

**CITY OF DECATUR, GEORGIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2004**

Prepared By:  
Accounting, Collections, and Records Department

Karen Deslslets  
City Clerk

**CITY OF DECATUR, GEORGIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2004**

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December 30, 2004

To the Members of the City Commission and Residents of the City of Decatur, Georgia.

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Decatur, Georgia for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Decatur, Georgia. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Decatur, Georgia has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Decatur's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Decatur, Georgia's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Decatur, Georgia's financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Decatur, Georgia for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Decatur, Georgia's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.



In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the general fund, special revenue funds and debt service funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established by function within an individual fund (e.g., at the department level in the general fund).

The independent audit of the financial statements of the City of Decatur, Georgia was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Decatur, Georgia's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Decatur, Georgia's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Decatur, first chartered as a municipality by the State of Georgia in 1823, provides a full range of municipal services. These services include public safety (police and fire protection, inspections, housing codes enforcement, etc.), public works (streets and sidewalk construction and maintenance, storm drainage construction and maintenance, refuse collection, street sweeping, etc.), parks and recreation, the operation of a municipal cemetery and community and economic development. In addition, the City owns a 390-space parking facility and a 25,000 square foot conference center.

The City of Decatur, Georgia currently occupies a land area of approximately 4.2 square miles and serves an estimated population of 18,400. The City of Decatur, Georgia is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Decatur, Georgia operates under the commission-manager form of government. There are five City Commissioners, elected in nonpartisan elections, for overlapping four-year terms. Elections are held on the first Tuesday after the first Monday in November in odd-numbered years. In one election, three City Commissioners are elected – one at-large, one from District 1(north) and one from District 2 (south). At the next election, two City Commissioners are elected - one from District 1(north) and one from District 2 (south). At its organizational meeting in January of each year, the City

Commission elects one of its members to be the Mayor/Chair of the City Commission. At that same meeting the City Commission also elects a Mayor pro tem/Vice-Chair. It is the responsibility of the Mayor to preside at all meetings of the City Commission. The Mayor has no veto power but retains the right to vote on all matters brought before the City Commission.

The City Commission is the legislative and policy making arm of the City government. It is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, task forces and commissions, and hiring the city manager and appointing the city attorney and municipal court judges. The City Commission appoints a professional administrator known as the City Manager who serves at their pleasure. The City Charter designates the City Manager as the CEO and CAO of the City. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and the appointment of all employees except that the appointment of department heads is subject to confirmation by the City Commission. All disciplinary action is the responsibility of the City Manager in accordance with the Personnel Rules and Regulations adopted by the City Commission. The current City Manager has served since May, 1993.

The City Charter, under which the City operates, was first adopted by the Georgia General Assembly in 1909. In 1920, the General Assembly amended the Charter to provide for the commission/manager form of government. In 1977, acting under its home rule authority, the City recodified and revised its Charter to delete obsolete sections, to clarify meanings and to generally bring the Charter up-to-date. The Charter was updated again in 2001.

The financial activities of the Board of Education of the City Schools of Decatur, Georgia are included as a discretely presented component unit in order to conform to accounting principles generally accepted in the United States of America.

The annual budget serves as the foundation for the City of Decatur, Georgia's financial planning and control. All agencies of the City of Decatur, Georgia are required to submit departmental budget requests to the City Manager or her designee by the first week of March. These requests are the starting point for developing the proposed budget.

The proposed budget is presented to the City Commission on the third Monday in May. The operating budget includes the proposed expenditures and the means for financing them. The City published the proposed budget in the official legal organ, other community newspapers, makes copies available to the residents of the City and posts the proposed budget on the city's website. Public hearings on the proposed budget are held during the month of June. The budget is then legally enacted through the passage of a resolution by the City Commission normally on the third Monday in June but no later than June 30<sup>th</sup>, the close of the City of Decatur, Georgia's fiscal year.

Budgetary control is exercised at the departmental level. The City Manager is authorized to transfer budget amounts within a department; however, any revisions that alter the total expenditures of a department require a budget amendment by the City Commission. Budget-to-actual comparisons are provided in this report for the general fund. This comparison is presented on page 22 as part of the basic financial statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Decatur, Georgia operates. The City of Decatur is the seat of DeKalb County, a large, urban county in the Atlanta metropolitan area. With its central location within the county and as the location of county offices and the court system, Decatur's economy is primarily a service economy. Legal, banking, medical, insurance, accounting, governmental and educational services are the mainstay of this economy. The essential nature of these services provides a solid basis for the City's economic well-being.

Vacancy rates for available office space in the City of Decatur continue to be low. General renovations and upgrades to existing office buildings have increased desirable office space and have improved the marketability of these buildings. Interest in restaurant activity continues to be vigorous in the central business district while interest in other commercial and retail activities remains constant. There is a strong interest in sites for mixed-use redevelopment. Commercial activity along the western edge of the central business district continues to strengthen, with a new restaurant and five new retail businesses. In addition, construction of a mid-rise building that will include 70 new condominium units and 6,000 square feet of retail space will be complemented early in 2005. Interest in purchase of condominium units is strong.

On the eastern edge of the central business district, construction is almost completed on a mixed-use development that will contain a 169-unit condominium development and 8,000 square feet of commercial space and will provide some additional public parking. The City Commission has approved plans for construction of a mixed-use development for the northeast corner of West Ponce de Leon Avenue and Commerce Drive. This development will replace three undeveloped surface parking lots and the location of the former SunTrust drive-in bank. The project will contain 160 condominium units and approximately 15,000 square feet of commercial space. Up to twenty-percent of the condominium units will be set aside under the City's new lifecycle housing initiative to provide more affordable ownership opportunities. As part of the project, the City is selling a surface parking lot adjacent to the Decatur Conference Center to the developer, who will include replacement public parking that will be privately owned and managed.

Construction of the new SunTrust banking center at the southeast corner of West Ponce de Leon Avenue and Commerce Drive is complete. Leasing of the additional available retail space is underway and it is expected that the building will be full by early spring.

The City continues to attract health-related employers. In addition to Emory University Hospital administration, the Centers for Disease Control (CDC) have leased space in several office buildings and have relocated more than three hundred employees to downtown Decatur.

Enterpulse, an internet technology company; Allied Systems, a multi-national vehicle delivery trucking company; and, Allied Ready-Mix Concrete maintain their corporate headquarters in Decatur. Decatur First Bank is doing well in the community banking market and has expanded operations to include a limited hours office at Clairmont Place, a senior residential community, a full-time office located in the downtown Decatur Kroger market and a full-time branch office in the Wal-Mart Supercenter in Lithonia, Georgia.

The Oakhurst Business District continues to experience positive commercial business activity. In addition to stable retail and restaurant activity, the executive offices of the Atlanta YWCA and Progressive Redevelopment Inc., an affordable housing development company, have relocated to the renovated and rehabilitated Historic Scottish Rite building. Market forces continue to make the Oakhurst Business District a desirable local shopping community.

The success of the Oakhurst Business District has also stimulated redevelopment efforts along West College Avenue that have resulted in several new restaurants and commercial establishments.

Development of the Avondale-Decatur MARTA Station Livable Centers Initiative Master Plan has begun to attract redevelopment to the East College Avenue corridor, including the redevelopment of the former Bio-Lab Corporate headquarters into a 70,000 square foot mixed use project that currently contains a regional theatre company, a small church facility, a hair salon and a number of professional offices. A restaurant, a neighborhood tavern and a coffee house are scheduled to open soon and several live-work spaces will be available for occupancy within the year.

An additional mixed-use development is planned for the area adjacent to the Avondale MARTA Station along Sams Street and East College Avenue. Funding from the Atlanta Regional Commission's Livable Centers Initiative will assist in constructing parking facilities for MARTA patrons and ultimately the development will contain 300 living units and approximately 20,000 square feet of commercial space. The first phase of the project has been approved and will consist of 90 units, of which up to 20% will be developed as part of the City's lifecycle housing initiative. Construction of additional phases of the project is expected to begin within the next twelve months.

The residential housing market is strong. Applications for in-fill housing developments and subdivisions of existing lots indicate that housing in Decatur is highly desirable. Sales of existing housing stock continue at a reasonable rate with moderation in sale prices. This contributed to growth in the digest. The City's overall residential property digest increased 5% this year from the previous year.

Construction has been completed on a 66-unit condominium development on Clairmont Avenue just north of downtown Decatur. Sales of units are strong with only a few remaining on the market.

Agnes Scott College, a four-year liberal arts college for women, has completed a five-year \$100 million facilities master plan. The College is completing the last year of the construction plan. Columbia Theological Seminary, a Presbyterian graduate institution, remains financially strong and is also preparing a comprehensive master plan for its campus. The City Schools of Decatur are also completing a five-year \$15 million construction program and with the extension of the Special Purpose Local Option Sales



Tax (SPLOST) for school construction, it is anticipated that City Schools of Decatur will continue major renovation and construction activities for the next five years. DeKalb County has completed a \$50 million new construction project at the Courthouse and will soon be starting renovations of the existing facility.

## **MAJOR ACTIVITIES**

The City has completed its sixth year of a volume-based sanitation collection system. The number and types of items collected have expanded since inception of the program. The City currently has reduced landfill deposits by approximately 39%, well in excess of the State of Georgia's requirement of a twenty-five percent reduction in landfill deposits. The program has been an overwhelming success.

Improvements to the City's storm drainage system have begun using funds from the City's storm water utility. The City is completing a comprehensive storm drainage master plan to guide major capital improvements to the City's drainage system. It is anticipated that the plan will be completed during the current fiscal year.

As part of State efforts to support local greenspace acquisition, the City has established the Greenspace Trust Fund and the City Commission has appointed a Greenspace Commission. The City has received state funding for greenspace acquisition and grant funding from the Land and Water Conservation Fund and from the Arthur M. Blank Family Foundation for acquisition of greenspace as well as master planning for greenspace maintenance and acquisition. During the past year, two properties were acquired using state funding. Purchase of one additional property will be made in December, 2004. At that point all state greenspace funding will be exhausted. The Greenspace Commission will continue to try to find ways to acquire and protect additional greenspace, including encouraging the donation of greenspace easements.

The Decatur Preservation Alliance has accepted a gift from the Morse family of approximately 7.4 acres of undeveloped greenspace near the northern city limits. The Decatur Preservation Alliance has completed development of a master plan and has begun substantial fundraising efforts in order to establish an endowment to fund the operations and maintenance of the property into perpetuity. The City Commission has provided various grant funds to the Decatur Preservation Alliance to assist with the effort. The City has currently committed to providing approximately \$50,000 a year over a five-year period to match other fundraising efforts.

The City has completed an organization-wide technology assessment and implementation plan. The plan standardized computer equipment and software so that purchases can be consolidated and information exchanged in a simple manner. As part of the City's cable television franchise agreement, the cable television company was required to connect city buildings via fiber optic cable. With the exception of a few distant locations, all facilities are linked via fiber optic lines. This has resulted in the City having a premium technology system.

The City has begun implementing an E-government plan so that the City will be able to offer internet based services, such as recreation program registration and customer service requests. Programs have been installed to allow initial internet transactions for recreation program registration. In addition, the police department has implemented a program to accept fines on-line.

The City has been awarded two grants from the Atlanta Regional Commission's Livable Communities Initiative program. One is a \$5 million grant to implement the Decatur MARTA Station master plan. Development of construction documents is in the final stage and it is expected that construction will begin in 2005. The other is a \$3 million grant to begin implementation of Phase I of the Avondale Decatur master plan for redevelopment of the area surrounding the Avondale MARTA Station bordered by East College Avenue and South Columbia Drive. The City has shifted project sponsorship of the grant to the Decatur Housing Authority who has begun design and architectural activities and it is expected that construction will also begin on that project in 2005.

The City has completed the process of moving and stabilizing the Old Decatur Depot. This project was funded by a combination of a TEA-21 grant, private donations and funds from the City of Decatur and DeKalb County. The PATH Foundation is currently constructing a cycling rest station for the Atlanta to Stone Mountain multi-use trail at the site. The City is in the process of pursuing private redevelopment opportunities for the facility.

In cooperation with the City Schools of Decatur, the Recreation and Community Services Department was able to secure additional funding of \$2.4 million over a five-year period from the federal 21st Century Learning Center program to be used to continue to strengthen after-school programs for children.

The City has undertaken a number of capital improvement projects including replacement of all playground equipment in six City parks, construction of a skatepark facility in cooperation with the KaBOOM! Foundation and initiation of an annual sidewalk replacement, repair and maintenance program.

### **Long-term Financial Planning.**

With the exception of the two items discussed below, the City of Decatur, Georgia does not anticipate major changes in either revenue sources or expenditures in the future.

In 1998, the City of Decatur entered into an intergovernmental agreement with DeKalb County for the equalization of tax proceeds from the Homestead Option Sales Tax (HOST). In 1999, the City received its first distribution; however, the City maintains that the distribution was not correctly calculated in accordance with the agreement's provisions. The Superior Court granted the County's motion for summary judgment on the pleadings on July 21, 2001, and entered final judgment against the City on August 22, 2001. The City appealed and the Georgia Supreme Court reversed the Superior Court's decision. The case has been returned to Superior Court and mediation efforts did not result in a mutually agreeable solution. At this time, the parties will have to return to litigation over the calculation method. Should the City's position prevail, then there would be a source of revenues for capital improvement projects.

The City adopted a storm water utility in 2000. Completion of a master plan for improvements to the storm water system is expected in the very near future. It is anticipated that once the master plan is complete and adopted, that the City may finance major capital improvement projects using revenue bonds. It is anticipated that revenues from the storm water utility will cover the debt service on the bonds and that no general fund appropriations will be needed.

### **Cash Management Policies and Practices.**

Operating cash on deposit in excess of balances used to offset bank service charges earns interest based on prevailing market rates, defined as the prior month's weekly average of the 90-day Treasury Bill auction rate. The average yield on excess operating balances for the year was 0.993%.

### **Risk Management.**

The City of Decatur maintains a risk management program to control and manage workers' compensation cost. As part of this comprehensive plan, resources are accumulated in the general fund to meet potential losses. In addition, various control techniques, including employee accident prevention training and incentives for safe work behavior have been in place during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims in excess of \$300,000 and to cover aggregate claims of \$1,000,000.

Additional information on the City of Decatur, Georgia's risk management activity can be found in Note 14 of the notes to the financial statements.

### **Pension and Other Post Employment Benefits.**

The City of Decatur, Georgia sponsors a single-employer defined benefit pension plan for all of its full-time employees. Every two years, an independent actuary engaged by the Board of Trustees of the retirement system calculates the amount of the annual contribution that the City of Decatur, Georgia must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Decatur, Georgia fully funds each year's annual required contribution to the retirement system as determined by the actuary. As a result, the City of Decatur, Georgia is currently contributing 5.35% of payroll to fund the system's liability for projected benefits earned by employees.

The City of Decatur, Georgia also provides post retirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 67 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

Additional information on the City of Decatur, Georgia's pension arrangements and post employment benefits can be found in Notes 9 and 10 in the notes to the financial statements.

## **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the administrative services department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the city commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Decatur, Georgia's finances.

Respectfully Submitted,

Peggy Merriss  
City Manager

# CITY OF DECATUR, GEORGIA

## PRINCIPAL OFFICIALS

June 30, 2004

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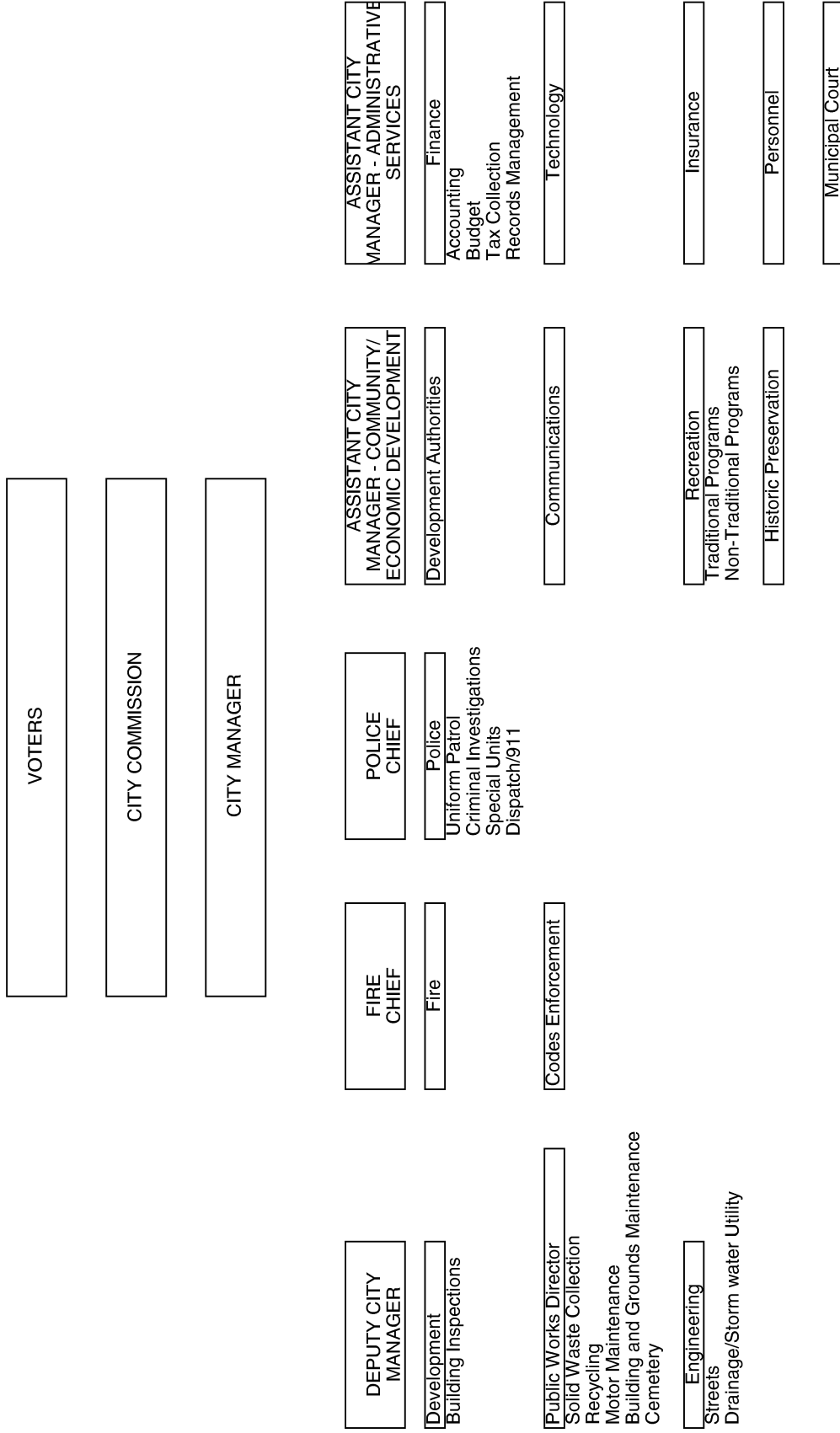
### CITY COMMISSION

Bill Floyd	Mayor
Jim Baskett	Mayor Pro-Tem
Fred C. Boykin, Jr.	Commissioner
Kecia Cunningham	Commissioner
Mary Alice Kemp	Commissioner

### APPOINTED ADMINISTRATIVE OFFICIALS

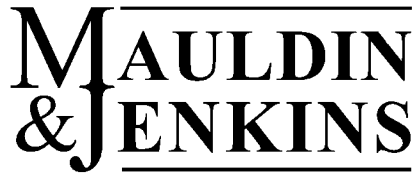
Peggy Merriss	City Manager
Hugh Saxon	Deputy City Manager
Bryan Downs	City Attorney
Andrea Arnold	Assistant City Manager - Administrative Services
Lyn Menne	Assistant City Manager - Community & Economic Development
Karen Deslslets	City Clerk
Tony Parker	Fire Chief
Leander Robinson	Police Chief

CITY OF DECATUR, GEORGIA  
ORGANIZATIONAL CHART



## **FINANCIAL SECTION**

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CERTIFIED PUBLIC ACCOUNTANTS, LLC

## INDEPENDENT AUDITOR'S REPORT

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**Honorable Mayor and Members  
Of City Commission  
City of Decatur, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Decatur, Georgia** as of and for the year ended June 30, 2004, which collectively comprise the City of Decatur, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Decatur, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Decatur, Georgia as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, on our consideration of the City of Decatur, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Decatur, Georgia's basic financial statements. The combining non-major fund financial statements, introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical tables and data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
September 17, 2004

## Management's Discussion and Analysis

As management of the City of Decatur (the City), we offer readers of the City of Decatur's financial statements this narrative overview and analysis of the financial activities of the City of Decatur for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii - xi of this report.

### Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$55,426,442 (net assets). Of this amount, \$9,620,729 (unrestricted net assets) may be used to meet the government's ongoing obligations.

The City's total net assets decreased by \$438,354.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,610,545, an increase of \$145,569 in comparison with the prior year. At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,144,261 or 44% of total general fund expenditures. This amount is available for spending at the government's discretion, as it is unreserved fund balance.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as total net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government,

education, public safety, public works, recreation and economic development. The business-type activities of the City include the conference center, the stormwater utility and sanitation.

The government-wide financial statements include not only the City itself (known as the primary government), but also two discretely presented component units, the Downtown Development Authority and the City Schools of Decatur for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15 - 18 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for 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 near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 - 22 of this report.

**Proprietary Funds.** The City maintains three enterprise funds in the proprietary fund group. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide

financial statements. The City of Decatur uses enterprise funds to account for its Conference & Parking Deck activities, the Stormwater Utility and for Solid Waste functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the conference center and parking deck activities, the storm water utility and solid waste functions all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 23 - 25 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 accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26 and 27 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to 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 28 - 57 of this report.

## **Government-wide Financial Analysis**

### **Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Decatur, Georgia, assets exceeded liabilities by \$55,426,442 at the close of the most recent fiscal year. Following is a description of the City's net assets (in thousands) as compared to the previous year.

## City of Decatur Net Assets

	Governmental Activites		Business-type Activites		Total Primary Government	
	2003	2004	2003	2004	2003	2004
<b>2004 Assets</b>						
Current Assets	\$ 9,204	\$ 9,152	\$ 1,959	\$ 2,118	\$ 11,163	\$ 11,270
Capital Assets	44,618	43,718	7,280	6,780	51,898	50,498
Other Non-Current Assets	1,706	1,826	-	-	1,706	1,826
Total Assets	55,528	54,696	9,239	8,898	64,767	63,594
<b>Liabilities</b>						
Long-term Liabilities Outstanding	558	381	4,070	3,282	4,628	3,663
Other Liabilities	2,206	2,131	2,068	2,373	4,274	4,504
Total Liabilities	2,764	2,512	6,139	5,655	8,902	8,167
<b>Net Assets</b>						
Invested in Capital Assets (net of related debt)	43,864	43,148	2,444	2,657	46,308	45,806
Unrestricted	8,900	9,035	657	585	9,557	9,620
Total Net Assets	52,764	52,184	3,101	3,243	55,865	55,426

By far the largest portion of the City's net assets (83%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services; consequently, these assets are not currently available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portions of the City's net assets are unrestricted (\$9,620,729) and may be used to meet the government's ongoing obligations. At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its business-type activities, with the exception of the Solid Waste Fund.

During the current fiscal year the government's total net assets decreased by \$438,354 due to expenditures/expenses exceeding revenues.

## Changes in Net Assets

The following schedule presents a summary of changes in net assets for the fiscal year ending June 30, 2004 (in thousands):

	<b>Changes in Net Assets</b>			
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>
<b>REVENUES</b>				
Program Revenues				
Charges for Services	\$ 2,521	\$ 2,853	\$ 3,037	\$ 2,889
Operating Grants & Contributions	435	479	-	-
Capital Grants & Contributions	7,493	1,949	47	-
General Revenues				
Property Taxes	10,322	9,848	-	-
Franchise Taxes	1,047	1,034	-	-
Sales Taxes	219	261	-	-
Other Taxes	1,125	1,220	259	254
Investment Earnings	35	40	-	-
Gain on Sale of Capital Assets	11	18	-	-
<b>TOTAL REVENUES</b>	<b>23,208</b>	<b>17,700</b>	<b>3,343</b>	<b>3,143</b>
<b>EXPENDITURES</b>	4,030	4,118	-	-
General Government	1,499	1,914	-	-
Education	6,340	7,133	-	-
Public Safety	2,758	3,163	-	-
Public Works	1,649	1,818	-	-
Recreation	318	-	-	-
Community & Economic Development	35	24	-	-
Interest on Long-term Debt	-	-	-	-
Conference Center	-	-	670	611
Storm Water	-	-	649	670
Sanitation	-	-	1,857	1,830
<b>TOTAL EXPENSES</b>	<b>16,629</b>	<b>18,170</b>	<b>3,176</b>	<b>3,111</b>
INCREASE (DECREASE) IN NET ASSETS	6,579	(470)	167	32
TRANSFERS	(50)	(110)	50	110
CHANGE IN NET ASSETS	6,529	(580)	217	142
NET ASSETS BEGINNING OF YEAR (AS RESTATED)	46,235	52,764	2,884	3,101
NET ASSETS END OF YEAR	52,764	52,184	3,101	3,243

Governmental charges for services increased by approximately \$332,000 from general fund activities including increased activity in development permits and a slight increase in fines and forfeitures. Capital grants and contributions decreased significantly because the 2003 budget accounted for a one-time transfer of capital assets of school properties. Property taxes showed an approximate decrease of \$474,000 due to a lower millage rate and a reduction in the assessed value of personal property and motor vehicles. Other sources of revenue remained stable.

Expenditures increased approximately \$1,541,000 due to general salary and benefit cost increases and additional expenditures covered by funding from the federal 21<sup>st</sup> Century Learning Centers grant. Net assets on governmental activities funds decreased by approximately \$470,000 reflecting the City Commission's decision to use part of the general fund balance in order to reduce the property tax rate.

**Business-type Activities** include operations of the conference center and parking deck, the storm water utility and solid waste collection. Business-type activities increased the City of Decatur's net assets by approximately \$142,000, providing all of the total growth in the government's net assets. The increase occurred because revenues exceeded expenditures, primarily because of reduced expenditures for operation of the conference center and parking deck.

## **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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year or for use during the fiscal year to balance cash flows needs.

As of the end of the current fiscal year, the City of Decatur, Georgia's governmental funds reported combined ending fund balances of \$7,610,545, an increase of \$145,569 in comparison with the prior year. Approximately 88% of the total amount (\$6,688,690) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$921,855) is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for expenses associated with maintaining an emergency 911 system (\$102,796); 2) to purchase law enforcement equipment (\$70,703); 3) to liquidate grants already received but not expended (\$242,628); 4) to encourage economic development activities (\$140,295); 5) to purchase greenspace (\$42,445); and 5) to pay debt service (\$322,988).

At the end of the current fiscal year, the unreserved fund balance of the general fund was \$6,144,261, while the total fund balance for all governmental funds reached \$7,610,545. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 44% of total fund expenditures.

In fiscal year 2003-2004, it was initially anticipated that there would be a contribution of \$708,920 from the general fund balance to cover expenditures. However, because revenues exceeded projections and expenditures were approximately 6% less than budgeted, the contribution from fund balance was reduced to \$331,436. The City's general fund balance as of June 30, 2004 is \$6,144,261. This is equivalent to approximately 39% of the City's current estimate of general fund expenditures for fiscal 2004-2005. It should be noted that the fiscal 2004-2005 budget anticipates using \$787,530 of general fund balance to provide sufficient revenues to meet operations. That should reduce the fund balance to approximately \$5,356,731 or 35% of general fund expenditures.

The Capital Improvement Fund balance increased by \$82,395 to \$429,155. The purpose of the capital improvement fund is to provide for construction of major capital improvements and to purchase capital equipment items for operating departments. The unreserved fund balance in the capital improvement fund represents approximately 34% of total capital improvement fund expenditures. The fund balance in the capital improvement fund is used to cover cash flow operating needs and to fund unanticipated capital construction or capital equipment needs as approved by the City Commission.

The Debt Service Fund balance increased by \$8,761 for a total fund balance of \$322,988, all of which is reserved for the payment of debt service. The fund balance is used to cover cash flow needs for debt service payments and to provide resources to cover debt service costs associated with capital construction costs for the conference center and parking deck.

In fiscal year 2003-2004 the Emergency Telephone System Fund was created to account for receipts from the E-911 and wireless E-911 telephone charges and for expenditures to maintain and operate an E-911 communications center. The fund balance is \$102,796 and it is reserved for payment of system expenses.

The other non-major governmental funds (Confiscated Drug, Grant, Economic Development, Greenspace Trust and Cemetery Capital Improvement Funds) have a combined fund balance of \$611,345, of which only \$115,274 in the Cemetery Capital Improvement Fund is unreserved.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City maintains three enterprise funds that account for activities of the city that are operated in a business fashion. Those funds include the Conference Center and Parking Deck Fund, the Stormwater Utility Fund and the Solid Waste Fund.

Revenues for charges for services for the conference center and parking fund showed an increase in fiscal year 2003-2004 and expenditures for services decreased slightly. Hotel/motel tax receipts decreased slightly due to the on-going economic doldrums that have resulted in reduced hotel room rates and an increase in hotel vacancy rates. The City is aggressively working with the current conference center management company to collect revenues due to the City and to reduce and control expenditures. It is expected that hotel/motel receipts will begin to increase as the economy improves. Regardless, the conference center and parking deck fund continued a positive cash position at the close of the fiscal year.

Revenues and expenses in the stormwater utility fund stabilized during the third year since the utility was implemented. The storm water utility fee remained the same at \$6.00 per ERU (Equivalent Residential Unit) per month. After accounting for overhead charges due to the general fund for services rendered (\$196,680), the stormwater utility used \$86,612 of net assets to meet obligations. The total net assets were \$2,921,602 at the end of the fiscal year. It is anticipated that the stormwater utility master plan will be completed during the 2005 fiscal year and that the City will be initiating major capital improvements to the stormwater system within the next eighteen to twenty-four months. During this time the City will be pursuing various capital funding opportunities, including the use of revenue bonds.

Revenues in the solid waste fund were up slightly, mostly due to stabilization of commercial accounts and additional miscellaneous revenue. Operating expenses were slightly less in the current fiscal year and, the fund experienced an operating income of \$212,912. However, after accounting for overhead charges due to the general fund for services rendered (\$238,360) and the City Commission's decision not to raise residential sanitation fees significantly due to lingering negative economic conditions, the solid waste fund had a net loss of \$25,448 for a total deficit of \$801,703. However, it should be noted that the solid waste fund had positive cash flows for the fiscal year and \$379,875 was added to cash at the end of the fiscal year for a total of \$877,056.



During fiscal year 2003-2004, the City undertook an overhead cost allocation study to determine whether the overhead costs charged to the solid waste fund and the stormwater utilities were appropriate. The results of that study were used to modify overhead rates for fiscal 2003-2004 and to establish overhead rates for the coming fiscal year. In addition, the Sanitation Director and staff continue to analyze costs and service charges to confirm that fees charged cover the cost of services delivered as well as developing alternative service delivery options to reduce costs and to reduce the deficit in total net assets.

Unrestricted net assets of the Conference and Parking Deck fund at the end of the year amounted to \$234,723. Unrestricted net assets of the Stormwater Utility fund at the end of the year amounted to \$1,144,923. Unrestricted net assets of the Solid Waste fund at the end of the year amounted to (\$793,761).

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 statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The primary fiduciary fund is the Pension Trust Fund that holds assets to be used for paying pension obligations of city employees. The pension trust had a contribution of \$1,583,254 to net assets during fiscal year 2003-2004 primarily due to increased investment income.

### **General Fund Budgetary Highlights**

The general fund is the chief operating fund of the City of Decatur, Georgia.

The table below compares general fund revenues and expenditures for 2003 and 2004 (in thousands):

	<b>General Fund</b>	
	<b>2003</b>	<b>2004</b>
<b>REVENUES</b>		
Taxes	\$ 10,769	\$ 11,242
Licenses & Permits	398	517
Intergovernmental	314	304
Fines & Forfeitures	820	509
Charges for Services	1,404	999
Interest Income	24	38
Other Revenues	135	137
<b>TOTAL REVENUES</b>	<b>13,864</b>	<b>13,746</b>
<b>EXPENDITURES</b>		
General Governmental	2,015	3,307
Public Safety	6,538	6,271
Public Works	2,290	2,592
Recreation	1,683	1,778
Non-Departmental	884	-
<b>DEBT SERVICE</b>		
Principal	-	28
Total Debt Services	-	28
<b>TOTAL EXPENDITURES</b>	<b>13,410</b>	<b>13,976</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>454</b>	<b>(230)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Capital Leases	101	-
Proceeds from Sale of Capital Assets	11	27
Transfer in From Other funds	514	435
Transfer Out:		
To Other Funds	(20)	(564)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>606</b>	<b>(102)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,060</b>	<b>(332)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>5,416</b>	<b>6,476</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>6,476</b>	<b>6,144</b>

Revenue for taxes increased mainly from additional income from real estate taxes. Other general tax revenue basically remained the same, with the exception of reduced revenue from motor vehicle taxes and personal property taxes. Staff continues to discuss both of these issues with the tax commissioners office and the Georgia Department of Revenue.

Licenses and permits show an increase mainly from increased building and development activity resulting in more construction and building permits being issued. Charges for services show a significant decrease due to the transfer of E-911 and wireless E-911 fees to the separate Emergency Telephone Fund. Use of money and property shows an increase due to slightly higher interest rates. Other sources of revenue remained stable.

The overall increase in expenditures was approximately 4%, which is consistent with the inflation rate. Expenditures for group medical costs were significantly higher and exceeded budget estimates by approximately \$318,000. During fiscal year 2003-2004, the City conducted a competitive bidding process for group medical, life and disability benefits and transitioned to a new program with Blue Cross/Blue Shield of Georgia. It is expected that the new program will assist in controlling benefit costs to the city. In addition, departments whose operations are heavily reliant on vehicles and equipment continue to experience significant increases in costs for gasoline.

The increase in General Government expenditures reflects the incorporation of the non-departmental expenditures from an independent function-level to being part of the administrative services department. The decreases in the public safety expenses reflect reduced expenditures on the police department as we continued to experience difficulty in recruiting and retaining employees as well as completing payments on previous capital improvement items. Management staff and personnel staff are working diligently to fill remaining vacancies and to retain existing employees and progress is being made.

The final amended budget for revenues was approximately 7% less than the original budget. The main difference reflected concerns regarding the timing of collection of property taxes, a significant reduction in public utility property taxes and a conservative estimate of building and development permit fees. The final amended budget for expenditures was approximately 5% less than the original budget. The original budget anticipated using \$708,920 of fund balance to meet expenditure needs and that figure was increased to \$1,114,490 in the amended budget. However, by the close of the fiscal year revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus reducing the need to draw upon existing fund balance to \$331,436. The City's fund balance as of June 30, 2004 was \$6,144,261 which is approximately 44% of fiscal year 2003-2004 expenditures.

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$50,497,478 (net of accumulated depreciation). This investment in capital assets includes land, buildings and fixtures, improvements, machinery and equipment, vehicles, and infrastructure (roads, bridges and drainage culverts, etc.) The City's investment in capital assets decreased approximately 3% for the current fiscal year. The decrease occurred because construction was completed and the asset was transferred to buildings and improvements and then was subject to depreciation. Additional information on the City's capital assets can be found in Note 6 on pages 41 - 43 of this report. The following table summarizes the capital assets (net of depreciation) for governmental activities, business-type activities and the total for the primary government.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Land	\$ 2,051	\$ 2,141	\$ 392	\$ 392	\$ 2,443	\$ 2,533
Construction in Progress	4,801	65	-	-	4,801	65
Land Improvements	395	556	-	-	395	556
Infrastructure	8,665	8,155	1,838	1,742	10,503	9,897
Building & Improvements	26,927	31,266	4,529	4,182	31,456	35,448
Machinery & Equipment	811	670	-	-	811	670
Vehicles	968	864	-	-	968	864
Furniture, Fixtures & Equipment	-	-	521	463	521	463
<b>TOTAL</b>	<u>\$ 44,618</u>	<u>\$ 43,717</u>	<u>\$ 7,280</u>	<u>\$ 6,779</u>	<u>\$ 51,898</u>	<u>\$ 50,496</u>

**Long-term Debt and Capital Leases.** At the end of the current fiscal year, the City had no long-term bonded debt. State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is \$91,492,281.

The City has entered into lease agreements for financing the acquisition of equipment, machinery and improvements. The total amount of capital leases for machinery, equipment and vehicles at June 30, 2004 was \$1,615,729 (\$934,815 for governmental activities and \$680,914 for business-type activities).

The City leases a parking facility and conference center with an initial cost of approximately \$8,000,000 from the Decatur Downtown Development Authority. These facilities were constructed with proceeds of lease revenue bonds issued by the Authority and were secured by the City's commitment to make lease payments equivalent to the debt service requirements of the lease revenue bonds.

During 1993 the Authority refunded the debt in order to take advantage of lower interest rates. The Authority maintains an "A+" rating from Standard & Poor's for the revenue bonds. The bonds are payable through fiscal year 2009 and the future minimum payments on the bonds as of June 30, 2004, are \$3,891,995.

During 2000, the Authority borrowed \$600,000 to finance improvements to the Conference Center. Payments are due quarterly ending May 15, 2008. Payments are being made from an increased hotel/motel tax assessment of two percent. As of June 30, 2004, the amount outstanding was \$306,563.

Additional information on the City's long-term debt and capital leases can be found in Note 7 on pages 43 - 46 of this report.

### **Economic Factors.**

The unemployment rate for the City is currently 5%. The occupancy rate of the government's central business district is approximately 92% as compared to surrounding areas that average a 75% occupancy rate. Inflationary trends in the region compare favorably to national indices. Recovery from the recent recession appears to be on going. Construction of residential living units in the central business district continues to add to the economic vitality of the district and there are on-going redevelopment efforts occurring throughout the City. The economic condition of the City remains strong and stable.

### **Next Year's Budget and Fee Schedule.**

During the 2003-2004 fiscal year, unreserved fund balance in the general fund was \$6,144,261. The City has appropriated \$787,530 of this amount for spending in the 2005 fiscal year budget. This use of available fund balance avoided the need to significantly raise taxes and provided the opportunity for salary increases and capital improvement activities. It is anticipated that personnel costs, including salaries and benefits, may increase in fiscal year 2005-2006 depending on the need for an overall general salary adjustment as well as continuing cost increases for employee benefits, including pension obligations. In addition, it is anticipated that the real estate property digest will show only very modest growth. Therefore, it is possible that there will be a recommendation to increase millage rate for fiscal year 2005-2006 for general government operations and capital improvements.

The Stormwater Utility rate remained unchanged for 2004. With the completion of the Stormwater Master Plan, including identification of major capital improvement projects, the rate may need to be increased in 2005. Sanitation rates were increased in 2004 an average of 3%. It is anticipated that rates will need to be increased in 2005 but the exact amount is difficult to estimate at this time. In addition, fees for pay-as-you throw bags have not increased since inception of the program; however, DeKalb County has increased landfill disposal fees from \$30 per ton to \$35 per ton, so bag fees will need to be increased to account for additional disposal costs.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Decatur's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, 509 North McDonough Street, City of Decatur, Decatur, Georgia 30030.

**CITY OF DECATUR, GEORGIA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	City Schools of Decatur
Cash and cash equivalents	\$ 7,115,329	\$ 2,827,417	\$ 9,942,746	\$ 220,138	\$ 14,276,478
Taxes receivable	287,946	-	287,946	17,658	1,429,921
Other receivables	344,478	-	344,478	6,378	30,383
Accounts receivable, net of allowances	-	335,311	335,311	-	-
Due from primary government	-	-	-	81,298	2,022,690
Due from other governments	286,861	-	286,861	-	1,606,077
Internal balances	1,067,220	(1,100,471)	(33,251)	-	-
Inventory	-	-	-	-	22,578
Prepaid items	24,320	-	24,320	-	-
Other current assets	26,500	-	26,500	-	-
Deferred charges, unamortized balance	-	55,994	55,994	-	-
Capitalized lease receivable from primary government	-	-	-	3,416,264	-
Capital assets:					
Non-depreciable	2,206,070	391,679	2,597,749	-	-
Depreciable, net of accumulated depreciation	41,511,684	6,388,045	47,899,729	-	351,214
Other non-current assets	1,825,506	-	1,825,506	-	-
<b>Total assets</b>	<b>54,695,914</b>	<b>8,897,975</b>	<b>63,593,889</b>	<b>3,741,736</b>	<b>19,739,341</b>
<b>LIABILITIES</b>					
Accounts payable	570,387	237,223	807,610	3,771	1,783,224
Salaries payable	-	-	-	-	2,302,642
Accrued liabilities	500,791	52,084	552,875	-	-
Deferred revenues	214,127	1,198,957	1,413,084	-	-
Due to component unit	45,334	-	45,334	-	-
Compensated absences due within one year	520,240	30,418	550,658	-	5,530
Compensated absences due in more than one year	91,807	14,314	106,121	-	238,425
Capital leases due to component unit, current	-	610,000	610,000	-	-
Capital leases due within one year	280,802	144,554	425,356	-	-
Bonds payable due within one year	-	-	-	610,000	-
Capital leases due to component unit, long-term	-	2,806,264	2,806,264	-	-
Capital leases due in more than one year	288,732	291,515	580,247	-	-
Notes payable due within one year	-	99,634	99,634	-	-
Notes payable due in more than one year	-	170,264	170,264	-	-
Bonds payable due in more than one year	-	-	-	2,806,264	-
<b>Total liabilities</b>	<b>2,512,220</b>	<b>5,655,227</b>	<b>8,167,447</b>	<b>3,420,035</b>	<b>4,329,821</b>

(Continued)

**CITY OF DECATUR, GEORGIA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

NET ASSETS	Primary Government			Component Units	
	Governmental	Business-type	Total	Downtown	City
	Activities	Activities		Development	Schools of
				Authority	Decatur
Invested in capital assets, net of related debt	\$ 43,148,220	\$ 2,657,493	\$ 45,805,713	\$ -	\$ 351,214
Restricted for capital projects	-	-	-	-	3,308,200
Unrestricted	9,035,474	585,255	9,620,729	321,701	11,750,106
Total net assets	<u>\$ 52,183,694</u>	<u>\$ 3,242,748</u>	<u>\$ 55,426,442</u>	<u>\$ 321,701</u>	<u>\$ 15,409,520</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF DECATUR, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 4,118,062	\$ 588,288	\$ 8,508	\$ -
Education	1,914,164	-	-	1,102,683
Public safety	7,132,936	1,257,319	26,325	97,702
Public works	3,163,088	117,272	-	229,684
Recreation	1,818,075	677,013	443,963	-
Community & economic development	-	213,780	-	518,635
Interest on long-term debt	23,742	-	-	-
Total governmental activities	<u>18,170,067</u>	<u>2,853,672</u>	<u>478,796</u>	<u>1,948,704</u>
Business-type activities:				
Conference center	611,050	66,143	-	-
Storm water	669,949	780,017	-	-
Sanitation	1,829,986	2,042,898	-	-
Total business-type activities	<u>3,110,985</u>	<u>2,889,058</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 21,281,052</u>	<u>\$ 5,742,730</u>	<u>\$ 478,796</u>	<u>\$ 1,948,704</u>
<b>Component units:</b>				
Downtown Development Authority	\$ 322,041	\$ -	\$ -	\$ -
City Schools of Decatur	31,185,012	1,174,752	11,755,414	10,320
Total component units	<u>\$ 31,507,053</u>	<u>\$ 1,174,752</u>	<u>\$ 11,755,414</u>	<u>\$ 10,320</u>

General revenues:  
Property taxes  
Franchise taxes  
Sales taxes  
Other taxes  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Gain on sale of capital assets  
Miscellaneous  
Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets, beginning of year (as restated)  
Net assets, end of year

The accompanying notes are an integral part of these financial statements.



<b>Net (Expenses) Revenues and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>	<b>City Schools of Decatur</b>
\$ (3,521,266)	\$ -	\$ (3,521,266)	\$ -	\$ -
(811,481)	-	(811,481)	-	-
(5,751,590)	-	(5,751,590)	-	-
(2,816,132)	-	(2,816,132)	-	-
(697,099)	-	(697,099)	-	-
732,415	-	732,415	-	-
(23,742)	-	(23,742)	-	-
<u>(12,888,895)</u>	<u>-</u>	<u>(12,888,895)</u>	<u>-</u>	<u>-</u>
-	(544,907)	(544,907)	-	-
-	110,068	110,068	-	-
-	212,912	212,912	-	-
-	<u>(221,927)</u>	<u>(221,927)</u>	-	-
<u>(12,888,895)</u>	<u>(221,927)</u>	<u>(13,110,822)</u>	<u>-</u>	<u>-</u>
-	-	-	(322,041)	-
-	-	-	-	(18,244,526)
-	-	-	<u>(322,041)</u>	<u>(18,244,526)</u>
9,848,053	-	9,848,053	361,067	19,070,598
1,033,939	-	1,033,939	-	-
260,716	-	260,716	-	2,279,839
1,219,739	254,114	1,473,853	-	-
-	-	-	-	16,330
40,182	-	40,182	-	66,973
15,725	-	15,725	-	-
-	-	-	132,665	55,339
<u>(109,960)</u>	<u>109,960</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,308,394</u>	<u>364,074</u>	<u>12,672,468</u>	<u>493,732</u>	<u>21,489,079</u>
(580,501)	142,147	(438,354)	171,691	3,244,553
52,764,195	3,100,601	55,864,796	150,010	12,164,967
<u>\$ 52,183,694</u>	<u>\$ 3,242,748</u>	<u>\$ 55,426,442</u>	<u>\$ 321,701</u>	<u>\$ 15,409,520</u>

**CITY OF DECATUR, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

<b>ASSETS</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 5,500,492	\$ 1,614,837	\$ 7,115,329
Taxes receivable	221,147	66,799	287,946
Other receivables	290,623	53,855	344,478
Due from other governments	-	286,861	286,861
Due from other funds	1,486,657	177,357	1,664,014
Prepaid expenditures	24,320	-	24,320
Other current assets	26,500	-	26,500
	<u>\$ 7,549,739</u>	<u>\$ 2,199,709</u>	<u>\$ 9,749,448</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 476,822	\$ 93,565	\$ 570,387
Accrued liabilities	496,901	-	496,901
Deferred revenues	324,238	105,249	429,487
Due to other funds	62,183	534,611	596,794
Due to component unit	45,334	-	45,334
	<u>1,405,478</u>	<u>733,425</u>	<u>2,138,903</u>
<b>FUND BALANCES</b>			
Fund balances:			
Reserved for:			
Special projects	-	598,867	598,867
Debt service	-	322,988	322,988
Unreserved, reported in:			
General fund	6,144,261	-	6,144,261
Capital projects funds	-	544,429	544,429
	<u>6,144,261</u>	<u>1,466,284</u>	<u>7,610,545</u>
Total fund balances	<u>6,144,261</u>	<u>1,466,284</u>	<u>7,610,545</u>
Total liabilities and fund balances	<u>\$ 7,549,739</u>	<u>\$ 2,199,709</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			43,717,754
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			215,360
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.			(1,185,471)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds.			<u>1,825,506</u>
Net assets of governmental activities			<u>\$ 52,183,694</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF DECATUR, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 11,242,218	\$ 1,234,659	\$ 12,476,877
Licenses and permits	517,353	-	517,353
Intergovernmental	304,307	800,883	1,105,190
Fines and forfeitures	508,813	20,614	529,427
Charges for services	998,989	473,855	1,472,844
Interest income	37,685	2,497	40,182
Other revenues	<u>136,823</u>	<u>416,852</u>	<u>553,675</u>
Total revenues	<u>13,746,188</u>	<u>2,949,360</u>	<u>16,695,548</u>
<b>Expenditures</b>			
Current:			
General government	3,307,270	777,733	4,085,003
Education	-	458,285	458,285
Public safety	6,271,362	676,285	6,947,647
Public works	2,591,720	-	2,591,720
Recreation	1,777,404	-	1,777,404
Capital outlay	-	401,042	401,042
Debt service:			
Principal retirements	28,267	280,396	308,663
Interest and fiscal charges	-	25,585	25,585
Total expenditures	<u>13,976,023</u>	<u>2,619,326</u>	<u>16,595,349</u>
Excess (deficiency) of revenues over expenditures	<u>(229,835)</u>	<u>330,034</u>	<u>100,199</u>
<b>Other financing sources (uses):</b>			
Proceeds from capital leases	-	123,739	123,739
Proceeds from sale of capital assets	27,369	4,222	31,591
Transfers in	435,040	577,210	1,012,250
Transfers out	<u>(564,010)</u>	<u>(558,200)</u>	<u>(1,122,210)</u>
Total other financing sources (uses)	<u>(101,601)</u>	<u>146,971</u>	<u>45,370</u>
Net change in fund balances	(331,436)	477,005	145,569
<b>Fund balances, beginning of year</b>	<u>6,475,697</u>	<u>989,279</u>	<u>7,464,976</u>
<b>Fund balances, end of year</b>	<u>\$ 6,144,261</u>	<u>\$ 1,466,284</u>	<u>\$ 7,610,545</u>

The accompanying notes are an integral part of these financial statements.

## CITY OF DECATUR, GEORGIA

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Net change in fund balances - total governmental funds	\$ 145,569
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 and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(1,987,162)
The net effect of the donation of capital assets is to increase net assets.	1,102,683
The net effect of the disposal of capital assets is to decrease net assets.	(15,866)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(114,430)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	184,924
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>103,781</u>
	<u>\$ (580,501)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 10,945,900	\$ 10,651,380	\$ 11,242,218	\$ 590,838
Licenses and permits	461,700	479,880	517,353	37,473
Fines and forfeitures	700,000	595,000	508,813	(86,187)
Interest	20,000	32,500	37,685	5,185
Charges for services	1,467,900	957,500	998,989	41,489
Intergovernmental	438,500	228,780	304,307	75,527
Contributions	25,000	81,730	69,533	(12,197)
Miscellaneous	31,000	59,000	67,290	8,290
Total revenues	<u>14,090,000</u>	<u>13,085,770</u>	<u>13,746,188</u>	<u>660,418</u>
<b>Expenditures</b>				
Current:				
General government:				
Commission	100,390	100,390	105,434	(5,044)
Manager	406,470	409,110	402,580	6,530
Administrative services	1,052,250	1,030,070	1,012,050	18,020
Attorney	150,000	150,000	156,547	(6,547)
Community & economic development	619,990	624,100	662,610	(38,510)
Development and inspection	308,190	311,910	311,352	558
Accounting, collection and records	629,660	624,290	656,697	(32,407)
Total general government	<u>3,266,950</u>	<u>3,249,870</u>	<u>3,307,270</u>	<u>(57,400)</u>
Public safety:				
General management	387,970	296,030	284,706	11,324
Fire	2,320,580	2,417,320	2,591,191	(173,871)
Police	4,250,960	3,779,320	3,395,465	383,855
Total public safety	<u>6,959,510</u>	<u>6,492,670</u>	<u>6,271,362</u>	<u>221,308</u>
Public works:				
Engineering	606,970	581,060	600,094	(19,034)
Motor maintenance	437,920	453,910	546,980	(93,070)
Buildings and grounds maintenance	1,109,340	1,087,590	1,132,068	(44,478)
Cemetery	310,970	310,120	312,578	(2,458)
Total public works	<u>2,465,200</u>	<u>2,432,680</u>	<u>2,591,720</u>	<u>(159,040)</u>
Recreation	2,111,260	1,895,740	1,777,404	118,336
Debt service:				
Principal	-	27,690	28,267	(577)
Total debt service	<u>-</u>	<u>27,690</u>	<u>28,267</u>	<u>(577)</u>
Total expenditures	<u>14,802,920</u>	<u>14,098,650</u>	<u>13,976,023</u>	<u>122,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(712,920)</u>	<u>(1,012,880)</u>	<u>(229,835)</u>	<u>783,045</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	10,000	27,360	27,369	9
Transfers out	(550,000)	(564,010)	(564,010)	-
Transfers in	544,000	435,040	435,040	-
Total other financing sources (uses)	<u>4,000</u>	<u>(101,610)</u>	<u>(101,601)</u>	<u>9</u>
Net change in fund balances	(708,920)	(1,114,490)	(331,436)	783,054
Fund balance, beginning of year	6,475,697	6,475,697	6,475,697	-
Fund balance, end of year	<u>\$ 5,766,777</u>	<u>\$ 5,361,207</u>	<u>\$ 6,144,261</u>	<u>\$ 783,054</u>

The accompanying notes are an integral part of these financial statements.

## CITY OF DECATUR, GEORGIA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2004

ASSETS	Business-type Activities - Enterprise Funds			Totals
	Conference & Parking Deck Fund	Storm water Utility Fund	Solid Waste Fund	
<b>CURRENT ASSETS</b>				
Cash	\$ 428,717	\$ 1,521,644	\$ 877,056	\$ 2,827,417
Accounts receivable	50,301	104,333	180,677	335,311
Due from other funds	-	-	58,132	58,132
Total current assets	<u>479,018</u>	<u>1,625,977</u>	<u>1,115,865</u>	<u>3,220,860</u>
<b>CAPITAL ASSETS</b>				
Land	391,679	-	-	391,679
Infrastructure	-	3,447,647	-	3,447,647
Buildings	8,363,415	-	-	8,363,415
Furniture, fixtures and equipment	450,994	134,832	1,299,172	1,884,998
	<u>9,206,088</u>	<u>3,582,479</u>	<u>1,299,172</u>	<u>14,087,739</u>
Accumulated depreciation	<u>(4,631,800)</u>	<u>(1,749,954)</u>	<u>(926,261)</u>	<u>(7,308,015)</u>
	<u>4,574,288</u>	<u>1,832,525</u>	<u>372,911</u>	<u>6,779,724</u>
<b>OTHER ASSETS</b>	55,994	-	-	55,994
Total assets	<u>5,109,300</u>	<u>3,458,502</u>	<u>1,488,776</u>	<u>10,056,578</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,028	29,678	206,517	237,223
Accrued liabilities	31,501	11,428	53,887	96,816
Due to other funds	267,760	116,677	774,166	1,158,603
Deferred revenue	-	323,901	875,056	1,198,957
Capitalized lease obligations - due to component unit	610,000	-	-	610,000
Capital lease payable - current portion	-	23,615	120,939	144,554
Note payable - current	99,634	-	-	99,634
Total current liabilities	<u>1,009,923</u>	<u>505,299</u>	<u>2,030,565</u>	<u>3,545,787</u>
Capitalized lease obligations - due to component unit - long term	2,806,264	-	-	2,806,264
Capital lease payable - long term	-	31,601	259,914	291,515
Note payable - long term	170,264	-	-	170,264
Total liabilities	<u>3,986,451</u>	<u>536,900</u>	<u>2,290,479</u>	<u>6,813,830</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	888,126	1,777,309	(7,942)	2,657,493
Unrestricted	234,723	1,144,293	(793,761)	585,255
Total net assets	<u>\$ 1,122,849</u>	<u>\$ 2,921,602</u>	<u>\$ (801,703)</u>	<u>\$ 3,242,748</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF DECATUR, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Conference &amp; Parking Deck Fund</b>	<b>Storm water Utility Fund</b>	<b>Solid Waste Fund</b>	
<b>OPERATING REVENUE</b>				
Storm water fees	\$ -	\$ 778,102	\$ -	\$ 778,102
Sanitation fees	-	-	2,028,520	2,028,520
Charges for sales and services	66,143	-	-	66,143
Miscellaneous	-	1,915	14,378	16,293
Total operating revenues	<u>66,143</u>	<u>780,017</u>	<u>2,042,898</u>	<u>2,889,058</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	38,200	565,170	1,702,199	2,305,569
Depreciation and amortization	368,593	104,779	127,787	601,159
Total operating expenses	<u>406,793</u>	<u>669,949</u>	<u>1,829,986</u>	<u>2,906,728</u>
Operating income (loss)	<u>(340,650)</u>	<u>110,068</u>	<u>212,912</u>	<u>(17,670)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Taxes	254,114	-	-	254,114
Interest expense	(204,257)	-	-	(204,257)
Total non-operating revenues (expenses)	<u>49,857</u>	<u>-</u>	<u>-</u>	<u>49,857</u>
Income (loss) before transfers	<u>(290,793)</u>	<u>110,068</u>	<u>212,912</u>	<u>32,187</u>
Transfers in	545,000	-	-	545,000
Transfers out	-	(196,680)	(238,360)	(435,040)
	<u>545,000</u>	<u>(196,680)</u>	<u>(238,360)</u>	<u>109,960</u>
Change in net assets	254,207	(86,612)	(25,448)	142,147
<b>Total net assets, beginning</b>	<u>868,642</u>	<u>3,008,214</u>	<u>(776,255)</u>	<u>3,100,601</u>
<b>Total net assets, ending</b>	<u>\$ 1,122,849</u>	<u>\$ 2,921,602</u>	<u>\$ (801,703)</u>	<u>\$ 3,242,748</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF DECATUR, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Conference &amp; Parking Deck Fund</b>	<b>Storm water Utility Fund</b>	<b>Solid Waste Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 38,398	\$ 763,618	\$ 2,101,975	\$ 2,903,991
Payments to suppliers	424,907	(356,428)	(829,564)	(761,085)
Payments to employees	-	(230,325)	(544,863)	(775,188)
Net cash provided by operating activities	<u>463,305</u>	<u>176,865</u>	<u>727,548</u>	<u>1,367,718</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in from other funds	545,000	-	-	545,000
Transfers out to other funds	-	(196,680)	(238,360)	(435,040)
Taxes received	254,114	-	-	254,114
Net cash provided by (used in) non-capital financing activities	<u>799,114</u>	<u>(196,680)</u>	<u>(238,360)</u>	<u>364,074</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal payments on capital lease	(580,000)	(15,629)	(109,313)	(704,942)
Principal payments on note payable	(94,984)	-	-	(94,984)
Interest paid	(209,647)	-	-	(209,647)
Purchase of capital assets	-	(1,337)	-	(1,337)
Net cash used in capital and related financing activities	<u>(884,631)</u>	<u>(16,966)</u>	<u>(109,313)</u>	<u>(1,010,910)</u>
Net increase (decrease) in cash	377,788	(36,781)	379,875	720,882
Cash, beginning of year	50,929	1,558,425	497,181	2,106,535
Cash, end of year	<u>\$ 428,717</u>	<u>\$ 1,521,644</u>	<u>\$ 877,056</u>	<u>\$ 2,827,417</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (340,650)	\$ 110,068	\$ 212,912	\$ (17,670)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	368,593	104,779	127,787	601,159
Change in assets and liabilities:				
(Increase) decrease in fees receivable	-	(17,163)	557	(16,606)
Increase in accounts receivable	(27,745)	-	-	(27,745)
(Increase) decrease in due from other funds	195,000	-	(58,132)	136,868
Increase in accounts payable	347	29,678	132,122	162,147
Increase in accrued liabilities	-	6,251	7,915	14,166
Increase in deferred revenue	-	764	58,520	59,284
Increase (decrease) in due to other funds	267,760	(57,512)	245,867	456,115
Net cash provided by operating activities	<u>\$ 463,305</u>	<u>\$ 176,865</u>	<u>\$ 727,548</u>	<u>\$ 1,367,718</u>
<b>NON-CASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Borrowing under capital leases	\$ -	\$ 23,958	\$ 58,132	\$ 82,090

The accompanying notes are an integral part of these financial statements.



CITY OF DECATUR, GEORGIA

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2004

<b>ASSETS</b>	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
Cash	\$ 76,657	\$ 2,104,547
Benefits receivable	70,603	-
Due from other funds	33,251	-
Mutual funds	<u>18,070,672</u>	<u>-</u>
Total assets	<u>18,251,183</u>	<u>2,104,547</u>
<b>LIABILITIES</b>		
Accounts payable	2,687	-
Due to other governments	-	36,960
Due to component unit	-	2,058,654
Due to others	<u>-</u>	<u>8,933</u>
Total liabilities	<u>2,687</u>	<u>2,104,547</u>
<b>NET ASSETS</b>		
Assets held in trust for pension benefits	<u>\$ 18,248,496</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF DECATUR, GEORGIA**

**STATEMENT OF CHANGES IN**  
**FIDUCIARY NET ASSETS**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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<b>ADDITIONS</b>	
Contributions	
Plan member contributions	\$ 473,645
Employer contributions	<u>397,058</u>
Total contributions	<u>870,703</u>
Investment income	
Net appreciation in fair value of investments	1,509,113
Interest and dividends	<u>385,934</u>
Total investment income	<u>1,895,047</u>
Total additions	<u>2,765,750</u>
 <b>DEDUCTIONS</b>	
Benefit payments	1,028,837
Refunds paid to Plan members and beneficiaries	101,634
Administrative fees	<u>52,025</u>
Total deductions	<u>1,182,496</u>
Net increase	1,583,254
Net assets at beginning of year	<u>16,665,242</u>
Net assets at end of year	<u>\$ 18,248,496</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF DECATUR, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

The financial statements of the City of Decatur, Georgia (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (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 operates under a commission/manager form of government and provides the following services to its citizens: public safety, public works, parks and recreation, public improvements, and general and administrative services. Additionally, the City owns and contracts for management of a parking deck and convention center for the benefit of the downtown Decatur area.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The City Schools of Decatur has been included as a discretely presented component unit in the accompanying financial statements. The City collects taxes on its behalf. Financial information with regard to the City Schools of Decatur can be obtained from their administrative offices at 320 North McDonough Street, Decatur, Georgia 30030.

The Decatur Downtown Development Authority (the "DDA") has been included as a discretely presented component unit in the accompanying financial statements. The City levies and collects its taxes and appoints its board. Financial information with regard to the DDA can be obtained from the DDA's administrative offices at 100 East Trinity Place, Decatur, Georgia 30030.

There are no blended component units reflected in the accompanying financial statements.

## NOTES TO FINANCIAL STATEMENTS

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

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally 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. Likewise, the primary government is reported separately from discretely presented component units. The statement of net assets will include non-current assets which were previously reported in the General Fixed Assets Account Group and non-current liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

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 customers or applicants 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 considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 or soon enough thereafter to pay liabilities of 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 are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", the corresponding assets (receivables) in non-exchange 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.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

The City reports the following major governmental fund:

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.

## NOTES TO FINANCIAL STATEMENTS

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

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

The City reports the following major proprietary funds:

The **Conference and Parking Deck Fund** accounts for the activity of the conference center and parking deck.

The **Stormwater Utility Fund** accounts for the collection of fees for upgrades to stormwater drains and related expenses.

The **Solid Waste Fund** accounts for the collection of fees for garbage collection, disposal and recycling programs and related expenses.

The City also reports the following fund types:

The **Pension Trust Fund** accounts for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are contributed by employees and the City at rates determined by actuarial computations.

**Agency funds** are accounted for on the modified accrual basis of accounting, and are used to account for funds that the City holds for others in an agency capacity.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

Amounts reported as *program revenues* include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

#### D. Budgets

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

## NOTES TO FINANCIAL STATEMENTS

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

#### E. Cash and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, certificates of deposit with an original maturity of less than 90 days are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices.

#### F. 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."

#### G. Inventories

The costs of governmental fund type inventories (which are not significant to the City) are recorded as expenditures when purchased rather than when consumed (purchase method).

#### H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items in both government-wide and fund financial statements.



## NOTES TO FINANCIAL STATEMENTS

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

#### I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	3-20
Vehicles	5
Land improvements	15-20
Infrastructure	15-50
Buildings and improvements	30-50

#### J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when 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 the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## NOTES TO FINANCIAL STATEMENTS

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

#### K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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 type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as deferred charges and amortized over the term of the loan using the straight-line method.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

#### L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### M. Management Estimates

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,185,471 difference are as follows:

Accrued interest payable	\$ (3,890)
Capital leases payable	(569,534)
Compensated absences	<u>(612,047)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (1,185,471)</u></u>

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,987,162 difference are as follows:

Capital outlay	\$ 401,042
Capital outlay expenditures recognized in various functions	203,312
Depreciation expense	<u>(2,591,516)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (1,987,162)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (Continued)

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$184,924 difference are as follows:

Proceeds from capital leases	\$ (123,739)
Principal retirement of long-term debt	<u>308,663</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 184,924</u></u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$103,781 difference are as follows:

Compensated absences	\$ (17,576)
Accrued interest	1,843
Net pension obligation	<u>119,514</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 103,781</u></u>

### NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of Decatur, Georgia employs the following procedures in establishing its annual budget:

1. In accordance with the Fiscal Control Ordinance of the City, the City Manager submits a proposed operating budget to the City Commissioners. The operating budget includes proposed expenditures and the means for financing them.
2. Prior to any action by the Commissioners, the City publishes the proposed budget in the official legal organ, other community newspapers and makes copies available to the residents of the City.
3. Public meetings are held to obtain taxpayer comments.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. LEGAL COMPLIANCE – BUDGETS (Continued)

4. The budget is then legally enacted through passage of a resolution by the City Commission.
5. Budgetary control is exercised at the department level. The City Manager is authorized to transfer budget amounts within a department; however, any revisions that alter the total expenditures of a department require a budget amendment by the City Commissioners. Budget amounts shown in these financial statements reflect amendments approved by the Board of Commissioners. Such amendments resulted in no supplemental appropriations.

### NOTE 4. CASH AND INVESTMENTS

At June 30, 2004, the carrying amount of the City's bank deposits was \$12,123,950 and the bank balance was \$12,526,041. The amount of total bank balance is classified into three categories of custodial credit risk. 1) cash that is insured or collateralized with securities held by the City or by its agent in the City's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name and 3) uncollateralized bank accounts or bank accounts collateralized by the pledging institution's trust department or agent, but not in the City's name.

The bank balance is classified as follows at June 30, 2004:

Category	
1	\$ 400,000
2	12,086,650
3	39,391
Total	<u>\$ 12,526,041</u>

The carrying amount of the City's bank deposits as noted above are reconciled to the statement of net assets as follows:

Cash - Primary Government - above	<u>\$ 12,123,950</u>
Amounts as presented on the government-wide statement of net assets:	
Governmental activities:	
Cash and cash equivalents	\$ 7,115,329
Business-type activities:	
Cash and cash equivalents	2,827,417
Amounts as presented on the fiduciary statement of net assets:	
Pension Trust Fund:	
Cash	76,657
Agency Funds:	
Cash	2,104,547
Total	<u>\$ 12,123,950</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. CASH AND INVESTMENTS (Continued)

At June 30, 2004, the carrying amount of deposits for the Decatur Downtown Development Authority (the "DDA"), a discretely presented component unit, was \$220,138 and the bank balance was \$481,886. All of the DDA's deposits were covered by federal depository insurance or by collateral held by the DDA's agent in the component unit's name.

At June 30, 2004, the carrying amount of deposits for the City Schools of Decatur, a discretely presented component unit, was \$6,555,371 and the bank balance was \$7,006,661. All of the City Schools of Decatur's deposits were covered by federal depository insurance or by collateral held by the City Schools of Decatur's agent in the component unit's name.

At June 30, 2004, all investments of the City Schools of Decatur were invested in Georgia Fund 1, the local government investment pool administered by the State of Georgia. The Georgia Fund 1 investment pool is not subject to credit risk classification and the carrying amount of \$7,721,107 represents fair value at June 30, 2004.

"Georgia Fund 1," created by OCGA 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAAM rated money market funds and is regulated by the Georgia Office of Treasury and Fiscal Services. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1 per share.

A reconciliation of the City Schools of Decatur's cash and investments as noted above to cash and cash equivalents as shown in the statement of net assets follows:

Amounts as noted above:

Cash	\$ 6,555,371
Investments	<u>7,721,107</u>
	<u>\$ 14,276,478</u>

Statement of net assets captions:

Cash and cash equivalents	<u>\$ 14,276,478</u>
	<u>\$ 14,276,478</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The tax levy is divided into two billings. The first billing is mailed April 1, and the second billing is mailed no later than October 20. The billings are considered due upon receipt by the taxpayer; however, the actual due dates are June 1 and December 20. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Property taxes are recorded as receivables and deferred revenues when assessed. Revenues are recognized when available.

Enterprise fund solid waste fees and stormwater fees are billed annually on April 1 and are due June 1.

Receivables at June 30, 2004, for the City's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Conference & Parking Deck	Stormwater Utility	Solid Waste	Fiduciary Funds	Non-major Funds
Receivables:						
Taxes	\$ 288,478	\$ -	\$ -	\$ -	\$ -	\$ 76,167
Accounts	-	50,301	112,675	239,783	-	-
Due from other governments	-	-	-	-	-	286,861
Other	424,163	-	-	-	70,603	53,855
Less allowance for uncollectible	200,871	-	8,342	59,106	-	9,368
Net total receivable	<u>\$ 511,770</u>	<u>\$ 50,301</u>	<u>\$ 104,333</u>	<u>\$ 180,677</u>	<u>\$ 70,603</u>	<u>\$ 407,515</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### Primary Government

Capital asset activity for the fiscal year ended June 30, 2004, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,051,304	\$ 89,246	\$ -	\$ 2,140,550
Construction in progress	4,801,230	1,085,838	(5,821,548)	65,520
Total	<u>6,852,534</u>	<u>1,175,084</u>	<u>(5,821,548)</u>	<u>2,206,070</u>
Capital assets, being depreciated:				
Land improvements	854,161	185,456	-	1,039,617
Infrastructure	19,218,547	28,110	-	19,246,657
Buildings and improvements	37,189,324	5,834,338	-	43,023,662
Machinery and equipment	2,323,742	142,908	-	2,466,650
Vehicles	2,710,649	162,690	(166,144)	2,707,195
Total	<u>62,296,423</u>	<u>6,353,502</u>	<u>(166,144)</u>	<u>68,483,781</u>
Less accumulated depreciation for:				
Land improvements	(459,298)	(24,406)	-	(483,704)
Infrastructure	(10,553,991)	(537,650)	-	(11,091,641)
Buildings and improvements	(10,262,101)	(1,495,868)	-	(11,757,969)
Machinery and equipment	(1,512,338)	(284,222)	-	(1,796,560)
Vehicles	(1,743,130)	(249,370)	150,277	(1,842,223)
Total	<u>(24,530,858)</u>	<u>(2,591,516)</u>	<u>150,277</u>	<u>(26,972,097)</u>
Total capital assets, being depreciated, net	<u>37,765,565</u>	<u>3,761,986</u>	<u>(15,867)</u>	<u>41,511,684</u>
Governmental activities capital assets, net	<u>\$ 44,618,099</u>	<u>\$ 4,937,070</u>	<u>\$ (5,837,415)</u>	<u>\$ 43,717,754</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 391,679	\$ -	\$ -	\$ 391,679
Total	391,679	-	-	391,679
Capital assets, being depreciated:				
Infrastructure	3,463,797	1,336	(17,486)	3,447,647
Buildings	8,363,415	-	-	8,363,415
Furniture, fixtures, and equipment	1,883,595	102,961	(101,558)	1,884,998
Total	13,710,807	104,297	(119,044)	13,696,060
Less accumulated depreciation for:				
Infrastructure	(1,625,589)	(80,274)	-	(1,705,863)
Buildings	(3,834,896)	(346,465)	-	(4,181,361)
Furniture, fixtures, and equipment	(1,362,257)	(156,708)	98,174	(1,420,791)
Total	(6,822,742)	(583,447)	98,174	(7,308,015)
Total capital assets, being depreciated, net	6,888,065	(479,150)	(20,870)	6,388,045
Business-type activities capital assets, net	\$ 7,279,744	\$ (479,150)	\$ (20,870)	\$ 6,779,724

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

Governmental activities:	
General government	\$ 140,109
Education	1,455,879
Public safety	323,544
Public works	610,497
Recreation	61,487
Total depreciation expense - governmental activities	\$ 2,591,516
Business-type activities:	
Conference center	\$ 350,881
Stormwater	104,779
Sanitation	127,787
Total depreciation expense - business-type activities	\$ 583,447

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (Continued)

#### City Schools of Decatur

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 601,940	\$ 52,155	\$ -	\$ 654,095
Total	<u>601,940</u>	<u>52,155</u>	<u>-</u>	<u>654,095</u>
Less accumulated depreciation for:				
Equipment	(226,650)	(76,231)	-	(302,881)
Total	<u>(226,650)</u>	<u>(76,231)</u>	<u>-</u>	<u>(302,881)</u>
Total capital assets, being depreciated, net	<u>375,290</u>	<u>(24,076)</u>	<u>-</u>	<u>351,214</u>
Governmental activities capital assets, net	<u>\$ 375,290</u>	<u>\$ (24,076)</u>	<u>\$ -</u>	<u>\$ 351,214</u>

### NOTE 7. LONG-TERM DEBT

#### Primary Government

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Capital leases	\$ 754,458	\$ 122,257	\$ (307,181)	\$ 569,534	\$ 280,802
Compensated absences	594,471	563,766	(546,190)	612,047	520,240
Governmental activity Long-term liabilities	<u>\$ 1,348,929</u>	<u>\$ 686,023</u>	<u>\$ (853,371)</u>	<u>\$ 1,181,581</u>	<u>\$ 801,042</u>
<b>Business-type activities:</b>					
Capital leases - due to component unit	\$ 4,015,000	\$ -	\$ (580,000)	\$ 3,435,000	\$ 610,000
Less deferred amounts	(23,140)	4,404	-	(18,736)	
	3,991,860	4,404	(580,000)	3,416,264	
Capital leases	478,921	82,090	(124,942)	436,069	144,554
Note payable	364,881	-	(94,983)	269,898	99,634
Compensated absences	39,787	31,810	(26,865)	44,732	30,418
Business-type activity Long-term liabilities	<u>\$ 4,875,449</u>	<u>\$ 118,304</u>	<u>\$ (826,790)</u>	<u>\$ 4,166,963</u>	<u>\$ 884,606</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (Continued)

**Capital Leases - Equipment.** The City has entered into lease agreements as lessee for financing the acquisition of equipment (including communication equipment), machinery, and improvements used in general governmental activities. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception. The following is an analysis of assets under capital leases as of June 30, 2004:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Machinery and equipment	\$ 690,598	\$ 680,914
Vehicles	244,217	-
	\$ 934,815	\$ 680,914

The City's total capital lease debt service requirements to maturity are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Fiscal Year Ending June 30,		
2005	\$ 296,325	\$ 156,865
2006	222,323	151,806
2007	58,381	99,796
2008	17,676	39,681
2009	-	11,796
Total minimum lease payments	594,705	459,944
Less amount representing interest	25,171	23,875
Present value of future minimum lease payments	\$ 569,534	\$ 436,069

**Capital Lease - due to Component Unit.** The City leases a parking facility and conference center with an initial cost of approximately \$8,000,000 from the Decatur Downtown Development Authority (the "Authority"). These facilities were constructed in the period from 1986 to 1989 with proceeds of lease revenue bonds issued by the Authority and the Decatur Parking Authority. Such lease revenue bonds were secured by the City's commitment to make lease payments equivalent to the debt service requirements of the lease revenue bonds.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (Continued)

For financial reporting purposes, the City has recorded a capitalized lease obligation due to the Authority in an amount equal to the outstanding indebtedness of the Authority with respect to these lease revenue bonds. The Authority has recorded a lease receivable from the City, which equals the outstanding balance of these lease revenue bonds.

The conference center and parking facility have incurred operating losses since they commenced operations. As a result, the City's required lease payments have been made from ad valorem taxes levied by the City. Such payments have been made from resources of the Debt Service Fund.

Future required minimum payments on this lease are as follows at June 30, 2004:

2005	\$	767,243
2006		777,613
2007		779,374
2008		783,066
2009		784,699
		3,891,995
Less:		
Amount representing interest		(456,995)
Unamortized loss on refunding		(18,736)
Net present value of capitalized lease obligation due to component unit		\$ 3,416,264

The above required lease payments are equal to the Authority's required debt service in future years. Similarly, the net present value of the City's capitalized lease obligation equals the Authority's outstanding indebtedness on the lease revenue bonds.

During 1993, the Authority issued \$8,545,000 in lease revenue bonds for the purpose of advance refunding the Authority's outstanding lease revenue bonds totaling \$3,610,000 and the Decatur Parking Authority's lease revenue bonds outstanding of \$3,610,000. Refunded debt totaled \$7,220,000. The refunded bonds were called in November 1996. Concurrent with the issuance of the refunding bonds was the assumption of the Decatur Parking Authority's lease revenue bonds and related lease receivables from the City by the Authority.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (Continued)

**Note Payable.** During 2000, the City borrowed \$600,000 at an 8.57% interest rate from a bank for the purpose of using the proceeds to renovate the conference center. The City will make quarterly payments over an eight year period ending May 15, 2007. Payments are being made from an increased hotel/motel tax assessment of 2%.

The following is a schedule of future required payments on this note as of June 30, 2004:

	Principal	Interest	Total
2005	\$ 99,634	\$ 20,289	\$ 119,923
2006	86,324	11,821	98,145
2007	83,940	4,555	88,495
	\$ 269,898	\$ 36,665	\$ 306,563

#### City Schools of Decatur

Long-term liability activity for the year ended June 30, 2004, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 243,281	\$ 200,053	\$ (199,379)	\$ 243,955	\$ 5,530
Governmental activity					
Long-term liabilities	\$ 243,281	\$ 200,053	\$ (199,379)	\$ 243,955	\$ 5,530

**Compensated Absences.** For governmental funds, compensated absences are liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Stormwater Utility Fund and the Solid Waste Fund.

## NOTES TO FINANCIAL STATEMENTS

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

The composition of interfund balances as of June 30, 2004, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 664,853
General Fund	Stormwater Utility Fund	19,433
General Fund	Conference & Parking Deck Fund	267,760
General Fund	Non-major governmental funds	534,611
Non-major governmental funds	General Fund	28,932
Non-major governmental funds	Solid Waste Fund	109,313
Non-major governmental funds	Stormwater Utility Fund	39,112
Solid Waste Fund	Stormwater Utility Fund	58,132
Fiduciary funds	General Fund	33,251
		<u>\$ 1,755,397</u>

Due from/to primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Downtown Development Authority	Primary government - General Fund	\$ 45,334
Component unit - Downtown Development Authority	Primary government - Downtown Development Authority Fund	35,964
Component unit - City Schools of Decatur	Primary government - Board of Education Fund	2,022,690
		<u>\$ 2,103,988</u>

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
Non-major governmental funds	General Fund	\$ 564,010
Non-major governmental funds	Non-major governmental funds	13,200
		\$ 577,210
General Fund	Solid Waste Fund	\$ 238,360
General Fund	Stormwater Utility Fund	196,680
		\$ 435,040
Conference & Parking Deck Fund	Non-major governmental funds	\$ 545,000

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounts for in other funds in accordance with budgetary authorizations.

### NOTE 9. PENSION PLANS

#### Primary Government

#### Plan Description

All of the City's full-time regular employees are covered by the City's single-employer defined benefit pension plan (the "Plan") which is administered by the Decatur Employees' Retirement System. The Plan was established in 1947 by the Decatur City Commission. The Board of Trustees of the Plan has the authority to establish and amend the Plan. The Plan is contributory in nature with contributions coming from both the City and its covered employees. All eligible employees become participants in the Plan upon employment, while elected officials are not covered. Employees become fully vested after 10 years of service. The Plan does not issue a separate financial statement.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (Continued)

As of January 1, 2004, the most recent actuarial valuation date, the plan membership included the following categories of participants:

Retirees and beneficiaries receiving benefits	70
Terminated vested participants not yet receiving benefits	6
Active participants	187
	<u>263</u>

#### **Employee Contributions**

Plan members are required to contribute to the Plan in the following manner:

Public Safety Employee	8% of compensation
General Employee	4% of compensation up to \$2,000 plus 8% of compensation in excess of \$2,000.

Plan members who were active employees on July 1, 1997, and elected not to have the Unreduced Early Retirement Option are required to contribute to the Plan in the following manner:

Public Safety Employee	6% of compensation
General Employee	2% of compensation up to \$2,000 plus 6% of compensation in excess of \$2,000.

Employee contributions are made on a pre-tax basis as permitted under Section 414(h) of the Internal Revenue Code. Public Safety employees consist of firefighters and police officers.

#### **City Contributions**

The City contribution is determined by the actuary as necessary to keep the Plan in compliance with the funding requirements of the State of Georgia.

#### **Benefits**

Benefits are calculated as a percentage of the average basic earnings in the 60 consecutive months in which the employee received the highest compensation multiplied by the number of years of service, as described in the Plan document. The minimum benefit is \$3,000 per year, upon retirement.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (Continued)

#### Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Contributions from the City and employees are recognized as revenue in the period in which the contributions are due. Investment earnings are recognized by the Plan when earned. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on exchanges are valued at last reported sales price. Investments which represent more than 5% of Plan Net Assets at June 30, 2004, were as follows: State Street Equity Investments Mutual Fund of \$18,070,672.

#### Funding Policy

The contribution requirements of Plan members and the City are established and may be amended by the Board of Trustees. Normal cost is funded on a current basis. There is no unfunded actuarial accrued liability. Periodic contributions for normal costs are based on the level percentage of payroll method. Current contributions are sufficient to fund the normal costs as required by state law.

The annual required contribution for the current year was determined as part of the January 1, 2004, actuarial valuation using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions included:

- 7.5% rate of return on investments.
- Projected salary increases of 5% per year (4% for inflation and 1% for merit).
- The post-retirement benefit limits increase 5% per year.
- Minimum monthly benefit of \$350.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (Continued)

#### Annual Pension Cost

The City's actuarially determined contribution, pension cost and increase in net pension asset for the year ended June 30, 2004, were as follows:

Net pension obligation (asset), June 30, 2003	\$(1,705,992)
Actuarially determined contribution (pension cost)	394,624
Actual contribution made	(386,188)
Estimated interest adjustment	<u>(127,950)</u>
Net pension obligation (asset), June 30, 2004	<u><u>\$(1,825,506)</u></u>

The estimated interest adjustment has been calculated by applying a 7.5% rate of return to the beginning of the year balance of the net pension obligation (asset). The 7.5% rate of return was determined by the City's actuary as the estimated rate of return on investments.

The City's annual required pension contribution was \$394,624, \$113,827, and \$ - for the years ended June 30, 2004, 2003, and 2002, respectively. The annual required pension contribution for the year ended June 30, 2004 is an estimate made by management using an actuarially determined rate of 5.35% applied to payroll. The City's net pension assets at June 30, 2003, 2002, and 2001, were \$1,705,992, \$1,575,284, and \$1,325,970, respectively.

#### Schedule of Employer Contributions

##### Six-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contribution</u>	<u>Percentage of ARC Contributed</u>
June 30, 2004	\$ 394,624	\$ 386,188	98%
June 30, 2003	\$ 113,827	\$ 126,389	100%
June 30, 2002	\$ -	\$ 149,866	100%
June 30, 2001	\$ -	\$ 84,928	100%
June 30, 2000	\$ -	\$ 171,185	100%
June 30, 1999	\$ -	\$ 345,815	100%

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (Continued)

#### City Schools of Decatur

**Teachers Retirement System.** Substantially all teachers, administrators, and clerical personnel employed by the District are members of the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple employer public employee retirement system administered by the TRS Board of Trustees. TRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. Title 47, Chapter 3 of the Official Code of Georgia Annotated, assigns the authority to establish and amend benefit provisions to the TRS Board of Trustees. The TRS Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for TRS. That report may be obtained by writing to TRS of Georgia, Two Northside 75, Suite 400, Atlanta GA 30331, or by calling 1-800-352-0650.

Covered employees are required by state law to contribute 5% of their annual covered salary to the plan and the District is required to contribute 9.24% of current covered payroll. Covered employees' contributions for the years ended June 30, 2004, 2003, and 2002, were \$855,647, \$856,481, and \$785,336, respectively. The District's contributions to TRS for the years ended June 30, 2004, 2003, and 2002, were \$1,552,127, \$1,551,410, and \$1,456,313, respectively, equal to the required contribution for each year.

Active members may retire and receive benefits after 30 years of creditable service regardless of age, or after 10 years of creditable service and reaching age 60. Upon retirement, an employee receives a retirement benefit, payable monthly for life. The amount is determined by multiplying 2% by the years of service up to 40 years. This amount in turn is multiplied by the employee's average monthly salary for the two highest paid consecutive years of service. Early retirement benefits are reduced by the lesser of 1/12 of 7% for each month the member is below age 60, or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the CPI, will be made in future years. Retirement benefits are payable monthly for life. Options are available for distribution of the member's monthly pension at a reduced rate to a designated beneficiary at the member's death.

**Public School Employees Retirement System.** Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by the District are members of the Public School Employees Retirement System of Georgia (PSERS), which is also a cost-sharing multiple employer public employee retirement system. The Board of the Public School Employees Retirement System of Georgia issues a publicly available financial report that includes financial statements and supplementary information for PSERS. That report may be obtained by writing Public School Employee Retirement System, Two Northside 75, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 9. PENSION PLANS (Continued)**

PSERS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65. A member applying for service retirement with 10 years of services and retirees between the ages of 60 and 65 received a reduced benefit. Monthly retirement benefits paid to members are equal to eight dollars per month multiplied by the number of years of creditable service. Retirement provisions include death and disability benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute four dollars per month for the nine month school year. Unlike TRS, the District makes no contribution to PSERS. Total contributions from employees of the District made during the fiscal year ended June 30, 2004, totaled \$2,352.

The State of Georgia is required by statute to make an annual contribution to PSERS based upon an actuarial calculation. The state's contribution for employees for the fiscal year ended June 30, 2004, for District employees was \$33,267.

Members become fully vested after 10 years of service. If a member terminates with less than ten years of service, no vesting of employer contributions occurs, but the member's contributions are refunded with interest.

There were 71 employees covered under PSERS for the year ended June 30, 2004.

### **NOTE 10. DEFINED CONTRIBUTION PENSION PLAN**

The City of Decatur's Internal Revenue Code Section 457 Plan (the Plan) is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by ICMA Retirement Corporation and Vantage Trust for all full time employees. Plan provisions and contribution requirements are established and may be amended by the City's Commission. At June 30, 2004, there were 64 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to a maximum of \$12,000 for the year ended June 30, 2004. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. The City's Commission has approved discretionary employer contributions for four employees. Total employer and employee contributions for the year ended June 30, 2004, was \$24,020 and \$109,823, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 11. FUND DEFICITS

For the year ended June 30, 2004, the City's Solid Waste Fund had a deficit net asset of \$801,703.

### NOTE 12. JOINT VENTURE

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

### NOTE 13. RELATED ORGANIZATIONS

The City's council is responsible for appointing all board members of the Decatur Housing Authority. However, the City has no further accountability for the authority.

### NOTE 14. 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 is partially self-insured for both medical and workers' compensation claims. These self-insurance plans are described below. The City has purchased insurance for all other risks of loss. Losses have not exceeded insurance coverage in the last three fiscal years.

#### **Medical Self-Insurance**

**Active Employees.** The City is partially self-insured for employee medical claims. The City pays 80% of the employees' medical expenses, with a maximum out-of-pocket cost to the employee of \$1,000 per year. Each employee's portion of the medical premium cost is withheld from that employee's paycheck.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 14. RISK MANAGEMENT (Continued)

The City pays aggregate claims up to approximately \$1,000,000. After the claims reach this amount, a private insurance carrier will pay the remaining claims. In addition to the aggregate limit, the City's self-insurance is limited to \$60,000 per individual per calendar year. After an individual's claims reach this amount, the private insurance carrier will begin covering them. The City has entered into a contract with a third party to administer the program. This activity is reported in the General Fund. The City has accrued a liability for medical claims that were incurred but not paid before fiscal year end.

**Retirees.** The City provides medical coverage for retirees of the City. For those retirees over 65 years of age, the City is the secondary provider, after Medicare.

The City pays, under the authority of the Commission, 80% of the retirees' medical expenses with a maximum out-of-pocket cost to each retiree of \$1,000 per year. The retirees' medical claims are included in the annual limit discussed above. The individual limits of coverage by the City total \$60,000 per claim per calendar year. After individual limits are met, the private insurance carrier covers additional claims. This activity is reported in the General Fund. The following table describes the activity related to employee and retiree medical claims. Currently, 70 retirees are eligible for post-retirement benefits. These post-retirement benefits are funded on a pay-as-you go basis and totaled \$591,596 for the year ended June 30, 2004.

<u>Fiscal Year</u>	<u>Beginning of Year Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Claims Liability</u>
2004	\$ 125,000	\$ 1,837,085	\$ 1,833,766	\$ 128,319
2003	\$ 125,000	\$ 1,388,636	\$ 1,388,636	\$ 125,000

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 14. RISK MANAGEMENT (Continued)**

**Workers' Compensation Insurance**

The City is partially self-insured for workers' compensation claims. The City pays annual aggregate claims up to \$900,000 over a two-year period. After the claims reach this amount, a private insurance carrier pays the remaining claims. In addition to the biennial aggregate limit, individual limits for City payments are \$300,000 per claim. After the individual limits are met, the private insurance carrier covers the claims. The City has entered into a contract with a third party to administer the program. This activity is recorded in the General Fund. The following describes the activity related to these claims based on actual claims presented after year-end and historical experience.

<u>Fiscal Year</u>	<u>Beginning of Year Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Claims Liability</u>
2004	\$ 22,483	\$ 198,654	\$ 100,342	\$ 120,795
2003	\$ 14,570	\$ 56,700	\$ 48,787	\$ 22,483

**NOTE 15. COMMITMENTS AND CONTINGENCIES**

**Litigation:**

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position 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 the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 16. HOTEL/MOTEL LODGING TAX**

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 7%. Expenditures of the tax were used to promote tourism, conventions and trade shows to operate, maintain and market a conference center facility as required by O.C.G.A. 48-13-51.

### **NOTE 17. PRIOR PERIOD ADJUSTMENT**

The City has determined that a restatement of net assets of the governmental activities is required to reflect corrections to beginning balances of other non-current assets, which represents the City's net pension asset. The restatement within the governmental activities properly decreased other non-current assets and net assets by \$1,096,265.



## CITY OF DECATUR, GEORGIA

### NON-MAJOR GOVERNMENTAL FUNDS

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**Emergency Telephone System Fund** – To account for emergency services which are provided to all City taxpayers. Financing is provided through user fees and charges.

**Confiscated Drug Fund** – To account for the use of confiscated drug money by the City's Police Department.

**Grant Fund** – To account for grants received from the U.S. Department of Education.

**Economic Development Fund** – To account for monies received from various grantor donors.

**Greenspace Trust Fund** – To account for grants received from the Georgia Department of Natural Resources.

**Debt Service Fund** – To account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

**Capital Improvement Fund** – To account for the receipts and expenditures of money for major capital projects. This fund is general in nature and may be used to finance any capital project that the City Commission designates.

**Cemetery Capital Improvement Fund** – To account for the financing and expenditure activity of a capital nature occurring within the cemetery. Financing is provided by one-half of the proceeds from cemetery lot sales. This fund is intended to provide for the capital needs of the cemetery into perpetuity.

CITY OF DECATUR, GEORGIA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

ASSETS	Special Revenue Funds			
	Emergency Telephone System Fund	Confiscated Drug Fund	Grant Fund	Economic Development Fund
Cash and cash equivalents	\$ 24,984	\$ 70,703	\$ 242,253	\$ 140,295
Taxes receivable	-	-	-	-
Due from other governments	-	-	283,196	-
Other receivables	53,305	-	-	-
Due from other funds	24,507	-	-	-
	<u>\$ 102,796</u>	<u>\$ 70,703</u>	<u>\$ 525,449</u>	<u>\$ 140,295</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 41,338	\$ -
Due to other funds	-	-	232,980	-
Deferred revenue	-	-	8,503	-
	<u>-</u>	<u>-</u>	<u>282,821</u>	<u>-</u>
Total liabilities	-	-	282,821	-
<b>FUND BALANCE</b>				
Reserved	102,796	70,703	242,628	140,295
Unreserved	-	-	-	-
	<u>102,796</u>	<u>70,703</u>	<u>242,628</u>	<u>140,295</u>
Total liabilities and fund balance	<u>\$ 102,796</u>	<u>\$ 70,703</u>	<u>\$ 525,449</u>	<u>\$ 140,295</u>

Greenspace Trust Fund	Debt Service Fund	Capital Projects Funds		Total Non-major Governmental Funds
		Capital Improvement Fund	Cemetery Capital Improvement Fund	
\$ 98,074	\$ 311,484	\$ 616,745	\$ 110,299	\$ 1,614,837
-	30,768	36,031	-	66,799
-	-	3,665	-	286,861
-	-	-	550	53,855
-	-	148,425	4,425	177,357
<u>\$ 98,074</u>	<u>\$ 342,252</u>	<u>\$ 804,866</u>	<u>\$ 115,274</u>	<u>\$ 2,199,709</u>
\$ 406	\$ -	\$ 51,821	\$ -	\$ 93,565
-	-	301,631	-	534,611
<u>55,223</u>	<u>19,264</u>	<u>22,259</u>	<u>-</u>	<u>105,249</u>
<u>55,629</u>	<u>19,264</u>	<u>375,711</u>	<u>-</u>	<u>733,425</u>
42,445	322,988	-	-	921,855
-	-	429,155	115,274	544,429
<u>42,445</u>	<u>322,988</u>	<u>429,155</u>	<u>115,274</u>	<u>1,466,284</u>
<u>\$ 98,074</u>	<u>\$ 342,252</u>	<u>\$ 804,866</u>	<u>\$ 115,274</u>	<u>\$ 2,199,709</u>

CITY OF DECATUR, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds			
	Emergency Telephone System Fund	Confiscated Drug Fund	Grant Fund	Economic Development Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	20,614	-	-
Charges for services	473,855	-	-	-
Intergovernmental	-	-	396,443	14,000
Contributions	-	-	250,000	-
Interest	-	301	-	-
Miscellaneous	-	-	47,241	76,395
Total revenues	<u>473,855</u>	<u>20,915</u>	<u>693,684</u>	<u>90,395</u>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	21,418
Education	-	-	458,285	-
Public safety	663,069	13,216	-	-
Capital outlay	-	-	49,554	-
Debt service				
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>663,069</u>	<u>13,216</u>	<u>507,839</u>	<u>21,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(189,214)</u>	<u>7,699</u>	<u>185,845</u>	<u>68,977</u>
Other financing sources (uses)				
Proceeds from capital leases	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	292,010	-	-	-
Transfers out	-	(13,200)	-	-
Total other financing sources (uses)	<u>292,010</u>	<u>(13,200)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>102,796</u>	<u>(5,501)</u>	<u>185,845</u>	<u>68,977</u>
<b>FUND BALANCE, beginning of year</b>	<u>-</u>	<u>76,204</u>	<u>56,783</u>	<u>71,318</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 102,796</u>	<u>\$ 70,703</u>	<u>\$ 242,628</u>	<u>\$ 140,295</u>

Greenspace Trust Fund	Debt Service Fund	Capital Projects Funds		Total Non-major Governmental Funds
		Capital Improvement Fund	Cemetery Capital Improvement Fund	
\$ -	\$ 553,761	\$ 680,898	\$ -	\$ 1,234,659
-	-	-	-	20,614
-	-	-	-	473,855
134,993	-	255,447	-	800,883
-	-	-	-	250,000
-	-	2,196	-	2,497
-	-	31,688	11,528	166,852
<u>134,993</u>	<u>553,761</u>	<u>970,229</u>	<u>11,528</u>	<u>2,949,360</u>
134,789	-	621,526	-	777,733
-	-	-	-	458,285
-	-	-	-	676,285
-	-	351,488	-	401,042
-	-	280,396	-	280,396
-	-	25,585	-	25,585
<u>134,789</u>	<u>-</u>	<u>1,278,995</u>	<u>-</u>	<u>2,619,326</u>
204	553,761	(308,766)	11,528	330,034
-	-	123,739	-	123,739
-	-	4,222	-	4,222
22,000	-	263,200	-	577,210
-	(545,000)	-	-	(558,200)
<u>22,000</u>	<u>(545,000)</u>	<u>391,161</u>	<u>-</u>	<u>146,971</u>
<u>22,204</u>	<u>8,761</u>	<u>82,395</u>	<u>11,528</u>	<u>477,005</u>
<u>20,241</u>	<u>314,227</u>	<u>346,760</u>	<u>103,746</u>	<u>989,279</u>
<u>\$ 42,445</u>	<u>\$ 322,988</u>	<u>\$ 429,155</u>	<u>\$ 115,274</u>	<u>\$ 1,466,284</u>

# CITY OF DECATUR, GEORGIA

## FIDUCIARY FUNDS

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**Municipal Court Fund** – To account for the collection of court fines and miscellaneous charges and payments to the General Fund and other governments.

**Board of Education Fund** – To account for the collection and payment of property taxes levied and collected by the City for the City of Decatur Board of Education.

**Downtown Development Authority Fund** – To account for the collection and payment of property taxes levied and collected by the City for the Decatur Downtown Development Authority.

CITY OF DECATUR, GEORGIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 JUNE 30, 2004

<b>ASSETS</b>	<b>Municipal Court</b>	<b>Board of Education Fund</b>	<b>Downtown Development Authority Fund</b>	<b>Totals</b>
Cash	\$ 45,893	\$ 2,022,690	\$ 35,964	\$ 2,104,547
 <b>LIABILITIES</b>				
Due to other governments	\$ 36,960	\$ -	\$ -	\$ 36,960
Due to component unit	-	2,022,690	35,964	2,058,654
Due to others	8,933	-	-	8,933
Total liabilities	\$ 45,893	\$ 2,022,690	\$ 35,964	\$ 2,104,547

**COMPONENT UNIT –  
DOWNTOWN DEVELOPMENT AUTHORITY**

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CITY OF DECATUR, GEORGIA

BALANCE SHEET  
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
JUNE 30, 2004

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**ASSETS**

Cash	\$	220,138
Taxes receivable		17,658
Other receivables		6,378
Due from primary government		<u>81,298</u>
Total assets	\$	<u><u>325,472</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$	3,771
Deferred revenue		<u>12,985</u>
Total liabilities		<u>16,756</u>

**FUND BALANCE**

Unreserved		<u>308,716</u>
Total liabilities and fund balance	\$	<u><u>325,472</u></u>

CITY OF DECATUR, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2004

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**REVENUES**

Taxes	\$ 348,082
Miscellaneous	<u>132,665</u>
Total revenues	<u>480,747</u>

**EXPENDITURES**

Current	
Downtown development	<u>322,041</u>
Total expenditures	<u>322,041</u>
Net change in fund balances	<u>158,706</u>

**FUND BALANCE, beginning of year** 150,010

**FUND BALANCE, end of year** \$ 308,716

## **STATISTICAL SECTION**

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## CITY OF DECATUR, GEORGIA

### COMMENTS RELATIVE TO STATISTICAL SECTION

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The following statistical tables are recommended for inclusion by the National Council on Governmental Accounting Statement No.1, which has been adopted by the Governmental Accounting Standards Board, but are not included for the reasons stated:

1. Special Assessment Collections – Last Ten Fiscal Years

The City has levied no special assessments in the last ten fiscal years.

2. Ratio of General Bonded Debt To Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years

The City has had no general obligation bonds outstanding in the last ten fiscal years.

3. Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures – Last Ten Years

The City has had no general obligation bonds outstanding in the last ten fiscal years.

4. Revenue Bond Coverage – Last Ten Fiscal Years

The City has had no revenue bonds outstanding in the last ten fiscal years.

5. Construction and Bank Deposits – Last Ten Fiscal Years

The value of new construction and bank deposits within the City's jurisdiction is not available.

## **CITY OF DECATUR, GEORGIA**

### **GENERAL INFORMATION**

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The City of Decatur operates under the commission/manager form of government. There are five City Commissioners, elected in nonpartisan elections, for overlapping four-year terms. Elections are held on the first Tuesday after the first Monday in November in odd numbered years. In one election, three Commissioners are elected – one at-large, one from District 1 (north) and one from District 2 (south). At its organizational meeting on the first Monday in January of each year, the City Commission elects one of its members to be the Chairman of the City Commission. (The “chairman” is also known as the “mayor”.) The City Commission also elects a vice chairman or mayor pro tem. It is the responsibility of the Chairman to preside at all meetings of the City Commission. The Chairman has no veto power but retains the right to vote on all matters brought before the City Commission.

The City Commission is the legislative and policy making arm of the City government. Under the commission/manager form of government, which Decatur has had since 1920, the City Commission appoints a professional administrator known as the City Manager to be responsible for the appointment of all employees except that the appointment of the department heads is subject to confirmation by the City Commission. All disciplinary action is the responsibility of the City Manager in accordance with the Personnel Rules and Regulations adopted by the City Commission. The City Manager serves at the pleasure of the City Commission. The current City Manager has served since May 1993.

The basic City Charter, under which the City currently operates, was first adopted by the Georgia General Assembly in 1909. In 1920, the General Assembly amended this Charter to provide for the commission/manager form of government. In 1977, acting under its home rule authority, the City recodified and revised its Charter to delete obsolete sections, to clarify meanings and to generally bring the Charter up-to-date. The Charter was updated again in 2001.

CITY OF DECATUR, GEORGIA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN YEARS

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General government (2)	\$ 3,307,270	\$ 2,015,404	\$ 1,921,696	\$ 1,871,266
Public safety	6,271,362	6,537,856	5,836,781	5,988,526
Public works (3)	2,591,720	2,290,331	-	-
Sanitation and Motor maintenance	-	-	421,702	353,525
Engineering	-	-	1,463,089	1,471,596
Recreation	1,777,404	1,683,336	1,708,303	1,617,652
Nondepartmental and Miscellaneous	-	883,471	781,553	1,038,191
Debt service	28,267	-	-	-
	<u>\$ 13,976,023</u>	<u>\$ 13,410,398</u>	<u>\$ 12,133,124</u>	<u>\$ 12,340,756</u>

- Notes:** (1) - Includes General Fund only.  
(2) - Expenditures related to Solid Waste transferred to a separate Solid Waste Fund effective July 1, 2000.  
(3) - Expenditures related to Public works were included in Sanitation and Motor maintenance and Engineering prior to fiscal year 2003.

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
\$ 1,928,939	\$ 1,153,364	\$ 1,102,716	\$ 1,083,058	\$ 985,080	\$ 997,388
5,675,398	5,022,178	4,904,488	4,837,694	4,576,177	4,479,127
-	-	-	-	-	-
2,034,164	1,701,378	1,697,767	1,634,662	1,555,348	1,486,850
1,483,893	1,459,939	1,369,585	1,428,600	1,294,145	1,417,731
1,436,317	1,368,672	1,360,713	1,305,045	1,228,257	1,349,044
765,895	1,157,704	950,986	876,309	1,033,611	662,279
-	181,016	159,988	343,766	160,648	59,283
<u>\$ 13,324,606</u>	<u>\$ 12,044,251</u>	<u>\$ 11,546,243</u>	<u>\$ 11,509,134</u>	<u>\$ 10,833,266</u>	<u>\$ 10,451,702</u>

CITY OF DECATUR, GEORGIA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
LAST TEN YEARS

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Property taxes	\$ 8,725,758	\$ 8,381,569	\$ 7,573,906	\$ 6,162,689
Sanitation taxes (3)	-	-	-	-
Other taxes (4)	2,516,460	2,386,942	2,634,235	2,747,070
Licenses and Permits	517,353	397,938	409,595	470,848
Fines and Forfeitures	508,813	820,477	735,518	845,110
From Use of Money and Property	37,685	23,940	44,646	181,795
Grants	304,307	313,960	353,992	552,985
Charges for Services and Miscellaneous (5)	1,135,812	1,538,876	1,425,757	1,817,463
	<u>\$ 13,746,188</u>	<u>\$ 13,863,702</u>	<u>\$ 13,177,649</u>	<u>\$ 12,777,960</u>

**Notes:**

- (1) - Includes General Fund only.
- (2) - Reduction in revenue in 1995 was due to the change in real property tax collection dates. Major collections occurred subsequent to June 30, 1995.
- (3) - Sanitation taxes are accounted for as a charge for services effective for fiscal years ending June 30, 1999.
- (4) - Business taxes are accounted for as other taxes rather than licenses and permits in conformity with the Uniform Chart of Accounts. Effective June 30, 2000.
- (5) - Sanitation fees are accounted for as a charge for services in the Solid Waste Fund effective July 1, 2000.



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<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
\$ 5,693,610	\$ 5,504,553	\$ 3,813,165	\$ 3,916,485	\$ 4,404,090	\$ 5,128,236
-	-	1,465,754	2,140,356	2,489,101	1,492,749
2,945,940	2,546,460	2,441,436	2,662,958	2,696,103	2,446,727
538,106	965,161	727,766	668,687	631,531	581,635
862,578	904,611	832,636	581,614	626,374	578,335
194,973	94,435	184,236	193,587	169,858	199,930
88,872	245,001	225,093	190,438	202,997	81,054
<u>2,919,596</u>	<u>2,677,889</u>	<u>939,315</u>	<u>938,570</u>	<u>908,310</u>	<u>889,470</u>
<u>\$ 13,243,675</u>	<u>\$ 12,938,110</u>	<u>\$ 10,629,401</u>	<u>\$ 11,292,695</u>	<u>\$ 12,128,364</u>	<u>\$ 11,398,136</u>

**CITY OF DECATUR, GEORGIA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN YEARS**

<b>Tax Year</b>	<b>Total Tax Levy (1)</b>	<b>Collections of Current Years' Taxes During Year</b>	<b>Percentage of Levy Collected During Year</b>	<b>Collections of Prior Years' Taxes During Year</b>
1995	\$ 15,253,367	\$ 8,188,900	53.7 %	\$ 10,672,778
1996	(2) 15,326,467	9,771,973	63.8	8,103,319
1997	17,290,359	10,972,549	63.5	6,674,559
1998	15,953,235	9,940,966	62.3	8,226,241
1999	(3) 16,714,855	9,582,511	57.3	8,769,673
2000	18,029,251	9,636,361	53.4	8,495,282
2001	19,947,747	10,451,226	52.4	9,277,208
2002	21,935,643	10,066,724	45.9	13,283,360
2003	24,746,305	11,092,338	44.8	13,995,326
2004	25,959,770	11,732,095	45.2	13,850,362

- NOTES:**
- (1) Includes all taxes levied for the General Fund, Board of Education Fund, Debt Service Fund, Capital Projects Fund and the Decatur Downtown Development Authority Fund
  - (2) Current year levy and collections for 1995 and 1996 were reduced due to the change in real property tax billing and collection dates.
  - (3) For the tax year 1999 and thereafter, sanitation taxes were converted to an annual fee for property tax billing and collection dates.

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	<b>Total Collections</b>	<b>Delinquent Taxes</b>	<b>Outstanding Delinquent Taxes as % of Levy</b>	
\$	18,861,678	\$ 683,261	4.50	%
	17,875,292	851,876	5.60	
	17,647,108	944,479	5.50	
	18,167,207	1,089,716	6.80	
	18,352,184	1,096,248	6.60	
	18,131,643	964,450	5.30	
	19,728,434	871,363	4.40	
	23,350,084	941,113	4.30	
	25,087,664	894,927	3.62	
	25,582,457	1,386,106	5.33	

CITY OF DECATUR, GEORGIA

PROPERTY TAX RATES  
 (Per \$100 of Assessed Value)  
 LAST TEN YEARS

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	<u>Total</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Board of Education Fund</u>	<u>Downtown Development Authority Fund</u>	<u>Capital Improvement Fund</u>
(1)	4.150	1.360	0.150	2.500	0.050	0.090
(1)	4.150	1.390	0.120	2.500	0.050	0.090
	3.566	1.100	0.090	2.250	0.045	0.081
	3.350	1.050	0.085	2.150	0.043	0.023
	3.250	1.070	0.085	2.050	0.045	0.000
	2.875	0.914	0.073	1.850	0.038	0.000
	3.002	0.980	0.067	1.850	0.038	0.067
	3.113	0.980	0.057	1.961	0.038	0.077
	3.149	0.953	0.057	2.024	0.038	0.077
	3.169	1.009	0.057	1.965	0.038	0.100

(1) Property assessed value reduced from 50% to 40%.

CITY OF DECATUR, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY  
LAST TEN YEARS

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Fiscal Year	Real Property Value		Personal Property Value	
	Assessed	Estimated	Assessed	Estimated
1995	\$ 296,776,493	\$ 741,941,232	\$ 17,581,894	\$ 43,954,735
1996	298,015,929	745,039,823	14,536,739	36,341,848
1997	396,836,944	793,673,888	17,574,146	35,148,292
1998	445,416,189	890,832,378	17,614,005	35,228,010
1999	501,842,734	1,003,685,468	20,642,085	41,284,170
2000	618,026,918	1,236,053,836	22,039,080	44,078,160
2001	729,417,663	1,458,835,325	30,770,186	61,540,372
2002	790,309,000	1,580,618,000	27,168,000	54,336,000
2003	823,714,100	1,647,428,200	26,679,900	53,359,800
2004	874,353,881	1,748,707,762	21,951,617	43,903,234

<b>Privately Owned Public Utilities</b>		<b>Total Property</b>		<b>Ratio of Total Assessed Value to Estimated True Value</b>
<b>Assessed</b>	<b>Estimated</b>	<b>Assessed</b>	<b>Estimated</b>	
\$ 12,935,647	\$ 32,339,118	\$ 327,294,034	\$ 818,235,085	40
13,440,064	33,600,160	325,992,732	814,981,831	40
18,114,635	36,229,270	432,525,725	865,051,450	50
17,508,528	35,197,056	480,538,722	961,257,444	50
18,487,344	36,974,688	540,972,163	1,081,944,326	50
19,951,280	39,902,560	660,017,278	1,320,034,556	50
20,110,730	40,221,460	780,298,579	1,560,597,157	50
18,873,000	37,746,000	836,350,000	1,672,700,000	50
20,539,100	41,078,200	870,933,100	1,741,866,200	50
18,617,316	37,234,632	914,922,814	1,829,845,628	50

CITY OF DECATUR, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS  
 (Per \$100 of Assessed Value)  
 LAST TEN YEARS

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<u>Calendar Year</u>	<u>City of Decatur (1)</u>	<u>Dekalb County (2)</u>	<u>State (3)</u>
1995	4.150	2.430	0.025
1996	4.150	1.810	0.025
1997	3.566	1.240	0.025
1998	3.350	1.260	0.025
1999	3.250	1.260	0.025
2000	2.875	2.140	0.025
2001	3.002	1.980	0.025
2002	3.113	2.280	0.025
2003	3.149	1.850	0.025
2004	3.169	1.133	0.025

- NOTE:** (1) Property tax rate includes the combined rates for General Fund, Bond and Sinking Fund (debt retirement) and Board of Education Fund.
- (2) Property tax rate includes the combined rates for general government operations, hospital services, parks and roads, bond retirement and interest, all of which Dekalb County levies within the corporate limits of Decatur. The County assesses property at 40% of fair market value.
- (3) This statewide levy is collected for the State by the County on the basis of the County's assessed value (40% of fair market value).

**CITY OF DECATUR, GEORGIA**  
**STATEMENT OF LEGAL DEBT MARGIN**  
**JUNE 30, 2004**

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Total Assessed Value of Taxable Property - 2004	<u>\$ 914,922,814</u>
Legal Debt Margin	<u>\$ 91,492,281</u>

**NOTE:** The debt limit set by the State of Georgia is 10% of assessed property value.



**CITY OF DECATUR, GEORGIA**  
**STATEMENT OF DIRECT AND OVERLAPPING DEBT**  
**JUNE 30, 2004**

	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Decatur (2)</u>	<u>Amount Applicable to City of Decatur</u>
City of Decatur (1)	\$ -	100%	\$ -
Overlapping General Obligation Debt:			
Dekalb County	239,531,000	4.611%	11,044,774
Fulton Dekalb Hospital Authority	<u>75,815,000</u>	4.611%	<u>3,495,830</u>
Total direct and overlapping debt	<u>\$ 315,346,000</u>		<u>\$ 14,540,604</u>

**City of Decatur Debt per Capita (3):**

Direct General Obligation Debt	\$ -
Overlapping General Obligation Debt	\$ 801

**NOTE:** (1) City of Decatur debt stated as of June 30, 2004. All other debt stated as of December 31, 2003.

(2) Percentage of Dekalb County debt applicable to City of Decatur computed as the ratio of value of Dekalb County assessed values within the City of Decatur to value of Dekalb County's total assessed values.

(3) Based on estimated 2002 census population of 18,147.

CITY OF DECATUR, GEORGIA

DEMOGRAPHIC INFORMATION

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<u>Fiscal Year</u>	<u>1940</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Population	16,561	21,635	22,026	21,943	18,404	17,336	18,147
Percent under 18 years	28%	29%	30%	32%	22%	24%	20%
Percent over 65 years	5%	7%	11%	12%	17%	16%	13%
Median family/ household income	N/A	N/A	5,097	9,663	18,058	26,803	57,492

**Source:** U.S. Census

School enrollment, June 30, 2004 - 2,487

**Source:** Decatur Board of Education

CITY OF DECATUR, GEORGIA

PRINCIPAL TAXPAYERS  
2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation 50%</u>	<u>Percentage of Total Assessed Valuation</u>
Bell South Communications	Utility	\$ 13,788,931	1.51 %
DDR - Tower/Office, LLC	Real Estate Holding	8,478,650	0.93
Decatur Towncenter Association	Real Estate Holding	8,305,200	0.91
Ackerman Decatur LP	Real Estate Holding	6,592,950	0.72
Prime Bank	Bank	5,896,900	0.64
Bask Decatur Hotel, LLC	Hotel	4,856,500	0.53
Lexington Decatur, LLC	Investment	4,529,050	0.50
Deck-Decatur Court, LLC	Bank	4,140,392	0.45
Clairemont Partners LLP	Real Estate Holding	4,100,550	0.45
Park Trace Properties, LTD	Real Estate Holding	3,961,381	0.43
		<u>\$ 64,650,504</u>	<u>7.07 %</u>

CITY OF DECATUR, GEORGIA

EMPLOYEES RETIREMENT SYSTEM  
SUMMARY OF CHANGES IN FUND BALANCE  
LAST TEN YEARS

Year Ended June 30,	Fund Balance	Additions		Benefit Payments	Refunds	Expense
		Contributions	Net Increase (Decrease)			
1995	\$ 10,913,512	\$ 362,449	\$ 1,462,952	\$ 409,732	\$ 76,741	\$ 76,932
1996	12,171,116	386,088	1,532,018	420,277	170,821	69,403
1997	13,678,935	540,906	1,847,562	590,461	181,302	108,886
1998	15,727,693	548,691	2,264,848	582,064	154,205	28,512
1999	16,764,924	614,766	1,189,899	639,336	102,718	25,379
2000	17,843,475	673,992	1,419,872	901,584	102,852	10,877
2001	17,410,390	720,695	24,203	1,002,444	86,684	88,855
2002	16,472,840	804,363	(367,179)	1,086,634	225,236	62,864
2003	16,665,242	813,065	192,402	1,161,708	155,279	31,316
2004	18,248,496	870,703	1,583,254	1,028,837	101,634	52,025

## **COMPLIANCE SECTION**

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## INDEPENDENT ACCOUNTANT'S REPORT ON LOCAL ASSISTANCE GRANT

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Honorable Chair and  
Members of the City Commission  
City of Decatur, Georgia

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Decatur, Georgia's compliance during the fiscal year ended June 30, 2004, with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for Local Assistance Grant #02-C-L-582. Management is responsible for the City of Decatur, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about the City of Decatur, Georgia's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the City of Decatur, Georgia's compliance with the above mentioned requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Decatur, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that the City of Decatur, Georgia complied with the aforementioned requirement for the fiscal year ended June 30, 2004, is fairly stated, in all material respects.

This report is intended solely for the information and use of the City of Decatur, Georgia City Commission and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Mauldin &amp; Jenkins, LLC'. The signature is written in black ink on a light-colored background.

Macon, Georgia  
September 17, 2004

## STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	<b>City of Decatur, Georgia</b>
B	Information for Year Ended	<b>June 30, 2004</b>
C	State Awarding Agency	<b>Georgia Dept of Community Affairs</b>
D	Grant Identification Number	<b>02-C-L-582</b>
E	Grant Title	<b>Local Assistance Grant</b>
F	Grant Award Date	<b>July 2, 2001</b>
G	Grant Amount	<b>\$10,000</b>
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	<b>\$1,470</b>
I	Grant Receipts or Revenue Recognized	<b>\$0</b>
J	Grant Disbursements or Expenditures	<b>\$1,470</b>
K	Balance - Current Year (Cash or Accrued or Deferred Revenue) (Line H + Line I - Line J)	<b>\$0</b>

### Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official: \_\_\_\_\_ Date \_\_\_\_\_

Signature of Chief Financial Officer: \_\_\_\_\_ Date \_\_\_\_\_