2009 Fund	Other Governmental Funds	SPLOST 2014 Fund	
<u>Transfers To</u>					
General Fund	\$ -	\$ -	\$ 111,510	\$ -	\$ 111,510
Other Governmental Funds	1,665,016	2,814,757	210,209	1,150,512	5,840,494
Urban Redevelopment Authority	999,789	-	14,405	-	1,014,194
Downtown Development Authority	828,428	-	-	-	828,428
Internal Service Funds	320,000	-	-	-	320,000
Total	<u>\$ 3,813,233</u>	<u>\$ 2,814,757</u>	<u>\$ 336,124</u>	<u>\$ 1,150,512</u>	<u>\$ 8,114,626</u>

These transfers were used to assist other funds in meeting operating requirements for the year ended June 30, 2015 or for moving revenue to the fund in which expenditures were funded. Transfers from the 2005 SPLOST Fund (other governmental fund) were to pay debt service on an allowable project under the SPLOST intergovernmental agreement and to refund other capital projects funds for allowable costs incurred in prior years on projects. Transfers from the 2009 and 2014 SPLOST Funds were to refund other capital projects funds for allowable costs incurred in prior years on projects.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Plan Membership As of January 1, 2015, the date of the most recent actuarial valuation, there were 188 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not receiving benefits	41
Active plan members	132
	<u>188</u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the fiscal year ended June 30, 2015, the City's contribution rate was 6.74% of annual payroll. City contributions to the Plan were \$583,486 for the fiscal year ended June 30, 2015. Employees of the City of Duluth do not contribute to the Plan.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which significantly changed the City’s accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City’s net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

Actuarial assumptions. The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2013.

Cost of living adjustments were assumed to be 3.25% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the table on the following page.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	—%	
Total	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14	\$ 6,467,019	\$ 4,688,045	\$ 1,778,974
Changes for the year:			
Service cost	281,147	-	281,147
Interest	498,803	-	498,803
Differences between expected and actual experience	(66,033)	-	(66,033)
Assumption Changes	(390,741)	-	(390,741)
Contributions—employer	-	414,749	(414,749)
Net investment income	-	545,407	(545,407)
Benefit payments, including refunds of employee contributions	(61,694)	(61,694)	-
Administrative expense	-	(12,633)	12,633
Net changes	261,482	885,829	(624,347)
Balances at 6/30/15	\$ 6,728,501	\$ 5,573,874	\$ 1,154,627

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 2,189,589	\$ 1,154,627	\$ 307,602

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City (continued). Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee.

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

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$306,164. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 55,030
Changes in assumptions	-	325,620
Net difference between projected and actual earnings on pension plan investments	-	135,112
City contributions subsequent to the measurement date	<u>517,604</u>	<u>-</u>
Total	<u>\$ 517,604</u>	<u>\$ 515,762</u>

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

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

City contributions subsequent to the measurement date of \$517,604 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2016	\$	(109,908)
2017		(109,908)
2018		(109,908)
2019		(109,908)
2020		(76,130)
Total	\$	<u><u>(515,762)</u></u>

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 Georgia Wealth Partners by OneAmerica. This program covers substantially all employees and the City makes contribution after an employee's first year of service. Employees may contribute a maximum of \$17,500 for calendar year 2014 and \$18,000 for calendar year 2015. Individuals who are 50 or older can defer an additional \$6,000. The City's contribution is limited to a maximum of 2% of gross wages or 50% of employee's contributions, whichever is less.

This Program may be amended by vote of the City Council. Contributions by the City for the current year were \$96,887, with employee contributions amounting to \$334,770.

CITY OF DULUTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10. JOINT VENTURE

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

NOTE 11. RISK MANAGEMENT

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

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

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

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015, the City had accumulated \$694,740 in the account after the payment of claims and administrative fees.

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

	Beginning Balance	Additions	Payments	Ending Balance
2015	\$ 183,743	\$ 351,872	\$ (262,838)	\$ 272,777
2014	\$ 93,928	\$ 302,949	\$ (213,134)	\$ 183,743

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.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13. RENTAL MOTOR VEHICLE EXCISE TAX

The City has levied an excise tax on the rental of motor vehicles. The Official Code of Georgia Annotated 48-13-93 requires that all motor vehicle excise taxes be expended or obligated contractually, in accordance with state law, for the promotion of tourism or the acquisition, construction, renovating, improving, maintenance and equipping of pedestrian walkways, installation of traffic lights, and street lights associated with public safety facilities or public improvements for sports and recreational facilities. During the fiscal year ended June 30, 2015, the City received \$46,311 in motor vehicle excise taxes. Of this amount, \$32,324 was expended on public safety and the remaining \$13,987 was obligated through restrictions for similar purposes.

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 8 above, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. These new standards significantly changed the City’s accounting for pension amounts. As a result of this change in accounting principle, the City was required to restate beginning net position for governmental activities, business type activities, and stormwater fund as shown below:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Stormwater Fund</u>
Net position (deficit) as previously reported	\$ 86,563,399	\$ (11,259,404)	\$ 2,461,967
Net pension liability, beginning balance	(1,740,904)	(38,070)	(38,070)
Deferred outflows of resources, contributions subsequent to the measurement date, beginning balance	341,401	7,466	7,466
Net position (deficit) as restated	<u>\$ 85,163,896</u>	<u>\$ (11,290,008)</u>	<u>\$ 2,431,363</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015
Total pension liability	
Service cost	\$ 281,147
Interest on total pension liability	498,803
Changes of benefit terms	-
Differences between expected and actual experience	(66,033)
Changes of assumptions	(390,741)
Benefit payments, including refunds of employee contributions	(61,694)
Net change in total pension liability	261,482
Total pension liability - beginning	6,467,019
Total pension liability - ending (a)	\$ 6,728,501
 Plan fiduciary net position	
Contributions - employer	414,749
Net investment income	545,407
Benefit payments, including refunds of employee contributions	(61,694)
Administrative expenses	(12,633)
Net change in plan fiduciary net position	885,829
Plan fiduciary net position - beginning	4,688,045
Plan fiduciary net position - ending (b)	\$ 5,573,874
 City's net pension liability - ending (a) - (b)	\$ 1,154,627
 Plan fiduciary net position as a percentage of the total pension liability	82.8%
 Covered-employee payroll	\$ 6,915,892
 City's net pension liability as a percentage of covered - employee payroll	16.7%

Notes to the Schedule

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

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

	2015
Actuarially determined contribution	\$ 450,318
Contributions in relation to the actuarially determined contribution	583,486
Contribution deficiency (excess)	\$ (133,168)
Covered-employee payroll	6,681,276
Contributions as a percentage of Covered-employee payroll	8.7%

Notes to the Schedule

Valuation Date	
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return	
On Investments	7.75%
Projected Salary Increases	3.75% - 8.75% (including 3.25% for inflation)
Cost-of-living Adjustment	3.25%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	None remaining

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

City of Duluth, Georgia
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 12,068,100	\$ 12,068,100	\$ 12,646,249	\$ 578,149
Licenses and permits	368,650	368,650	673,885	305,235
Charges for services	392,644	392,644	432,306	39,662
Fines and forfeitures	2,706,000	2,706,000	2,354,902	(351,098)
Intergovernmental	1,080,210	1,080,210	1,143,433	63,223
Interest income	67,500	67,500	65,245	(2,255)
Miscellaneous	326,155	388,075	545,271	157,196
TOTAL REVENUES	17,009,259	17,071,179	17,861,291	790,112
EXPENDITURES				
Current:				
General government:				
Mayor and Council				
Personal services	51,454	54,520	48,378	6,142
Other services and charges	187,417	185,929	169,856	16,073
City Administrator				
Personal services	228,458	218,458	196,509	21,949
Other services and charges	296,018	341,672	158,503	183,169
City Clerk/Business Office				
Personal services	1,249,438	1,248,357	1,117,653	130,704
Other services and charges	1,343,992	1,307,752	1,157,285	150,467
City Clerk/Human resources	214,558	240,499	216,966	23,533
Other				
Public information & marketing	679,774	740,439	691,332	49,107
Consolidated services:				
Custodial services	73,773	74,729	52,942	21,787
Landscape maintenance	61,186	61,987	61,298	689
Contingency	110,000	110,000	-	110,000
Total general government	4,496,068	4,584,342	3,870,722	713,620

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, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public safety:				
Municipal Court				
Personal services	\$ 591,194	\$ 587,694	\$ 530,580	\$ 57,114
Other services and charges	37,927	24,967	15,917	9,050
Police / Admin				
Personal services	551,543	558,906	550,608	8,298
Other services and charges	351,100	392,985	388,493	4,492
Police / CID				
Personal services	768,509	782,749	781,019	1,730
Other services and charges	255,938	297,746	238,698	59,048
Police / Uniform Division				
Personal services	3,901,438	3,869,724	3,566,621	303,103
Other services and charges	124,169	126,106	104,459	21,647
Police / Other				
Police vehicles	479,491	479,002	421,878	57,124
Police Support Services	1,969,818	1,827,006	1,443,225	383,781
Red light monitoring system	345,780	345,780	38,000	307,780
Total public safety	<u>9,376,907</u>	<u>9,292,665</u>	<u>8,079,498</u>	<u>1,213,167</u>
Public works:				
Planning & Development				
Personal services	822,148	759,421	619,380	140,041
Other services and charges	494,272	488,907	434,903	54,004
Administration				
Personal services	1,356,269	1,321,552	959,867	361,685
Other services and charges	223,527	329,682	311,362	18,320
Supplies	84,351	81,166	59,032	22,134
Streets				
Building / grounds maintenance	201,576	182,076	160,585	21,491
Total public works	<u>3,182,143</u>	<u>3,162,804</u>	<u>2,545,129</u>	<u>617,675</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, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Culture and recreation:				
Parks / Recreation Admin				
Personal services	\$ 1,272,481	\$ 1,286,519	\$ 1,226,000	\$ 60,519
Other services and charges	302,504	321,710	317,305	4,405
Recreation operations	211,725	170,991	161,756	9,235
Total culture and recreation	<u>1,786,710</u>	<u>1,779,220</u>	<u>1,705,061</u>	<u>74,159</u>
Debt service:				
Principal retirement	32,782	32,782	32,782	-
Interest and fiscal charges	5,304	5,304	5,304	-
Total debt service	<u>38,086</u>	<u>38,086</u>	<u>38,086</u>	<u>-</u>
TOTAL EXPENDITURES	<u>18,879,914</u>	<u>18,857,117</u>	<u>16,238,496</u>	<u>2,618,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,870,655)</u>	<u>(1,785,938)</u>	<u>1,622,795</u>	<u>3,408,733</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	500	500
Transfers in	112,000	147,077	111,510	(35,567)
Transfers out	<u>(2,338,688)</u>	<u>(3,949,991)</u>	<u>(3,813,233)</u>	<u>136,758</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,226,688)</u>	<u>(3,802,914)</u>	<u>(3,701,223)</u>	<u>101,691</u>
NET CHANGE IN FUND BALANCES	<u>(4,097,343)</u>	<u>(5,588,852)</u>	<u>(2,078,428)</u>	<u>3,510,424</u>
FUND BALANCES - BEGINNING OF YEAR	<u>14,482,738</u>	<u>14,482,738</u>	<u>14,482,738</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 10,385,395</u>	<u>\$ 8,893,886</u>	<u>\$ 12,404,310</u>	<u>\$ 3,510,424</u>

COMBINING FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

Gateway Grant Buford Highway Fund – This fund accounts for activities carried out by the City under the terms and restrictions of the Gateway grant, restricted for specific activity.

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

Capital Projects Funds

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

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

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

Downtown Detention Facility Fund – This fund accounts for the construction of a detention facility.

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

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

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

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

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

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

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

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

TAD Fund – This fund is used to account for the capital investment to revitalize the City's commercial/downtown.

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

City of Duluth, Georgia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2015

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS			
Cash	\$ 394,153	\$ 1,604,765	\$ 1,998,918
Taxes receivable	4,769	-	4,769
Accounts receivable	-	361,030	361,030
Due from other funds	-	4,238	4,238
TOTAL ASSETS	\$ 398,922	\$ 1,970,033	\$ 2,368,955
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 45,975	\$ 298,286	\$ 344,261
Accrued expenditures	99,686	-	99,686
Due to other funds	11,510	289,273	300,783
TOTAL LIABILITIES	157,171	587,559	744,730
FUND BALANCES (DEFICIT)			
Restricted:			
Capital construction	-	1,631,187	1,631,187
Law enforcement	130,918	-	130,918
Committed:			
Greenspace preservation	59,467	-	59,467
Tree preservation	3,779	-	3,779
Public works	8,000	-	8,000
Equipment purchases	39,587	-	39,587
Assigned:			
Gateway construction	-	5,500	5,500
Unassigned	-	(254,213)	(254,213)
TOTAL FUND BALANCES	241,751	1,382,474	1,624,225
TOTAL LIABILITIES AND FUND BALANCES	\$ 398,922	\$ 1,970,033	\$ 2,368,955

City of Duluth, Georgia
*Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances*
Non-major Governmental Funds
For the Year Ended June 30, 2015

	Non-major Special Revenue Funds	Non-major Capital Projects Funds	Total Non-major Governmental Funds
REVENUES			
Taxes	\$ 46,311	\$ 4,517	\$ 50,828
Intergovernmental	-	525,677	525,677
Fines and forfeitures	111,582	-	111,582
Interest income	-	1,995	1,995
Miscellaneous	26,414	-	26,414
TOTAL REVENUES	184,307	532,189	716,496
EXPENDITURES			
Current:			
Public safety	89,708	-	89,708
Public works	5,762	-	5,762
Culture and recreation	30,000	-	30,000
Capital outlay	-	5,906,167	5,906,167
TOTAL EXPENDITURES	125,470	5,906,167	6,031,637
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	58,837	(5,373,978)	(5,315,141)
OTHER FINANCING SOURCES (USES)			
Transfers in	52,310	5,788,184	5,840,494
Transfers out	(111,510)	(224,614)	(336,124)
TOTAL OTHER FINANCING SOURCES (USES)	(59,200)	5,563,570	5,504,370
NET CHANGE IN FUND BALANCES	(363)	189,592	189,229
FUND BALANCES - BEGINNING OF YEAR	242,114	1,192,882	1,434,996
FUND BALANCES - END OF YEAR	\$ 241,751	\$ 1,382,474	\$ 1,624,225

City of Duluth, Georgia
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2015

	Greenspace Program Fund		Landscaping Tree Fund		Sidewalk Fund		Police Federal Drug Fund		Police State Drug & Escrow Fund		Operation Drive Smart Fund		Public Art Fund		Rental Motor Vehicle Tax Fund		Police Technology Fund		Gateway Grant Buford Highway Fund		Grants Fund		Total Non-major Special Revenue Funds	
ASSETS																								
Cash	\$ 59,467	\$ 3,779	\$ 8,000	\$ 727	\$ 118,642	\$ 98,753	\$ -	\$ 65,198	\$ 39,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 394,153	
Taxes receivable	-	-	-	-	-	-	-	4,769	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,769	
TOTAL ASSETS	\$ 59,467	\$ 3,779	\$ 8,000	\$ 727	\$ 118,642	\$ 98,753	\$ -	\$ 69,967	\$ 39,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 398,922	
LIABILITIES AND FUND BALANCES																								
LIABILITIES																								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,975	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,975	
Accrued expenditures	-	-	-	-	99,686	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99,686	
Due to other funds	-	-	-	-	11,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,510	
TOTAL LIABILITIES	-	-	-	-	111,196	45,975	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	157,171	
FUND BALANCES																								
Restricted:																								
Law enforcement	-	-	-	727	7,446	52,778	-	69,967	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,918	
Committed:																								
Greenspace preservation	59,467	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,467	
Tree preservation	-	3,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,779	
Public works	-	-	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,000	
Equipment purchases	-	-	-	-	-	-	-	-	39,587	-	-	-	-	-	-	-	-	-	-	-	-	-	39,587	
TOTAL FUND BALANCES	59,467	3,779	8,000	727	7,446	52,778	-	69,967	39,587	-	-	-	-	-	-	-	-	-	-	-	-	-	241,751	
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,467	\$ 3,779	\$ 8,000	\$ 727	\$ 118,642	\$ 98,753	\$ -	\$ 69,967	\$ 39,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 398,922	

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, 2015

	Greenspace Program Fund	Landscaping Tree Fund	Sidewalk Fund	Police Federal Drug Fund	Police State Drug & Escrow Fund	Operation Drive Smart Fund	Public Art Fund	Rental Motor Vehicle Tax Fund	Police Technology Fund	Gateway Grant Buford Highway Fund	Grants Fund	Total Non-major Special Revenue Funds
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,311	\$ -	\$ -	\$ -	\$ 46,311
Fines and forfeitures	-	-	-	-	-	10,850	-	-	111,582	-	-	111,582
Other	-	-	-	-	15,564	-	-	-	-	-	-	26,414
TOTAL REVENUES	-	-	-	-	15,564	10,850	-	46,311	111,582	-	-	184,307
EXPENDITURES												
Current:												
Public safety	-	-	-	-	4,947	52,437	-	32,324	-	-	-	89,708
Public works	-	-	-	-	-	-	-	-	-	5,762	-	5,762
Culture and recreation	-	-	-	-	-	-	30,000	-	-	-	-	30,000
TOTAL EXPENDITURES	-	-	-	-	4,947	52,437	30,000	32,324	-	5,762	-	125,470
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	10,617	(41,587)	(30,000)	13,987	111,582	(5,762)	-	58,837
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	2,564	-	-	30,000	-	-	5,762	13,984	52,310
Transfers out	-	-	-	-	(11,510)	-	-	-	(100,000)	-	-	(111,510)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	2,564	(11,510)	-	30,000	-	(100,000)	5,762	13,984	(59,200)
NET CHANGE IN FUND BALANCES	-	-	-	2,564	(893)	(41,587)	-	13,987	11,582	-	13,984	(363)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	59,467	3,779	8,000	(1,837)	8,339	94,365	-	55,980	28,005	-	(13,984)	242,114
FUND BALANCES - END OF YEAR	\$ 59,467	\$ 3,779	\$ 8,000	\$ 727	\$ 7,446	\$ 52,778	\$ -	\$ 69,967	\$ 39,587	\$ -	\$ -	\$ 241,751

City of Duluth, Georgia
Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2015

	SPLOST 1997	Taylor Park Improvements	SPLOST 2005	S. Hudgens Park		Rogers Bridge Dog Park	Abbots Bridge Road Improvements	Park Improvements	Downtown Detention Facility	Buford Hwy Medians
				Restrooms						
ASSETS										
Cash	\$ 1,306,373	\$ -	\$ 123,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,306,373	\$ -	\$ 123,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ -	\$ 4,469	\$ -	\$ -	\$ -	\$ 7,781	\$ -	\$ -	\$ 1,380	\$ 14,180
Due to other funds	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	4,469	-	-	-	7,781	-	-	1,380	14,180
FUND BALANCES (DEFICIT)										
Restricted:										
Capital construction	1,306,373	-	123,465	-	-	-	-	-	-	-
Assigned:										
Gateway construction	-	(4,469)	-	-	-	(7,781)	-	-	(1,380)	(14,180)
Unassigned	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	1,306,373	(4,469)	123,465	-	-	(7,781)	-	-	(1,380)	(14,180)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 1,306,373	\$ -	\$ 123,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Duluth, Georgia
 Combining Balance Sheet
 Non-major Capital Projects Funds
 June 30, 2015

	2009 SPLOST Vehicles	Transportation Infrastructure Improvements	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	Downtown Parking	TAD	Block	Total Non-major Capital Projects Funds
ASSETS										
Cash	\$ -	\$ 164,685	\$ 5,500	\$ -	\$ -	\$ -	\$ -	\$ 4,742	\$ -	\$ 1,604,765
Accounts receivable	-	-	-	-	360,991	-	-	39	-	361,030
Due from other funds	-	-	-	-	4,238	-	-	-	-	4,238
TOTAL ASSETS	\$ -	\$ 164,685	\$ 5,500	\$ -	\$ 365,229	\$ -	\$ -	\$ 4,781	\$ -	\$ 1,970,033
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 10,258	\$ 7,011	\$ -	\$ -	\$ 36,998	\$ -	\$ 92,175	\$ 264	\$ 123,770	\$ 298,286
Due to other funds	-	-	-	-	289,073	-	-	-	200	289,273
LIABILITIES	10,258	7,011	-	-	326,071	-	92,175	264	123,970	587,559
FUND BALANCES (DEFICIT)										
Restricted:										
Capital construction	-	157,674	-	-	39,158	-	-	4,517	-	1,631,187
Assigned:										
Gateway construction	-	-	5,500	-	-	-	-	-	-	5,500
Unassigned	(10,258)	-	-	-	-	-	(92,175)	-	(123,970)	(254,213)
TOTAL FUND BALANCES (DEFICIT)	(10,258)	157,674	5,500	-	39,158	-	(92,175)	4,517	(123,970)	1,382,474
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ -	\$ 164,685	\$ 5,500	\$ -	\$ 365,229	\$ -	\$ -	\$ 4,781	\$ -	\$ 1,970,033

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, 2015*

	SPLOST 1997	Taylor Park Improvements	SPLOST 2005	S. Hudgens Park Restrooms	Rodgers Bridge Dog Park	Abbots Bridge Road Improvements	Park Improvements	Downtown Detention Facility	Buford Hwy Medians
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	1,331	-	664	-	-	-	-	-	-
Property taxes	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,331	-	664	-	-	-	-	-	-
EXPENDITURES									
Capital outlay:									
General government	-	-	24	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	54,687	-	-	-	7,781	-	-	1,459,404	28,185
Culture and recreation	-	148,548	-	27,513	62,000	-	1,010,948	-	-
TOTAL EXPENDITURES	54,687	148,548	24	27,513	62,000	7,781	1,010,948	1,459,404	28,185
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(53,356)	(148,548)	640	(27,513)	(62,000)	(7,781)	(1,010,948)	(1,459,404)	(28,185)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	144,079	-	27,513	62,000	-	1,193,403	1,458,024	16,690
Transfers out	-	-	(210,630)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	144,079	(210,630)	27,513	62,000	-	1,193,403	1,458,024	16,690
NET CHANGE IN FUND BALANCES	(53,356)	(4,469)	(209,990)	-	-	(7,781)	182,455	(1,380)	(11,495)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	1,359,729	-	333,455	-	-	-	(182,455)	-	(2,685)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,306,373	\$ (4,469)	\$ 123,465	\$ -	\$ -	\$ (7,781)	\$ -	\$ (1,380)	\$ (14,180)

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, 2015*

	2009 SPLOST Vehicles	Transportation Infrastructure Improvements	Gateway Entrance	Citywide Software	Other Capital Projects	WP Jones Activity Building	Downtown Parking	TAD	Block	Total Non-major Capital Projects Funds
REVENUES										
Intergovernmental	-	164,685	\$ -	\$ -	\$ 360,992	\$ -	\$ -	\$ -	\$ -	\$ 525,677
Interest income	-	-	-	-	-	-	-	-	-	1,995
Property taxes	-	-	-	-	-	-	-	4,517	-	4,517
TOTAL REVENUES	-	164,685	-	-	360,992	-	-	4,517	-	532,189
EXPENDITURES										
Capital outlay:										
General government	-	-	-	61,216	-	-	-	-	447,945	509,185
Public safety	335,481	-	-	-	-	-	-	-	-	335,481
Public works	-	1,088,209	-	-	554,842	-	607,737	-	-	3,800,845
Culture and recreation	-	-	-	-	-	11,647	-	-	-	1,260,656
TOTAL EXPENDITURES	335,481	1,088,209	-	61,216	554,842	11,647	607,737	-	447,945	5,906,167
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(335,481)	(923,524)	-	(61,216)	(193,850)	(11,647)	(607,737)	4,517	(447,945)	(5,373,978)
OTHER FINANCING SOURCES (USES)										
Transfers in	325,223	1,448,966	-	-	258,215	11,647	518,449	-	323,975	5,788,184
Transfers out	-	-	-	-	(13,984)	-	-	-	-	(224,614)
TOTAL OTHER FINANCING SOURCES (USES)	325,223	1,448,966	-	-	244,231	11,647	518,449	-	323,975	5,563,570
NET CHANGE IN FUND BALANCES	(10,258)	525,442	-	(61,216)	50,381	-	(89,288)	4,517	(123,970)	189,592
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	-	(367,768)	5,500	61,216	(11,223)	-	(2,887)	-	-	1,192,882
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (10,258)	\$ 157,674	\$ 5,500	\$ -	\$ 39,158	\$ -	\$ (92,175)	\$ 4,517	\$ (123,970)	\$ 1,382,474

City of Duluth, Georgia
Combining Statement of Net Position
Internal Service Funds
June 30, 2015

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash	\$ -	\$ 694,740	167,306	\$ 862,046
Prepaid insurance	-	500	-	500
Due from other funds	-	2,122	-	2,122
Total Current Assets	-	697,362	167,306	864,668
Noncurrent Assets:				
Capital assets:				
Nondepreciable capital assets	1,654,856	-	-	1,654,856
Depreciable capital assets, net	826,764	-	-	826,764
Total Noncurrent Assets	2,481,620	-	-	2,481,620
TOTAL ASSETS	2,481,620	697,362	167,306	3,346,288
LIABILITIES				
Current Liabilities:				
Accounts payable	-	1,697	256	1,953
Due to other funds	-	-	1,000	1,000
Claims payable	-	272,777	-	272,777
Total Current Liabilities	-	274,474	1,256	275,730
TOTAL LIABILITIES	-	274,474	1,256	275,730
NET POSITION				
Investment in capital assets	2,481,620	-	-	2,481,620
Unrestricted	-	422,888	166,050	588,938
TOTAL NET POSITION	\$ 2,481,620	\$ 422,888	\$ 166,050	\$ 3,070,558

City of Duluth, Georgia
*Combining Statement of Revenues, Expenses, and
 Changes in Net Position
 Internal Service Funds
 For the Year Ended June 30, 2015*

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
OPERATING EXPENSES				
Claims	\$ -	\$ 351,872	\$ 54,635	\$ 406,507
Depreciation	48,625	-	-	48,625
TOTAL OPERATING EXPENSES	<u>48,625</u>	<u>351,872</u>	<u>54,635</u>	<u>455,132</u>
OPERATING (LOSS)	<u>(48,625)</u>	<u>(351,872)</u>	<u>(54,635)</u>	<u>(455,132)</u>
NON-OPERATING INCOME				
Interest income	-	4,754	-	4,754
TOTAL NON-OPERATING INCOME	<u>-</u>	<u>4,754</u>	<u>-</u>	<u>4,754</u>
(LOSS) BEFORE TRANSFERS	<u>(48,625)</u>	<u>(347,118)</u>	<u>(54,635)</u>	<u>(450,378)</u>
Transfers in	-	250,000	70,000	320,000
CHANGE IN NET POSITION	<u>(48,625)</u>	<u>(97,118)</u>	<u>15,365</u>	<u>(130,378)</u>
NET POSITION:				
BEGINNING OF YEAR	<u>2,530,245</u>	<u>520,006</u>	<u>150,685</u>	<u>3,200,936</u>
END OF YEAR	<u>\$ 2,481,620</u>	<u>\$ 422,888</u>	<u>\$ 166,050</u>	<u>\$ 3,070,558</u>

City of Duluth, Georgia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	Duluth Governmental Finance Corporation	Worker's Compensation Fund	Health Reimbursement Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash payments for claims	\$ -	\$ (262,957)	\$ (56,135)	\$ (319,092)
NET CASH (USED IN) OPERATING ACTIVITIES	<u>-</u>	<u>(262,957)</u>	<u>(56,135)</u>	<u>(319,092)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	-	250,000	70,000	320,000
NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>250,000</u>	<u>70,000</u>	<u>320,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	4,754	-	4,754
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>4,754</u>	<u>-</u>	<u>4,754</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(8,203)	13,865	5,662
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>-</u>	<u>702,943</u>	<u>153,441</u>	<u>856,384</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 694,740</u>	<u>\$ 167,306</u>	<u>\$ 862,046</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES				
Operating (loss)	\$ (48,625)	\$ (351,872)	\$ (54,635)	\$ (455,132)
Adjustments:				
Depreciation	48,625	-	-	48,625
Change in assets and liabilities:				
Increase in due from other funds	-	(765)	-	(765)
Increase in prepaids	-	(500)	-	(500)
Increase in due to other funds	-	-	1,000	1,000
Increase (decrease) Accounts and claims payable	-	90,180	(2,500)	87,680
NET CASH (USED IN) OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ (262,957)</u>	<u>\$ (56,135)</u>	<u>\$ (319,092)</u>

SCHEDULES

City of Duluth, Georgia
Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
1997 Issue
For the Year Ended June 30, 2015

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
SR 120 Realignment & Hill St.	\$ 1,646,184	\$ 1,832,410	\$ 472,683	\$ 54,687	\$ 527,370
	<u>\$ 1,646,184</u>	<u>\$ 1,832,410</u>	<u>\$ 472,683</u>	<u>\$ 54,687</u>	<u>\$ 527,370</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
2005 Issue
For the Year Ended June 30, 2015

Project Description	Original Estimated Cost	Revised Estimated Cost*	Expenditures		Total
			Prior Years	Current Year	
Administrative Building (City Hall)	\$ 7,000,000	\$ 8,026,457	\$ 8,011,586	\$ 14,429	\$ 8,026,015
Public Safety Building	5,962,836	6,296,229	6,296,228	-	6,296,228
Recreational Facilities	550,000	585,094	585,094	-	585,094
Transportation	<u>2,100,000</u>	<u>2,214,055</u>	<u>1,894,809</u>	<u>196,225</u>	<u>2,091,034</u>
	<u>\$ 15,612,836</u>	<u>\$ 17,121,835</u>	<u>\$ 16,787,717</u>	<u>\$ 210,654</u>	<u>\$ 16,998,371</u>

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

* Revised Estimated Cost includes interest net of service charges through 6-30-15 (\$631,650).

City of Duluth, Georgia
*Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2009 Issue
For the Year Ended June 30, 2015*

Project Description	Original Estimated Cost	Revised Estimated Cost*	Expenditures		Total
			Prior Years	Current Year	
Library	\$ 1,340,000	\$ 1,195,363	\$ 873,729	\$ 299,960	\$ 1,173,689
Public Safety Building	1,240,000	1,117,547	1,117,547	-	1,117,547
Recreational Facilities	7,800,000	7,055,000	4,208,542	1,438,641	5,647,183
Transportation	8,200,000	7,404,453	5,876,562	1,044,656	6,921,218
Sewer	1,340,000	996,581	13,980	31,500	45,480
	<u>\$ 19,920,000</u>	<u>\$ 17,768,944</u>	<u>\$ 12,090,360</u>	<u>\$ 2,814,757</u> (1)	<u>\$ 14,905,117</u>

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

* Revised Estimated Cost was adjusted for shortage in actual SPLOST collections (\$2,197,034) plus interest net of bank and audit fees (\$40,279).

City of Duluth, Georgia
*Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2014 Issue
For the Year Ended June 30, 2015*

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
Parking Facilities	\$ 3,048,184	\$ 3,048,184	\$ -	\$ 218,489	\$ 218,489
Public Safety Facilities & Equipment	725,757	725,757	-	325,223	325,223
Recreational Facilities & Equipment	725,757	725,757	-	-	-
Transportation	9,870,305	9,870,305	-	606,800	606,800
Administrative Facilities & Equipment	145,152	145,152	-	-	-
	<u>\$ 14,515,155</u>	<u>\$ 14,515,155</u>	<u>\$ -</u>	<u>\$ 1,150,512</u> (1)	<u>\$ 1,150,512</u>

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

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Duluth, Georgia** (the “City”) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 29, 2015. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-001.

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Atlanta, Georgia
December 29, 2015

CITY OF DULUTH, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	___ yes <u> X </u> no
Significant deficiencies identified?	___ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	<u> X </u> yes _____ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2015 due to the total amount of federal awards expended being less than \$500,000.

CITY OF DULUTH, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

2015-001 Collateralization of Deposits

Criteria: Policies should be in place requiring all financial institutions holding cash deposits to be properly insured and, or collateralized at all times throughout the fiscal year. Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) requires deposits of public funds to be insured or collateralized at a rate of at least 110 percent of the deposit amount.

Condition: As of June 30, 2015, deposits of the City held at a financial institution totaling \$7,497,324 were not fully collateralized or insured in accordance with the state statute. The pledged collateral for these accounts was less than the required amount by \$7,972,057.

Context/Cause: The City’s collateralization of these deposits was not properly monitored by management of the City and therefore, were not adequately collateralized at the financial institution as of June 30, 2015.

Effects: The failure of a financial institution to fully collateralize or insure the City’s deposits could result in financial loss to the City should the financial institution fail.

Recommendation: We recommend the City ensure that all deposits are properly categorized as public funds by the financial institution and that the deposits are adequately insured and, or collateralized throughout the fiscal year.

Response: We concur with the finding. We have discussed the matter with the financial institution and have implemented a process whereby both daily close of business and monthly collateral statements are remitted to the City to ensure the adequacy of collateral pledged to secure the City’s deposits.