

CITY OF DECATUR, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

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, 2005

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December 29, 2005

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 these standards 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, 2005.

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, 2005, 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, 2005, 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 requires 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 280-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 its 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 City Commission, 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 publishes 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 30th, 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 21 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.

Residential Activity

The residential housing market is strong. Applications for in-fill housing developments and subdivision 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.

As an indication of the City's housing market, 2 separate townhouse developments totaling 60 dwellings are being developed along Church Street just outside downtown Decatur, while a townhouse development of 85 dwellings on Scott Boulevard is under permit review.

Commercial Activity

In addition to government-related employers, mainly DeKalb County, the City's employer base continues to be centered on professional occupations. The City's overall commercial property digest increased 6% this year from the previous year. In addition to Emory University Hospital administration, 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. Recently, however, the Centers for Disease Control (CDC) announced plans to consolidate all of their employees to its main campus along Clifton Road in DeKalb County. This will result in a significant amount of vacant office space in the One West Court Square Building.

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 supermarket and a full-time branch office in the Wal-Mart Supercenter in Lithonia, Georgia.

With the exception of the One West Court Square building, vacancy rates for available office space in the City of Decatur are generally lower than in surrounding office market areas. Interest in restaurant and retail activity continues to be vigorous in the central business district while interest in other commercial activities remains constant.

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 attracted 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 property that currently contains a regional theatre company, a small church facility, a hair salon, a number of professional offices and three eating establishments.

Mixed-Use Activity

Construction of mixed-use developments within the central business district remains robust. On the eastern edge of the central business district, construction is completed on a mixed-use development that contains 169-unit condominium units, 8,000 square feet of commercial space and provides some additional public parking. In addition, on the western side of the central business district, construction has been completed on a mid-rise building that includes 70 condominium units and 6,000 square feet of retail space. Interest in purchase of condominium units in both developments is strong and a significant amount of the available retail space is leased.

Construction of a mixed-use development for the northeast corner of West Ponce de Leon Avenue and Commerce Drive is underway. This development replaces three undeveloped surface parking lots and the location of the former SunTrust drive-in bank. The project was designed to contain 160 condominium units and approximately 15,000 square feet of commercial space; however due to sales of customized combined units, the actual number of living units will decrease. A number 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 sold 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.

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 350 living units and approximately 20,000 square feet of commercial space. The first phase of the project has been approved and will consist of 270 apartments, of which up to 20% will be developed as part of the City's lifecycle housing program. Construction is expected to begin within the next six months.

Talley Street Lofts, a nearby mid-rise residence with 90 condominium dwellings, has begun construction. Eleven dwellings in this project will be developed as part of the City's lifecycle housing initiative.

Institutional Activity

Agnes Scott College, a four-year liberal arts college for women, has completed a five-year \$100 million facilities master plan. Agnes Scott College remains financially healthy and has increased its enrollment from approximately 750 students to over 1,000 students. 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. 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 addition at its Courthouse and will soon be starting renovations of the existing facility.

MAJOR ACTIVITIES

The City has been awarded two grants from the Atlanta Regional Commission's Livable Communities Initiative program. One is a \$4 million grant to implement the Decatur MARTA Station master plan. Construction began in Fall, 2005 and is expected to take 12-15 months to complete.

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 completed major design and architectural activities and it is completing final negotiations with MARTA. Construction is expected to begin on that project in 2006.

The City Commission approved a \$3,695,300 budget for improvements to the City Hall building. Built in 1926, the building had not undergone a major renovation program

since its original construction. In addition, the City Commission Meeting Room was too small to handle larger public crowds. The improvements include, renovation of the

existing interiors and construction of a 6,000 square foot addition. City Hall staff and functions have been temporarily relocated in order to insure the most effective construction schedule possible. Construction is underway and the project should be completed in Summer, 2006.

The Carl Vinson Institute of Government at the University of Georgia has completed a study of annexation possibilities for the City of Decatur applying a cost/benefit analysis and a policy analysis to land areas adjacent to the City of Decatur to determine the potential advantages to annexing area into the city. The City Commission has received the report and is considering how to proceed.

Improvements to the City's storm drainage system have begun using funds from the City's storm water utility. The City has completed a comprehensive storm drainage master plan to guide major capital improvements to the City's drainage system. It is anticipated that the City will be looking to finance substantial capital improvements through the storm water utility in the next several years.

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 two years, three properties were acquired using state funding. At this point all state greenspace funding is exhausted. The Greenspace Commission will continue to try to investigate 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's volume-based sanitation collection system continues to work well. The number and types of items collected have expanded since inception of the recycling program. The City currently has reduced landfill deposits by approximately 39%, well in excess of the State of Georgia's goal of a 25% reduction in landfill deposits. The program has been an overwhelming success.

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 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 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 has completed construction of 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.

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 and entered final judgment against the City in 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 have not resulted in a mutually-agreeable settlement. At this time, the City and County are involved in litigation over the calculation method. Should the City's position prevail, there would be a source of revenues for capital improvement projects.

The City Schools of Decatur are completing a campus master plan for construction of improvements for Decatur High School and Renfroe Middle School. It is anticipated that a general obligation bond issue will have to be considered in order to finance the needed improvements. It is expected that the City will also participate in the general bond referendum to finance capital projects totaling between \$10-\$11 million. The total bond issue would be approximately \$22-\$24 million.

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 2.133%.

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. Annually, 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 9.59% of payroll to fund the system's liability for projected benefits earned by employees.

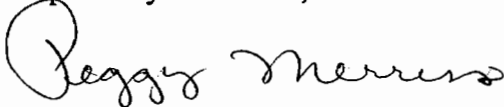
The City of Decatur, Georgia also provides post retirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 70 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

Additional information on the City of Decatur, Georgia's pension arrangements and post employment benefits can be found in Notes 9 and 14 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,

A handwritten signature in cursive script that reads "Peggy Merriss". The signature is written in black ink and is positioned above the printed name and title.

Peggy Merriss
City Manager

CITY OF DECATUR, GEORGIA

PRINCIPAL OFFICIALS

June 30, 2005

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

VOTERS

CITY COMMISSION

CITY MANAGER

DEPUTY CITY
MANAGER

Development
Building Inspections

Public Works Director
Solid Waste Collection
Recycling
Motor Maintenance
Building and Grounds Maintenance
Cemetery

Engineering

Streets
Drainage/Storm water Utility

FIRE
CHIEF

Fire

Codes Enforcement

POLICE
CHIEF

Police
Uniform Patrol
Criminal Investigations
Special Units
Dispatch/911

ASSISTANT CITY
MANAGER - COMMUNITY/
ECONOMIC DEVELOPMENT

Development Authorities

Communications

ASSISTANT CITY
MANAGER - ADMINISTRATIVE
SERVICES

Finance
Accounting
Budget
Tax Collection
Records Management

Technology

Recreation
Traditional Programs
Non-Traditional Programs

Insurance

Historic Preservation

Personnel

Municipal Court

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**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 aggregate 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, 2005, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Decatur, Georgia as of June 30, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005, on our consideration of the City of Decatur, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor 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 stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section 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

Atlanta, Georgia
September 16, 2005

CITY OF DECATUR, GEORGIA

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, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements and footnotes.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$55,127,816 (net assets). Of this amount, \$9,440,329 (unrestricted net assets) may be used to meet the government's ongoing obligations.

The City's total net assets decreased by \$240,341.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,426,957, a decrease of \$199,503 in comparison with the prior year. At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,688,605 or 38 percent 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 cashflows. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 15-17 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 and Capital Improvement Fund, which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 18-21 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 22-24 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 25-26 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 27-58 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$55,127,816 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 Activities		Business-type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Assets						
Current assets	\$ 10,167	\$ 9,587	\$ 1,682	\$ 2,009	\$ 11,849	\$ 11,596
Capital assets	43,718	43,631	6,780	6,331	50,498	49,962
Other non-current assets	1,826	1,969	-	-	1,826	1,969
Total assets	<u>55,711</u>	<u>55,187</u>	<u>8,462</u>	<u>8,340</u>	<u>64,173</u>	<u>63,527</u>
Liabilities						
Long-term liabilities	2,256	2,763	3,731	3,038	5,987	5,801
Other liabilities	1,330	935	1,488	1,663	2,818	2,598
Total liabilities	<u>3,586</u>	<u>3,698</u>	<u>5,219</u>	<u>4,701</u>	<u>8,805</u>	<u>8,399</u>
Net assets						
Invested in capital assets, net of related debt	42,074	42,667	2,658	3,021	44,732	45,688
Unrestricted	10,051	8,822	585	618	10,636	9,440
Total net assets	<u>\$ 52,125</u>	<u>\$ 51,489</u>	<u>\$ 3,243</u>	<u>\$ 3,639</u>	<u>\$ 55,368</u>	<u>\$ 55,128</u>

By far the largest portion of the City's net assets (eighty-three percent) 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 (\$9,440,329) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the current fiscal year the government's total net assets decreased by \$240,341. This is an improvement when compared to the prior year and is primarily due to increases in tax revenues along with constant efforts to keep expenses in line with prior year.

Changes in Net Assets

The following schedule presents a summary of changes in net assets for the fiscal year ending June 30, 2005 (in thousands).

	City of Decatur Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Revenues						
Program revenues:						
Charges for services	\$ 2,853	\$ 2,479	\$ 2,889	\$ 3,149	\$ 5,742	\$ 5,628
Operating grants & contributions	479	1,065	-	-	479	1,065
Capital grants & contributions	1,949	1,786	-	-	1,949	1,786
General revenues:						
Property taxes	9,848	11,287	-	-	9,848	11,287
Franchise taxes	1,034	1,067	-	-	1,034	1,067
Sales taxes	261	250	-	-	261	250
Other taxes	1,220	1,252	254	275	1,474	1,527
Investment earnings	40	188	-	-	40	188
Gain on sale of capital assets	16	8	-	835	16	843
Total revenues	<u>17,700</u>	<u>19,382</u>	<u>3,143</u>	<u>4,259</u>	<u>20,843</u>	<u>23,641</u>
Expenses						
General government	4,118	5,233	-	-	4,118	5,233
Education	1,914	1,926	-	-	1,914	1,926
Public safety	7,133	7,659	-	-	7,133	7,659
Public works	3,163	3,380	-	-	3,163	3,380
Recreation	1,818	1,605	-	-	1,818	1,605
Interest on long-term debt	24	99	-	-	24	99
Conference center	-	-	611	595	611	595
Stormwater	-	-	670	1,588	670	1,588
Sanitation	-	-	1,830	1,796	1,830	1,796
Total expenses	<u>18,170</u>	<u>19,902</u>	<u>3,111</u>	<u>3,979</u>	<u>21,281</u>	<u>23,881</u>
Income (Loss) before transfers	(470)	(520)	32	280	(438)	(240)
Transfers	(110)	(116)	110	116	-	-
Change in net assets	(580)	(636)	142	396	(438)	(240)
Net asset beginning of year (as restated)	52,705	52,125	3,101	3,243	55,806	55,368
Net asset end of year	<u>\$ 52,125</u>	<u>\$ 51,489</u>	<u>\$ 3,243</u>	<u>\$ 3,639</u>	<u>\$ 55,368</u>	<u>\$ 55,128</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental charges for services decreased by approximately \$375,000 from general fund activities including decreased activity in development permits and cemetery service fees. Operating grants and contributions increased significantly for education because revenues for the 21st Century Learning Centers grant for fiscal year 2003-2004 represented reimbursements for the latter part of the year only while fiscal year 2004-2005 represents a full year of programming and related grant reimbursements. Property taxes showed an approximate increase of \$1,439,000 due to an increased millage rate and an increase in the assessed value of real property. Investment earnings increased by \$148,000 due to overall market improvements. Other sources of revenue remained relatively stable.

Expenditures increased approximately \$1,673,000 due to a general salary adjustment of 5% for most City positions and specific position reclassifications. A general salary adjustment was last provided in fiscal year 2002-2003. The City experienced unanticipated expenses in health insurance, workers' compensation benefits and legal fees.

Net assets on governmental activities funds decreased by approximately \$636,000 reflecting the City Commission's decision to use part of the general fund balance in order to minimize the millage rate increase.

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 \$396,000, providing all of the total growth in the government's net assets. The increase occurred because revenues exceeded expenditures, primarily because of the sale of the conference center parking lot for private redevelopment.

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 \$8,426,957, a decrease of \$199,503 in comparison with the prior year. Approximately eighty-three percent of the total amount (\$7,001,381) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$1,425,576) 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 (\$137,351); 2) to purchase law enforcement equipment (\$48,602); 3) to liquidate grants already received but not expended (\$394,930); 4) to encourage economic development activities (\$142,139); 5) to pay debt service (\$298,252); and to provide financing to enterprise funds for capital improvements (\$404,302).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The general fund is the chief operating fund of the City of Decatur, Georgia. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$5,688,605, while the total fund balance for all governmental funds reached \$8,426,957. 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 thirty-eight percent of total fund expenditures.

The table below compares general fund revenues and expenditures for 2004 and 2005 (in thousands).

General Fund		
	2004	2005
Revenues		
Taxes	\$ 11,242	\$ 12,282
Licenses & permits	517	354
Intergovernmental	304	243
Fines & forfeitures	509	523
Charges for services	999	869
Interest income	38	106
Other revenues	137	173
Total revenues	13,746	14,550
Expenditures		
General government	3,307	3,876
Public safety	6,271	6,752
Public works	2,592	2,821
Recreation	1,778	1,525
Debt service:		
Principal	28	-
Total expenditures	13,976	14,974
Deficiency of revenues over expenditures	(230)	(424)
Other financing sources (uses)		
Proceeds from sale of capital assets	27	8
Transfers in	435	483
Transfers out	(564)	(523)
Total other financing sources (uses)	(102)	(32)
Net change in fund balances	(332)	(456)
Fund balances, beginning of year	6,476	6,144
Fund balances, end of year	\$ 6,144	\$ 5,688

Revenue for taxes increased mainly from additional income from real estate taxes collected before the end of the fiscal year. Other general tax revenue basically remained the same, with the exception of reduced revenue from motor vehicle taxes and personal property taxes. Occupational taxes for lawyers continue to lag behind previous years. An updated City ordinance, new billing schedule and active enforcement efforts should result in an increase in lawyer occupation tax collections.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Licenses and permits show a decrease because major construction programs have been completed and other projects were not permitted during fiscal year 2004-2005. Charges for services show a decrease because recreation program revenues were down due to decreased program participation and other programs developing at a slower rate than anticipated. Cemetery service fees are down because no new lots are available for purchase. Fines and forfeitures increased slightly as the police department reduced position vacancies. Interest income has rebounded as interest rates continue to increase. Other sources of revenue remained stable.

The overall increase in expenditures was approximately seven percent, which is due primarily to the five percent general salary adjustment provided in this fiscal year. Personnel services comprise almost 74% of the general fund operating budget. A salary adjustment is going to have a significant impact on the overall budget. Expenditures for group medical costs were significantly higher and exceeded budget estimates by approximately \$193,000. The City transitioned to a new program with Blue Cross/Blue Shield of Georgia for group medical, life and disability benefits. The City is working closely with the program's third party administrator to control costs to the city as well as ensure accurate information for budgeting. Other significant budget overages were in workers compensation, professional services, maintenance supplies and gasoline. Each of these issues is being addressed for fiscal year 2005-2006.

The increase in General Government, Public Safety and Public Works expenditures reflects the five percent general salary adjustment and increased medical costs. The decrease in the Recreation expenditures reflects position vacancies and reduced expenditures on programming as participation levels have dropped for specific activities.

The Capital Improvement Fund balance increased by \$182,543 to \$1,627,613. 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 ninety-five percent 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 decreased by \$24,736 for a total fund balance of \$298,252, 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. In fiscal year 2004-2005, the fund balance increased \$34,555 for a total fund balance of \$137,351 all of which is reserved for payment of system expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The other nonmajor governmental funds (Confiscated Drug, Grant, Economic Development, Greenspace Trust and Cemetery Capital Improvement Funds) have a combined fund balance of \$675,136, of which only \$90,500 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 of 60% in fiscal year 2004-2005 and expenditures for services increased approximately 54%. Hotel/motel tax receipts increased slightly (8%) representing a small turn around from the decreases in prior years. Hotel room rates are holding steady and hotel vacancy rates have decreased. The City continues to work with the current conference center management company to collect revenues due to the City and to reduce and control expenditures. Part of the hotel and conference center parking lot was sold to a private developer. The proceeds of the sale were contributed to the Downtown Development Authority to provide for matching funds for the Decatur MARTA station improvement project. The conference center and parking deck fund continued a positive cash position at the close of the fiscal year.

For the first time since the inception of the stormwater utility in 2000, the stormwater utility fee increased from \$5.00 per ERU (Equivalent Residential Unit) per month to \$6.25 per ERU per month, or \$75 annually for residential properties. As a result, the revenue from stormwater fees increased approximately 10% over fiscal year 2003-2004. After accounting for overhead charges due to the general fund for services rendered (\$226,900), the stormwater utility increased its net assets by \$105,663 for total net assets of \$3,027,265 at the end of the fiscal year. The increased stormwater fees and lower expenses contributed to the increase in net assets. The stormwater utility master plan was completed during the 2005 fiscal year. The City will be initiating major capital improvements to the stormwater system within the next twelve to eighteen months. During this time the City will be pursuing various capital funding opportunities, including the use of revenue bonds.

The residential sanitation service fee increased from \$200 to \$225 in fiscal year 2004-2005. The price of the Pay-As-You-Throw residential garbage bags also increased. The fee increases are intended to cover the actual sanitation service delivery costs. Revenues in the solid waste fund were up about 5.4% as a result of the fee increases. Operating expenses were slightly less in the current fiscal year and the fund experienced an operating income of \$357,884. Even after accounting for overhead charges due to the general fund for services rendered (\$256,500), the solid waste fund had an increase in net assets of \$101,384 which reduced the overall deficit to \$700,319. The solid waste fund had positive cash flows for the fiscal year and \$205,192 was added to cash at the end of the fiscal year for a total of \$1,082,248.

The Public Works staff continues 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. In fiscal year 2004-2005, City staff performed an analysis to compare the service delivery costs for residential rear-yard collection and curbside collection. After determining that the costs were not significantly different, the City Commission decided to continue residential rear-yard collection services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted net assets of the Conference and Parking Deck fund at the end of the year amounted to \$205,808. Unrestricted net assets of the Stormwater Utility fund at the end of the year amounted to \$1,155,280. Unrestricted net assets of the Solid Waste fund at the end of the year amounted to (\$742,782).

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 net increase of \$1,136,903 to net assets during fiscal year 2004-2005 primarily due to investment income.

General Fund Budgetary Highlights

In fiscal year 2004-2005, it was initially anticipated that there would be a contribution of \$337,470 from the general fund balance to cover expenditures. However, because expenditures were approximately two percent more than budgeted, the contribution from fund balance was actually \$455,656. The City's general fund balance as of June 30, 2005 is \$5,688,605. This is equivalent to approximately thirty-six percent of the City's current estimate of general fund expenditures for fiscal 2005-2006. It should be noted that the fiscal year 2005-2006 budget anticipates using \$1,474,190 of general fund balance to provide sufficient funds to meet operations. This would reduce the fund balance to approximately \$4,214,415 or twenty-seven percent of general fund expenditures.

The final amended budget for revenues was approximately 1.7% less than the original budget. The main differences reflected concerns regarding lower building permit fee revenues, a more conservative estimate for fines and forfeitures, and an upward adjustment of interest income to reflect actual revenue. The final amended budget for expenditures was approximately 2.6% less than the original budget. The original budget anticipated using \$337,470 of fund balance to meet expenditure needs and that figure was decreased to \$102,530 in the amended budget. Although by the close of the fiscal year revenues exceeded budgetary estimates by \$218,155, expenditures were \$322,446 greater than budgetary estimates, thus resulting in the need to draw upon \$423,721 of the existing fund balance. The City's fund balance as of June 30, 2005 was \$5,688,605 which is approximately thirty-eight percent of fiscal year 2004-2005 expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005, amounts to \$49,962,926 (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 one percent for the current fiscal year mainly because of depreciation. Additional information on the City's capital assets can be found in Note 6 on pages 40-42 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	
	2004	2005	2004	2005	2004	2005
Land	\$ 2,141	\$ 2,295	\$ 392	\$ 195	\$ 2,533	\$ 2,490
Construction in progress	65	1,307	-	-	65	1,307
Land improvements	556	499	-	-	556	499
Infrastructure	8,155	7,857	1,742	1,808	9,897	9,665
Building & improvements	31,266	30,077	4,182	3,835	35,448	33,912
Machinery & equipment	670	594	-	-	670	594
Vehicles	864	1,002	-	-	864	1,002
Furniture, fixtures, & equipment	-	-	463	493	463	493
Total	<u>\$ 43,717</u>	<u>\$ 43,631</u>	<u>\$ 6,779</u>	<u>\$ 6,331</u>	<u>\$ 50,496</u>	<u>\$ 49,962</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 percent of its total assessed valuation. The current debt limitation for the City is \$96,740,300.

The City has entered into lease agreements for financing the acquisition of equipment, machinery and improvements. The total amount of machinery, equipment and vehicles under capital leases at June 30, 2005 was \$581,121.

At June 30, 2005, the City had long-term debt in the amount of \$5,800,998, which was comprised of \$2,763,091 in capital leases, certificates of participation, claims and judgments and compensated absences in the governmental activities and \$3,037,907 in capital leases, note payable, and compensated absences in the business-type activities.

Additional information on the City's long-term debt and capital leases can be found in Note 7 on pages 42-46 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors.

The unemployment rate for the City is currently five percent. The occupancy rate of the government's central business district is approximately ninety percent as compared to surrounding areas that average a seventy-five percent occupancy rate. Inflationary trends in the region compare favorably to national indices. 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.

Next Year's Budget and Fee Schedule.

At June 30, 2005, unreserved fund balance in the general fund was \$5,688,605. The City has appropriated \$1,474,190 of this amount for spending in the 2006 fiscal year budget of which \$1,000,000 is allotted for capital improvement activities including \$750,300 for the City Hall renovation project and the remaining balance for sidewalk construction, maintenance and repair. This use of available fund balance avoided the need to raise taxes and provided the opportunity for needed capital improvement activities.

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.

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CITY OF DECATUR, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	City Schools of Decatur
Cash and cash equivalents	\$ 6,459,047	\$ 2,899,656	\$ 9,358,703	\$ 1,413,763	\$ 14,237,595
Taxes receivable	264,783	-	264,783	13,715	1,215,331
Other receivables	334,207	-	334,207	34,757	305
Accounts receivable, net of allowances	-	263,761	263,761	-	-
Due from primary government	-	-	-	72,534	4,093,385
Due from other governments	433,060	-	433,060	-	1,818,305
Due from component unit	151,466	-	151,466	-	-
Internal balances	1,197,379	(1,197,379)	-	-	-
Inventory	-	-	-	-	27,001
Prepaid items	19,811	-	19,811	-	-
Restricted Investments	700,396	-	700,396	-	-
Other current assets	26,500	-	26,500	-	-
Deferred charges, unamortized balance	-	42,686	42,686	-	-
Capitalized lease receivable from primary government	-	-	-	2,810,668	-
Capital assets:					
Non-depreciable	3,601,672	194,860	3,796,532	-	-
Depreciable, net of accumulated depreciation	40,029,804	6,136,590	46,166,394	661,383	453,920
Other non-current assets	1,969,077	-	1,969,077	-	-
Total assets	55,187,202	8,340,174	63,527,376	5,006,820	21,845,842
LIABILITIES					
Accounts payable	474,350	293,422	767,772	-	3,199,418
Accrued liabilities	313,668	31,940	345,608	-	2,317,045
Deferred revenues	147,081	1,338,101	1,485,182	-	8,364,871
Due to primary government	-	-	-	151,466	-
Certificates of participation due in more than one year	1,320,000	-	1,320,000	-	-
Claims and judgments payable due within one year	251,289	-	251,289	-	-
Claims and judgments payable due in more than one year	155,550	-	155,550	-	-
Compensated absences due within one year	557,609	35,221	592,830	-	122,062
Compensated absences due in more than one year	133,760	21,749	155,509	-	170,779
Capital leases due to component unit, current	-	650,000	650,000	-	-
Capital leases due within one year	183,433	-	183,433	-	-
Bonds payable due within one year	-	-	-	650,000	-
Capital leases due to component unit, long-term	-	2,160,668	2,160,668	-	-
Capital leases due in more than one year	161,450	-	161,450	-	-
Notes payable due within one year	-	86,324	86,324	-	-
Notes payable due in more than one year	-	83,945	83,945	-	-
Bonds payable due in more than one year	-	-	-	2,822,051	-
Total liabilities	3,698,190	4,701,370	8,399,560	3,623,517	14,174,175

(Continued)

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

NET ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	City Schools of Decatur
Invested in capital assets, net of related debt	\$ 42,666,989	\$ 3,020,498	\$ 45,687,487	\$ 661,383	\$ 453,920
Restricted for capital projects	-	-	-	-	3,097,772
Unrestricted	8,822,023	618,306	9,440,329	721,920	4,119,975
Total net assets	<u>\$ 51,489,012</u>	<u>\$ 3,638,804</u>	<u>\$ 55,127,816</u>	<u>\$ 1,383,303</u>	<u>\$ 7,671,667</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, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,233,330	\$ 432,661	\$ -	\$ -
Education	1,926,329	-	903,160	1,241,046
Public safety	7,659,059	1,241,191	52,018	361,377
Public works	3,379,993	84,035	-	14,660
Recreation	1,604,640	524,127	110,078	28,000
Community & economic development	-	196,800	-	141,034
Interest on long-term debt	99,030	-	-	-
Total governmental activities	<u>19,902,381</u>	<u>2,478,814</u>	<u>1,065,256</u>	<u>1,786,117</u>
Business-type activities:				
Conference center	595,135	106,174	-	-
Stormwater	1,588,156	889,027	-	-
Solid Waste	1,796,151	2,154,035	-	-
Total business-type activities	<u>3,979,442</u>	<u>3,149,236</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 23,881,823</u>	<u>\$ 5,628,050</u>	<u>\$ 1,065,256</u>	<u>\$ 1,786,117</u>
Component units:				
Downtown Development Authority	\$ 401,077	\$ -	\$ -	\$ 1,031,692
City Schools of Decatur	34,134,316	1,146,332	12,164,062	8,081
Total component units	<u>\$ 34,535,393</u>	<u>\$ 1,146,332</u>	<u>\$ 12,164,062</u>	<u>\$ 1,039,773</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.

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	City Schools of Decatur
\$ (4,800,669)	\$ -	\$ (4,800,669)	\$ -	\$ -
217,877	-	217,877	-	-
(6,004,473)	-	(6,004,473)	-	-
(3,281,298)	-	(3,281,298)	-	-
(942,435)	-	(942,435)	-	-
337,834	-	337,834	-	-
(99,030)	-	(99,030)	-	-
<u>(14,572,194)</u>	<u>-</u>	<u>(14,572,194)</u>	<u>-</u>	<u>-</u>
-	(488,961)	(488,961)	-	-
-	(699,129)	(699,129)	-	-
-	357,884	357,884	-	-
-	(830,206)	(830,206)	-	-
<u>(14,572,194)</u>	<u>(830,206)</u>	<u>(15,402,400)</u>	<u>-</u>	<u>-</u>
-	-	-	630,615	-
-	-	-	-	(20,815,841)
-	-	-	<u>630,615</u>	<u>(20,815,841)</u>
11,287,172	-	11,287,172	344,256	18,302,351
1,067,250	-	1,067,250	-	-
250,341	-	250,341	-	2,412,466
1,251,705	274,789	1,526,494	-	-
-	-	-	-	19,500
188,264	-	188,264	-	190,038
7,665	834,873	842,538	-	-
-	-	-	86,731	348,890
<u>(116,600)</u>	<u>116,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>13,935,797</u>	<u>1,226,262</u>	<u>15,162,059</u>	<u>430,987</u>	<u>21,273,245</u>
(636,397)	396,056	(240,341)	1,061,602	457,404
52,125,409	3,242,748	55,368,157	321,701	7,214,263
<u>\$ 51,489,012</u>	<u>\$ 3,638,804</u>	<u>\$ 55,127,816</u>	<u>\$ 1,383,303</u>	<u>\$ 7,671,667</u>

CITY OF DECATUR, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

ASSETS	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 4,433,745	\$ 607,049	\$ 1,418,253	\$ 6,459,047
Taxes receivable	203,755	36,217	24,811	264,783
Other receivables	266,970	16,448	50,789	334,207
Due from other governments	-	-	433,060	433,060
Due from other funds	1,606,338	263,043	309,605	2,178,986
Due from component unit	151,466	-	-	151,466
Restricted investments	-	700,396	-	700,396
Advances to other funds	-	404,302	-	404,302
Prepaid expenditures	19,157	-	654	19,811
Other current assets	26,500	-	-	26,500
Total assets	\$ 6,707,931	\$ 2,027,455	\$ 2,237,172	\$ 10,972,558
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 435,802	\$ -	\$ 38,548	\$ 474,350
Accrued liabilities	251,221	59,995	-	311,216
Deferred revenues	329,228	26,441	18,457	374,126
Due to other funds	3,075	313,406	1,069,428	1,385,909
Total liabilities	1,019,326	399,842	1,126,433	2,545,601
FUND BALANCES				
Fund balances:				
Reserved for:				
Long-term advances	-	404,302	-	404,302
Special projects	-	-	723,022	723,022
Debt service	-	-	298,252	298,252
Unreserved, reported in:				
General fund	5,688,605	-	-	5,688,605
Special revenue funds	-	-	(1,035)	(1,035)
Capital projects funds	-	1,223,311	90,500	1,313,811
Total fund balances	5,688,605	1,627,613	1,110,739	8,426,957
Total liabilities and fund balances	\$ 6,707,931	\$ 2,027,455	\$ 2,237,172	
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.				43,631,476
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				227,045
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.				(2,765,543)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds.				1,969,077
Net assets of governmental activities				\$ 51,489,012

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, 2005**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 12,282,487	\$ 987,032	\$ 575,264	\$ 13,844,783
Licenses and permits	354,459	-	-	354,459
Intergovernmental	242,739	42,660	1,415,763	1,701,162
Fines and forfeitures	522,826	-	-	522,826
Charges for services	868,701	-	452,105	1,320,806
Interest income	106,612	81,353	299	188,264
Other revenues	172,651	-	17,237	189,888
Total revenues	<u>14,550,475</u>	<u>1,111,045</u>	<u>2,460,668</u>	<u>18,122,188</u>
Expenditures				
Current:				
General government	3,876,564	592,156	264,171	4,732,891
Education	-	-	777,271	777,271
Public safety	6,751,677	-	833,742	7,585,419
Public works	2,821,235	-	-	2,821,235
Recreation	1,524,720	-	-	1,524,720
Capital outlay	-	414,515	277,386	691,901
Debt service:				
Principal retirements	-	181,363	7,488	188,851
Interest and fiscal charges	-	100,468	-	100,468
Total expenditures	<u>14,974,196</u>	<u>1,288,502</u>	<u>2,160,058</u>	<u>18,422,756</u>
Excess (deficiency) of revenues over expenditures	<u>(423,721)</u>	<u>(177,457)</u>	<u>300,610</u>	<u>(300,568)</u>
Other financing sources (uses):				
Proceeds from capital leases	-	210,000	-	210,000
Proceeds from sale of capital assets	7,665	-	-	7,665
Transfers in	483,400	150,000	385,200	1,018,600
Transfers out	(523,000)	-	(612,200)	(1,135,200)
Total other financing sources (uses)	<u>(31,935)</u>	<u>360,000</u>	<u>(227,000)</u>	<u>101,065</u>
Net change in fund balances	<u>(455,656)</u>	<u>182,543</u>	<u>73,610</u>	<u>(199,503)</u>
Fund balances, beginning of year	6,144,261	429,155	1,037,129	7,610,545
Prior period adjustment	-	1,015,915	-	1,015,915
Fund balances, end of year	<u>\$ 5,688,605</u>	<u>\$ 1,627,613</u>	<u>\$ 1,110,739</u>	<u>\$ 8,426,957</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, 2005

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

Net change in fund balances - total governmental funds	\$ (199,503)
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.	(1,327,324)
The net effect of the donation of capital assets is to increase net assets.	1,241,046
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,685
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.	(21,149)
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>(341,152)</u>
Change in net assets - governmental activities	<u>\$ (636,397)</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, 2005

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 12,137,530	\$ 12,079,450	\$ 12,282,487	\$ 203,037
Licenses and permits	469,300	356,060	354,459	(1,601)
Fines and forfeitures	655,000	511,000	522,826	11,826
Interest	30,000	81,000	106,612	25,612
Charges for services	957,500	956,360	868,701	(87,659)
Intergovernmental	232,800	253,800	242,739	(11,061)
Contributions	75,000	22,300	49,139	26,839
Miscellaneous	17,500	72,350	123,512	51,162
Total revenues	<u>14,574,630</u>	<u>14,332,320</u>	<u>14,550,475</u>	<u>218,155</u>
Expenditures				
Current:				
General government:				
Commission	101,390	100,390	169,304	(68,914)
Manager	377,930	356,150	346,800	9,350
Administrative services	1,089,870	1,084,860	1,078,162	6,698
Attorney	165,000	400,000	489,345	(89,345)
Community & economic development	651,340	669,210	688,307	(19,097)
Development and inspection	520,440	426,460	423,517	2,943
Accounting, collection and records	717,790	703,940	681,129	22,811
Total general government	<u>3,623,760</u>	<u>3,741,010</u>	<u>3,876,564</u>	<u>(135,554)</u>
Public safety:				
General management	254,330	276,420	275,841	579
Fire	2,651,250	2,751,560	2,796,120	(44,560)
Police	3,912,900	3,589,130	3,679,716	(90,586)
Total public safety	<u>6,818,480</u>	<u>6,617,110</u>	<u>6,751,677</u>	<u>(134,567)</u>
Public works:				
Engineering	632,780	574,150	680,800	(106,650)
Motor maintenance	449,560	454,540	676,140	(221,600)
Buildings and grounds maintenance	1,223,650	1,212,610	1,129,120	83,490
Cemetery	334,770	335,990	335,175	815
Total public works	<u>2,640,760</u>	<u>2,577,290</u>	<u>2,821,235</u>	<u>(243,945)</u>
Recreation	1,956,420	1,688,650	1,524,720	163,930
Debt service:				
Principal	-	27,690	-	27,690
Total debt service	<u>-</u>	<u>27,690</u>	<u>-</u>	<u>27,690</u>
Total expenditures	<u>15,039,420</u>	<u>14,651,750</u>	<u>14,974,196</u>	<u>(322,446)</u>
Deficiency of revenues over expenditures	<u>(464,790)</u>	<u>(319,430)</u>	<u>(423,721)</u>	<u>(104,291)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	10,000	-	7,665	7,665
Transfers out	(350,000)	(523,000)	(523,000)	-
Transfers in	467,320	739,900	483,400	(256,500)
Total other financing sources (uses)	<u>127,320</u>	<u>216,900</u>	<u>(31,935)</u>	<u>(248,835)</u>
Net change in fund balances	<u>(337,470)</u>	<u>(102,530)</u>	<u>(455,656)</u>	<u>(353,126)</u>
Fund balance, beginning of year	<u>6,144,261</u>	<u>6,144,261</u>	<u>6,144,261</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,806,791</u>	<u>\$ 6,041,731</u>	<u>\$ 5,688,605</u>	<u>\$ (353,126)</u>

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

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005**

ASSETS	Business-type Activities - Enterprise Funds			
	Conference & Parking Deck Fund	Stormwater Utility Fund	Solid Waste Fund	Totals
CURRENT ASSETS				
Cash	\$ 205,181	\$ 1,612,227	\$ 1,082,248	\$ 2,899,656
Accounts receivable	34,153	62,898	166,710	263,761
Total current assets	<u>239,334</u>	<u>1,675,125</u>	<u>1,248,958</u>	<u>3,163,417</u>
CAPITAL ASSETS				
Land	194,860	-	-	194,860
Infrastructure	-	3,589,664	-	3,589,664
Buildings	8,363,415	-	-	8,363,415
Furniture, fixtures and equipment	464,869	134,832	1,226,861	1,826,562
	<u>9,023,144</u>	<u>3,724,496</u>	<u>1,226,861</u>	<u>13,974,501</u>
Accumulated depreciation	(4,978,843)	(1,852,511)	(811,697)	(7,643,051)
	<u>4,044,301</u>	<u>1,871,985</u>	<u>415,164</u>	<u>6,331,450</u>
OTHER NONCURRENT ASSETS	<u>42,686</u>	<u>-</u>	<u>-</u>	<u>42,686</u>
Total assets	<u>4,326,321</u>	<u>3,547,110</u>	<u>1,664,122</u>	<u>9,537,553</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	7,566	-	285,856	293,422
Accrued liabilities	25,693	11,023	52,194	88,910
Due to other funds	267	70,184	722,626	793,077
Deferred revenue	-	407,037	931,064	1,338,101
Capitalized lease obligations - due to component unit	650,000	-	-	650,000
Note payable - current	86,324	-	-	86,324
Total current liabilities	<u>769,850</u>	<u>488,244</u>	<u>1,991,740</u>	<u>3,249,834</u>
NONCURRENT LIABILITIES				
Capitalized lease obligations - due to component unit - long term	2,160,668	-	-	2,160,668
Advances from other funds	-	31,601	372,701	404,302
Note payable - long term	83,945	-	-	83,945
Total liabilities	<u>3,014,463</u>	<u>519,845</u>	<u>2,364,441</u>	<u>5,898,749</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,106,050	1,871,985	42,463	3,020,498
Unrestricted	205,808	1,155,280	(742,782)	618,306
Total net assets	<u>\$ 1,311,858</u>	<u>\$ 3,027,265</u>	<u>\$ (700,319)</u>	<u>\$ 3,638,804</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, 2005**

	Business-type Activities - Enterprise Funds			Totals
	Conference & Parking Deck Fund	Stormwater Utility Fund	Solid Waste Fund	
OPERATING REVENUE				
Storm water fees	\$ -	\$ 863,138	\$ -	\$ 863,138
Sanitation fees	-	-	2,138,681	2,138,681
Charges for sales and services	106,174	-	-	106,174
Miscellaneous	-	25,889	15,354	41,243
Total operating revenues	106,174	889,027	2,154,035	3,149,236
OPERATING EXPENSES				
Cost of sales and services	58,651	453,907	1,673,676	2,186,234
Depreciation and amortization	364,755	102,557	122,475	589,787
Total operating expenses	423,406	556,464	1,796,151	2,776,021
Operating income (loss)	(317,232)	332,563	357,884	373,215
NON-OPERATING REVENUES (EXPENSES)				
Taxes	274,789	-	-	274,789
Interest expense	(171,729)	-	-	(171,729)
Payment to Development Authority	(1,031,692)	-	-	(1,031,692)
Gain on sale of capital assets	834,873	-	-	834,873
Total non-operating revenues (expenses)	(93,759)	-	-	(93,759)
Income before transfers	(410,991)	332,563	357,884	279,456
Transfers in	600,000	-	-	600,000
Transfers out	-	(226,900)	(256,500)	(483,400)
	600,000	(226,900)	(256,500)	116,600
Change in net assets	189,009	105,663	101,384	396,056
Total net assets, beginning	1,122,849	2,921,602	(801,703)	3,242,748
Total net assets, ending	\$ 1,311,858	\$ 3,027,265	\$ (700,319)	\$ 3,638,804

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, 2005

	Business-type Activities - Enterprise Funds			
	Conference & Parking Deck Fund	Stormwater Utility Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 122,322	\$ 1,013,598	\$ 2,224,010	\$ 3,359,930
Payments to suppliers	(319,606)	(256,067)	(1,013,140)	(1,588,813)
Payments to employees	-	(274,416)	(576,298)	(850,714)
Net cash provided by (used in) operating activities	<u>(197,284)</u>	<u>483,115</u>	<u>634,572</u>	<u>920,403</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	600,000	-	-	600,000
Transfers out to other funds	-	(226,900)	(256,500)	(483,400)
Payment to Development Authority	(1,031,692)	-	-	(1,031,692)
Repayment of advances to other funds	-	(23,615)	(120,939)	(144,554)
Advances from other funds	-	-	112,787	112,787
Taxes received	274,789	-	-	274,789
Net cash used in non-capital financing activities	<u>(156,903)</u>	<u>(250,515)</u>	<u>(264,652)</u>	<u>(672,070)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on capital lease	(610,000)	-	-	(610,000)
Principal payments on note payable	(99,629)	-	-	(99,629)
Interest paid	(177,537)	-	-	(177,537)
Proceeds from the sale of capital assets	1,031,692	-	-	1,031,692
Purchase of capital assets	(13,875)	(142,017)	(164,728)	(320,620)
Net cash provided by (used in) capital and related financing activities	<u>130,651</u>	<u>(142,017)</u>	<u>(164,728)</u>	<u>(176,094)</u>
Net increase (decrease) in cash	(223,536)	90,583	205,192	72,239
Cash, beginning of year	428,717	1,521,644	877,056	2,827,417
Cash, end of year	<u>\$ 205,181</u>	<u>\$ 1,612,227</u>	<u>\$ 1,082,248</u>	<u>\$ 2,899,656</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (317,232)	\$ 332,563	\$ 357,884	\$ 373,215
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	364,755	102,557	122,475	589,787
Change in assets and liabilities:				
Decrease in fees receivable	-	41,435	13,967	55,402
Decrease in accounts receivable	16,148	-	-	16,148
Decrease in due from other funds	-	-	58,132	58,132
Increase (decrease) in accounts payable	6,538	(29,678)	79,339	56,199
Decrease in accrued liabilities	-	(405)	(1,693)	(2,098)
Increase in deferred revenue	-	83,136	56,008	139,144
Decrease in due to other funds	(267,493)	(46,493)	(51,540)	(365,526)
Net cash provided by (used in) operating activities	<u>\$ (197,284)</u>	<u>\$ 483,115</u>	<u>\$ 634,572</u>	<u>\$ 920,403</u>

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

CITY OF DECATUR, GEORGIA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS JUNE 30, 2005

ASSETS	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Cash	\$ 139,121	\$ 4,225,240
Mutual funds	<u>19,264,411</u>	<u>-</u>
Total assets	<u>19,403,532</u>	<u>4,225,240</u>
LIABILITIES		
Accounts payable	18,133	-
Due to other governments	-	46,209
Due to component unit	-	4,165,919
Due to others	<u>-</u>	<u>13,112</u>
Total liabilities	<u>18,133</u>	<u>4,225,240</u>
NET ASSETS		
Assets held in trust for pension benefits	<u><u>\$ 19,385,399</u></u>	<u><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, 2005**

ADDITIONS

Contributions	
Plan member contributions	\$ 513,644
Employer contributions	<u>442,921</u>
Total contributions	<u>956,565</u>
Investment income	
Net appreciation in fair value of investments	962,316
Interest and dividends	<u>449,225</u>
Total investment income	<u>1,411,541</u>
Total additions	<u>2,368,106</u>

DEDUCTIONS

Benefit payments	1,037,138
Refunds paid to Plan members and beneficiaries	122,110
Administrative fees	<u>71,955</u>
Total deductions	<u>1,231,203</u>
Net increase	1,136,903

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

Beginning of year	<u>18,248,496</u>
End of year	<u>\$ 19,385,399</u>

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

**CITY OF DECATUR, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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 Schools of Decatur does not have the power to levy taxes, determine its own budget without the approval of the City of Decatur, Georgia, or issue bonded debt. Separate financial statements for 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. Separate financial statements for the Downtown Development Authority are not prepared.

NOTES TO FINANCIAL STATEMENTS

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 and non-current liabilities. 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

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, franchise taxes, licenses, intergovernmental grants, and interest 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.

The City reports the following major governmental funds:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The **Capital Improvement Fund** accounts 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.

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 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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."

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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, 2005, are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

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

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 \$2,765,543 difference are as follows:

Accrued interest payable	\$ (2,452)
Capital leases payable	(344,883)
Certificates of Participation	(1,320,000)
Claims and judgements payable	(406,839)
Compensated absences	<u>(691,369)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (2,765,543)</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 \$1,327,324 difference are as follows:

Capital outlay	\$ 691,901
Capital outlay expenditures recognized in various functions	262,410
Depreciation expense	<u>(2,281,635)</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>\$ (1,327,324)</u>

NOTES TO FINANCIAL STATEMENTS

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

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 (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 \$21,149 difference are as follows:

Proceeds from capital leases	\$ (210,000)
Principal retirement of long-term debt	188,851

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>	\$ (21,149)

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 \$341,152 difference are as follows:

Compensated absences	\$ (79,322)
Claims and judgments	(406,839)
Accrued interest	1,438
Net pension asset	143,571

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>	\$ (341,152)

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (Continued)

3. Public meetings are held to obtain taxpayer comments.
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.

The following General Fund departments had excesses of actual expenditures over appropriations for the fiscal year ended June 30, 2005:

Commission	\$	68,914
Attorney		89,345
Community and economic development		19,097
Fire		44,560
Police		90,586
Engineering		106,650
Motor maintenance		221,600

These over expenditures were funded by greater than anticipated transfers and by available fund balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

As of June 30, 2005, the City had \$19,403,532 invested on behalf of a defined pension fund and \$700,396 invested for its governmental funds. The City has adopted a separate policy for pension fund assets in compliance with state law. The City's pension fund assets are invested in U.S. Government money market funds, stock mutual funds, and taxable bond funds based on an asset allocation ranges and performance benchmarks.

Investment	Maturities	Fair Value
Cash & cash equivalents	-----	\$ 139,121
Guaranteed Investment Contract	June 1, 2028	700,396
Stock mutual funds	(1)	9,890,325
Taxable bond funds	4.0 to 4.5 average effective duration	9,374,086
Total		<u>\$ 20,103,928</u>

(1) Stock mutual funds are not impacted by changes in interest rates.

Interest rate risk: The Pension program investment policy limits the duration of fixed income investments to a range of +/- one year of the Lehman Brothers Aggregate Index. The Lehman Brothers Aggregate Index at June 30, 2005 was 4.16 years.

Credit risk: It is the City's policy to limit its pension investments to mutual funds, separate accounts, or collective unit trusts that invest in any combination of the following permitted categories:

- Cash and cash equivalents, including money market funds and stable value funds;
- Fixed income (bonds of U.S. corporate and government issuers, asset-backed securities, commercial paper or similar fixed income contracts);
- Domestic Equities (Stocks)

The taxable bond funds had ratings of AAA and AA.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2005, the City had a bank balance of \$133,589 was uninsured and uncollateralized.

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, 2005, for the City's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Capital Improvement</u>	<u>Conference & Parking Deck</u>	<u>Stormwater Utility</u>	<u>Solid Waste</u>	<u>Nonmajor Funds</u>
Receivables:						
Taxes	\$ 236,682	\$ 38,176	\$ -	\$ -	\$ -	\$ 26,881
Accounts	-	-	34,153	96,025	204,497	-
Due from other governments	-	-	-	-	-	433,060
Other	409,166	16,448	-	-	-	50,789
Less allowance for uncollectible	<u>175,123</u>	<u>1,959</u>	<u>-</u>	<u>33,127</u>	<u>37,787</u>	<u>2,070</u>
Net total receivable	<u>\$ 470,725</u>	<u>\$ 52,665</u>	<u>\$ 34,153</u>	<u>\$ 62,898</u>	<u>\$ 166,710</u>	<u>\$ 508,660</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2005, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,140,550	\$ 154,556	\$ -	\$ 2,295,106
Construction in progress	65,520	1,241,046	-	1,306,566
Total	<u>2,206,070</u>	<u>1,395,602</u>	<u>-</u>	<u>3,601,672</u>
Capital assets, being depreciated:				
Land improvements	1,039,617	-	-	1,039,617
Infrastructure	19,246,657	195,595	-	19,442,252
Buildings and improvements	43,023,662	-	-	43,023,662
Machinery and equipment	2,466,650	201,866	-	2,668,516
Vehicles	2,707,195	402,294	(68,858)	3,040,631
Total	<u>68,483,781</u>	<u>799,755</u>	<u>(68,858)</u>	<u>69,214,678</u>
Less accumulated depreciation for:				
Land improvements	(483,704)	(56,713)	-	(540,417)
Infrastructure	(11,091,641)	(493,365)	-	(11,585,006)
Buildings and improvements	(11,757,969)	(1,188,898)	-	(12,946,867)
Machinery and equipment	(1,796,560)	(278,039)	-	(2,074,599)
Vehicles	(1,842,223)	(264,620)	68,858	(2,037,985)
Total	<u>(26,972,097)</u>	<u>(2,281,635)</u>	<u>68,858</u>	<u>(29,184,874)</u>
Total capital assets, being depreciated, net	<u>41,511,684</u>	<u>(1,481,880)</u>	<u>-</u>	<u>40,029,804</u>
Governmental activities capital assets, net	<u>\$ 43,717,754</u>	<u>\$ (86,278)</u>	<u>\$ -</u>	<u>\$ 43,631,476</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 391,679	\$ -	\$ (196,819)	\$ 194,860
Total	391,679	-	(196,819)	194,860
Capital assets, being depreciated:				
Infrastructure	3,447,647	142,017	-	3,589,664
Buildings	8,363,415	-	-	8,363,415
Furniture, fixtures, and equipment	1,884,998	190,970	(249,406)	1,826,562
Total	13,696,060	332,987	(249,406)	13,779,641
Less accumulated depreciation for:				
Infrastructure	(1,705,863)	(75,608)	-	(1,781,471)
Buildings	(4,181,361)	(346,465)	-	(4,527,826)
Furniture, fixtures, and equipment	(1,420,791)	(150,002)	237,039	(1,333,754)
Total	(7,308,015)	(572,075)	237,039	(7,643,051)
Total capital assets, being depreciated, net	6,388,045	(239,088)	(12,367)	6,136,590
Business-type activities capital assets, net	\$ 6,779,724	\$ (239,088)	\$ (209,186)	\$ 6,331,450

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

Governmental activities:	
General government	\$ 136,357
Education	1,149,058
Public safety	326,014
Public works	575,481
Recreation	94,725
Total depreciation expense - governmental activities	\$ 2,281,635
Business-type activities:	
Conference and Parking Deck	\$ 347,043
Stormwater	102,557
Sanitation	122,475
Total depreciation expense - business-type activities	\$ 572,075

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>
Governmental activities:				
Capital assets, being depreciated:				
Equipment	\$ 654,095	\$ 192,578	\$ -	\$ 846,673
Total	<u>654,095</u>	<u>192,578</u>	<u>-</u>	<u>846,673</u>
Less accumulated depreciation for:				
Equipment	(302,881)	(89,872)	-	(392,753)
Total	<u>(302,881)</u>	<u>(89,872)</u>	<u>-</u>	<u>(392,753)</u>
Total capital assets, being depreciated, net	<u>351,214</u>	<u>102,706</u>	<u>-</u>	<u>453,920</u>
Governmental activities capital assets, net	<u>\$ 351,214</u>	<u>\$ 102,706</u>	<u>\$ -</u>	<u>\$ 453,920</u>

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 323,734	\$ 210,000	\$ (188,851)	\$ 344,883	\$ 183,433
Certificates of participation	1,320,000	-	-	1,320,000	-
Claims and judgments	-	406,839	-	406,839	251,289
Compensated absences	612,047	604,259	(524,937)	691,369	557,609
Governmental activity Long-term liabilities	<u>\$ 2,255,781</u>	<u>\$ 1,221,098</u>	<u>\$ (713,788)</u>	<u>\$ 2,763,091</u>	<u>\$ 992,331</u>
Business-type activities:					
Capital leases - due to component unit	\$ 3,435,000	\$ -	\$ (610,000)	\$ 2,825,000	\$ 650,000
Less deferred amounts	(18,736)	4,404	-	(14,332)	-
	<u>3,416,264</u>	<u>4,404</u>	<u>(610,000)</u>	<u>2,810,668</u>	<u>-</u>
Note payable	269,898	-	(99,629)	170,269	86,324
Compensated absences	44,732	36,834	(24,596)	56,970	35,221
Business-type activity Long-term liabilities	<u>\$ 3,730,894</u>	<u>\$ 41,238</u>	<u>\$ (734,225)</u>	<u>\$ 3,037,907</u>	<u>\$ 771,545</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

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

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. As of June 30, 2005, the City had \$581,121 of machinery and equipment under capital leases.

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

	Governmental Activities
Fiscal Year Ending June 30,	
2006	\$ 194,254
2007	100,677
2008	67,256
Total minimum lease payments	362,187
Less amount representing interest	17,304
Present value of future minimum lease payments	\$ 344,883

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, 2005:

2006	\$ 777,613
2007	779,374
2008	783,066
2009	784,669
	<u>3,124,722</u>
Less:	
Amount representing interest	(299,722)
Unamortized loss on refunding	<u>(14,332)</u>
Net present value of capitalized lease obligation due to component unit	<u>\$ 2,810,668</u>

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, 2005:

	Principal	Interest	Total
2006	\$ 86,324	\$ 11,821	\$ 98,145
2007	83,945	4,555	88,500
	\$ 170,269	\$ 16,376	\$ 186,645

Certificates of Participation. In June 1998, the City entered into a lease pool agreement with the Georgia Municipal Association (the "Association"). The funding of the lease pool was provided by the issuance of \$150,126,000 Certificates of Participation by the Association. The Association passed the net proceeds through to the participating municipalities with the City's participation totaling \$1,320,000. The lease pool agreement with the Association provides that the City owns their portion of the assets invested by the pool and is responsible for the payment of their portion of the principal and interest of the Certificates of Participation. The principal of \$1,320,000 is due in a lump sum payment on June 1, 2028. Interest is payable at a rate of 4.75% each year. The City draws from the investment to lease equipment from the Association. The lease pool agreement requires the City to make lease payments back into its investment account to fund the principal and interest requirements of the 1998 GMA Certificates of Participation.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

City Schools of Decatur

Long-term liability activity for the year ended June 30, 2005, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 243,955	\$ 175,016	\$ (126,130)	\$ 292,841	\$ 122,062
Governmental activity					
Long-term liabilities	<u>\$ 243,955</u>	<u>\$ 175,016</u>	<u>\$ (126,130)</u>	<u>\$ 292,841</u>	<u>\$ 122,062</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2005, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 492,374
General Fund	Stormwater Utility Fund	37,393
General Fund	Conference & Parking Deck Fund	267
General Fund	Nonmajor governmental funds	762,898
General Fund	Capital Improvements Fund	313,406
Capital Improvements Fund	Solid Waste Fund	230,252
Capital Improvements Fund	Stormwater Utility Fund	32,791
Nonmajor governmental funds	Nonmajor governmental funds	306,530
Nonmajor governmental funds	General Fund	3,075
		<u>\$ 2,178,986</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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.

Due from/to primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit - Downtown Development Authority	\$ 151,466
Component unit - Downtown Development Authority	Primary government - Downtown Development Authority Fund	72,534
Component unit - City Schools of Decatur	Primary government - Board of Education Fund	4,093,385
		<u>\$ 4,317,385</u>

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 373,000
Capital Improvement Fund	General Fund	150,000
Nonmajor governmental funds	Nonmajor governmental funds	12,200
		<u>\$ 535,200</u>
General Fund	Solid Waste Fund	\$ 256,500
General Fund	Stormwater Utility Fund	226,900
		<u>\$ 483,400</u>
Conference & Parking Deck Fund	Nonmajor governmental funds	<u>\$ 600,000</u>

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.

NOTES TO FINANCIAL STATEMENTS

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

Advances from/to other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvement Fund	Solid Waste Fund	\$ 372,701
Capital Improvement Fund	Stormwater Utility Fund	31,601
		<u>\$ 404,302</u>

The amounts payable from both the Solid Waste Fund and the Stormwater Utility Fund relate to equipment purchased through the Capital Improvement Fund and transferred to these funds. Of the balances shown, \$31,601 from the Stormwater Utility Fund and \$143,497 from the Solid Waste Fund is scheduled to be collected in the subsequent year-end.

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.

As of July 1, 2005 the most recent actuarial valuation date, the plan membership included the following categories of participants:

Retirees and beneficiaries receiving benefits	68
Terminated vested participants not yet receiving benefits	7
Active participants	<u>183</u>
	<u>258</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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Employee Contributions (Continued)

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.

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, 2005, were as follows: State Street Equity Investments Mutual Fund of \$19,264,411. The method for determining the actuarial valuation of assets is the 20% write up method.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

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 July 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.

Annual Pension Cost

The City's actuarially determined contribution, pension cost and increase in net pension asset for the year ended June 30, 2005, were as follows:

Net pension obligation (asset), June 30, 2004	\$ (1,825,506)
Actuarially determined contribution (pension cost)	436,262
Actual contribution made	(442,921)
Estimated interest adjustment	<u>(136,912)</u>
Net pension obligation (asset), June 30, 2005	<u>\$ (1,969,077)</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 \$436,262, \$394,624, and \$113,827 for the years ended June 30, 2005, 2004, and 2003, respectively. The City's net pension assets at June 30, 2005, 2004, and 2003 were \$1,969,077, \$1,825,506, and \$1,705,992, respectively. For the year ended June 30, 2005, the City's contribution was 9.59% of covered payroll.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

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, 2005	\$ 436,262	\$ 442,921	100%
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%

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

City Schools of Decatur (Continued)

Teachers Retirement System (continued) 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, 2005, 2004, and 2003, were \$862,782, \$855,647, and \$856,481, respectively. The District's contributions to TRS for the years ended June 30, 2005, 2004, and 2003, were \$1,559,146, \$1,552,127, and \$1,551,410, 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

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 \$4 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 years ended June 30, 2005, June 30, 2004, June 30, 2003 totaled \$1,992, \$2,352, and \$2,504, respectively.

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, 2005, June 30, 2004, June 30, 2003 for District employees were \$6,472, \$33,267, and \$32,084.

Members become fully vested after ten (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 57 employees covered under PSERS for the year ended June 30, 2005.

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, 2005, there were 75 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 \$13,000 from January 1, 2004 through December 31, 2004 and up to a maximum of \$14,000 from January 1, 2005 through December 31, 2005. 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, 2005, was \$25,366 and \$121,373, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. FUND DEFICITS

For the year ended June 30, 2005, the City's Solid Waste Fund had a deficit net asset of \$700,319. The fund deficit in the Solid Waste Fund will be reduced through increased user charges and General Fund appropriations.

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

NOTE 14. RISK MANAGEMENT (Continued)

The City pays aggregate claims up to \$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 and in the governmental activities in the government-wide financial statements. 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 \$1,037,138 for the year ended June 30, 2005.

<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>
2005	\$ 128,319	\$ 2,039,343	\$ 2,088,630	\$ 79,032
2004	\$ 125,000	\$ 1,837,085	\$ 1,833,766	\$ 128,319

NOTES TO FINANCIAL STATEMENTS

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>
2005	\$ 120,795	\$ 129,510	\$ 173,178	\$ 77,127
2004	\$ 22,483	\$ 198,654	\$ 100,342	\$ 120,795

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 arising 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.

Contractual Commitments:

For the fiscal year ended June 30, 2005, contractual commitments on uncompleted contracts were \$3,695,300.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)

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.

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%. Revenues collected were \$274,789. Of this amount 100%, or \$274,789 was expended. 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. SUBSEQUENT EVENTS

In July 2005, the City issued certificates of participation in the principal amount of \$2,810,000 with principal and interest payments beginning January 1, 2006 and through January 1, 2026 at an interest rate of 3.91%.

NOTE 18. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2005, the City determined a restatement of beginning net assets of governmental activities was necessary to properly reflect the City of Decatur's participation in the Georgia Municipal Association lease pool. The restatement properly increased restricted investments and advances by \$1,015,915, certificates of participation by \$1,320,000, and decreased capital leases payable by \$245,800. The net effect of this prior period adjustment on the beginning governmental activities net assets is a decrease of \$58,285.

NOTES TO FINANCIAL STATEMENTS

NOTE 18. PRIOR PERIOD ADJUSTMENT (Continued)

Governmental activities net assets as previously reported	\$ 52,183,694
Adjustment needed to properly state City long-term obligation	(1,074,200)
Fund level adjustment needed to properly state City investments	578,327
Fund level adjustment needed to properly state advances from the Capital Improvement Fund to the Enterprise Funds	437,588
Governmental activities 2004 net assets, restated	\$ 52,125,409

This restatement impacts the fund level statements of the Capital Improvements Fund by increasing investments and advances by \$1,015,915.

Capital Improvements Fund previously reported fund balance	\$ 429,155
Fund level adjustment needed to properly state City investments	578,327
Fund level adjustment needed to properly state advances from the Capital Improvement Fund to the Enterprise Funds	437,588
Capital Improvements Fund 2004 fund balance, restated	\$ 1,445,070

City Schools of Decatur

The following restatement of beginning net assets was made in order to report deferred revenue in relation to property taxes that have been levied for periods subsequent to the Schools' year end that were previously recorded as revenue.

Beginning net assets	\$ 15,409,520
Property taxes adjustment	(8,195,257)
Beginning net assets, restated	\$ 7,214,263

CITY OF DECATUR, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

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.

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.

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CITY OF DECATUR, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds			
	Emergency Telephone System Fund	Confiscated Drug Fund	Grant Fund	Economic Development Fund
ASSETS				
Cash and cash equivalents	\$ 455,970	\$ 48,602	\$ 48,135	\$ 142,139
Taxes receivable	-	-	-	-
Due from other governments	-	-	433,060	-
Other receivables	47,114	-	-	-
Prepaid expenditures	654	-	-	-
Due from other funds	-	-	306,530	-
Total assets	\$ 503,738	\$ 48,602	\$ 787,725	\$ 142,139
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,185	\$ -	\$ 6,099	\$ -
Due to other funds	364,202	-	386,696	-
Deferred revenue	-	-	-	-
Total liabilities	366,387	-	392,795	-
FUND BALANCES				
Reserved	137,351	48,602	394,930	142,139
Unreserved	-	-	-	-
	137,351	48,602	394,930	142,139
Total liabilities and fund balances	\$ 503,738	\$ 48,602	\$ 787,725	\$ 142,139

		Capital Projects Fund		
Greenspace Trust Fund	Debt Service Fund	Cemetery Capital Improvement Fund	Total Nonmajor Governmental Funds	
\$ 347,759	\$ 288,223	\$ 87,425	\$ 1,418,253	
-	24,811	-	24,811	
-	-	-	433,060	
-	3,675	-	50,789	
-	-	-	654	
-	-	3,075	309,605	
<u>\$ 347,759</u>	<u>\$ 316,709</u>	<u>\$ 90,500</u>	<u>\$ 2,237,172</u>	
\$ 30,264	\$ -	\$ -	\$ 38,548	
318,530	-	-	1,069,428	
-	18,457	-	18,457	
<u>348,794</u>	<u>18,457</u>	<u>-</u>	<u>1,126,433</u>	
-	298,252	-	1,021,274	
(1,035)	-	90,500	89,465	
<u>(1,035)</u>	<u>298,252</u>	<u>90,500</u>	<u>1,110,739</u>	
<u>\$ 347,759</u>	<u>\$ 316,709</u>	<u>\$ 90,500</u>	<u>\$ 2,237,172</u>	

CITY OF DECATUR, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds			
	Emergency Telephone System Fund	Confiscated Drug Fund	Grant Fund	Economic Development Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	452,105	-	-	-
Intergovernmental	-	-	1,273,039	15,000
Interest	-	299	-	-
Miscellaneous	-	-	-	13,311
Total revenues	<u>452,105</u>	<u>299</u>	<u>1,273,039</u>	<u>28,311</u>
EXPENDITURES				
Current				
General government	-	-	-	26,467
Education	-	-	777,271	-
Public safety	733,062	5,400	95,280	-
Capital outlay	-	17,000	260,386	-
Debt service				
Principal retirements	7,488	-	-	-
Total expenditures	<u>740,550</u>	<u>22,400</u>	<u>1,132,937</u>	<u>26,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(288,445)</u>	<u>(22,101)</u>	<u>140,102</u>	<u>1,844</u>
Other financing sources (uses)				
Transfers in	323,000	-	12,200	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>323,000</u>	<u>-</u>	<u>12,200</u>	<u>-</u>
Net change in fund balances	<u>34,555</u>	<u>(22,101)</u>	<u>152,302</u>	<u>1,844</u>
FUND BALANCES, beginning of year	<u>102,796</u>	<u>70,703</u>	<u>242,628</u>	<u>140,295</u>
FUND BALANCES, end of year	<u>\$ 137,351</u>	<u>\$ 48,602</u>	<u>\$ 394,930</u>	<u>\$ 142,139</u>

Greenspace Trust Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
		Cemetery Capital Improvement Fund	
\$ -	\$ 575,264	\$ -	\$ 575,264
-	-	-	452,105
117,724	-	10,000	1,415,763
-	-	-	299
-	-	3,926	17,237
<u>117,724</u>	<u>575,264</u>	<u>13,926</u>	<u>2,460,668</u>
211,204	-	26,500	264,171
-	-	-	777,271
-	-	-	833,742
-	-	-	277,386
-	-	-	7,488
<u>211,204</u>	<u>-</u>	<u>26,500</u>	<u>2,160,058</u>
<u>(93,480)</u>	<u>575,264</u>	<u>(12,574)</u>	<u>300,610</u>
50,000	-	-	385,200
-	(600,000)	(12,200)	(612,200)
<u>50,000</u>	<u>(600,000)</u>	<u>(12,200)</u>	<u>(227,000)</u>
<u>(43,480)</u>	<u>(24,736)</u>	<u>(24,774)</u>	<u>73,610</u>
<u>42,445</u>	<u>322,988</u>	<u>115,274</u>	<u>1,037,129</u>
<u>\$ (1,035)</u>	<u>\$ 298,252</u>	<u>\$ 90,500</u>	<u>\$ 1,110,739</u>

**CITY OF DECATUR, GEORGIA
EMERGENCY TELEPHONE SYSTEM FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 393,200	\$ 408,990	\$ 452,105	\$ 43,115
EXPENDITURES				
Public Safety	805,710	752,060	733,062	18,998
Debt Service				
Principal	-	7,500	7,488	12
Total expenditures	805,710	759,560	740,550	19,010
Deficiency of revenues under expenditures	(412,510)	(350,570)	(288,445)	62,125
OTHER FINANCING SOURCES				
Transfers in	-	323,000	323,000	-
Net change in fund balances	(412,510)	(27,570)	34,555	62,125
FUND BALANCES, beginning of year	102,796	102,796	102,796	-
FUND BALANCES, end of year	<u>\$ (309,714)</u>	<u>\$ 75,226</u>	<u>\$ 137,351</u>	<u>\$ 62,125</u>

**CITY OF DECATUR, GEORGIA
CONFISCATED DRUG FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ 2,000	\$ 260	\$ 299	\$ 39
EXPENDITURES				
Public safety	-	22,400	5,400	17,000
Capital outlay	-	-	17,000	(17,000)
Total expenditures	-	22,400	22,400	-
Net change in fund balances	2,000	(22,140)	(22,101)	39
FUND BALANCES, beginning of year	70,703	70,703	70,703	-
FUND BALANCES, end of year	<u>\$ 72,703</u>	<u>\$ 48,563</u>	<u>\$ 48,602</u>	<u>\$ 39</u>

**CITY OF DECATUR, GEORGIA
GRANT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 460,000	\$ 913,166	\$ 1,273,039	\$ 359,873
Interest	500	-	-	-
Miscellaneous	60,000	256,600	-	(256,600)
Total revenue	<u>520,500</u>	<u>1,169,766</u>	<u>1,273,039</u>	<u>103,273</u>
EXPENDITURES				
Education	638,950	788,620	777,271	11,349
Public safety	-	-	95,280	(95,280)
Capital outlay	-	260,386	260,386	-
Total expenditures	<u>638,950</u>	<u>1,049,006</u>	<u>1,132,937</u>	<u>(83,931)</u>
Excess (deficiency) of revenues over (under) expenditures	(118,450)	120,760	140,102	19,342
OTHER FINANCING SOURCES				
Transfers in	-	12,200	12,200	-
Net change in fund balances	<u>(118,450)</u>	<u>132,960</u>	<u>152,302</u>	<u>19,342</u>
FUND BALANCES, beginning of year	<u>242,628</u>	<u>242,628</u>	<u>242,628</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 124,178</u>	<u>\$ 375,588</u>	<u>\$ 394,930</u>	<u>\$ 19,342</u>

**CITY OF DECATUR, GEORGIA
ECONOMIC DEVELOPMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 15,000	\$ 15,000	\$ -
Miscellaneous	4,800	27,810	13,311	(14,499)
Total revenue	4,800	42,810	28,311	(14,499)
EXPENDITURES				
General government	30,000	30,100	26,467	3,633
Net change in fund balances	(25,200)	12,710	1,844	(10,866)
FUND BALANCES, beginning of year	140,295	140,295	140,295	-
FUND BALANCES, end of year	<u>\$ 115,095</u>	<u>\$ 153,005</u>	<u>\$ 142,139</u>	<u>\$ (10,866)</u>

**CITY OF DECATUR, GEORGIA
GREENSPACE TRUST FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 2,500	\$ 117,724	\$ 115,224
EXPENDITURES				
General government	53,300	56,010	211,204	(155,194)
Capital outlay	90,000	94,556	-	94,556
Total expenditures	143,300	150,566	211,204	(60,638)
Deficiency of revenues under expenditures	(143,300)	(148,066)	(93,480)	54,586
OTHER FINANCING SOURCES				
Transfers in	50,000	-	50,000	50,000
Net change in fund balances	(93,300)	(148,066)	(43,480)	104,586
FUND BALANCES, beginning of year	42,445	42,445	42,445	-
FUND BALANCES, end of year	<u>\$ (50,855)</u>	<u>\$ (105,621)</u>	<u>\$ (1,035)</u>	<u>\$ 104,586</u>

**CITY OF DECATUR, GEORGIA
DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 535,000	\$ 535,000	\$ 575,264	\$ 40,264
OTHER FINANCING USES				
Transfers out	(600,000)	(600,000)	(600,000)	-
Net change in fund balances	(65,000)	(65,000)	(24,736)	40,264
FUND BALANCES, beginning of year	322,988	322,988	322,988	-
FUND BALANCES, end of year	<u>\$ 257,988</u>	<u>\$ 257,988</u>	<u>\$ 298,252</u>	<u>\$ 40,264</u>

**CITY OF DECATUR, GEORGIA
CEMETERY CAPITAL IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 35,000	\$ -	\$ 10,000	\$ 10,000
Miscellaneous	4,200	2,700	3,926	1,226
Total revenues	39,200	2,700	13,926	11,226
EXPENDITURES				
General government	58,200	11,000	26,500	(15,500)
Total expenditures	58,200	11,000	26,500	(15,500)
Deficiency of revenues under expenditures	(19,000)	(8,300)	(12,574)	(4,274)
OTHER FINANCING USES				
Transfers out	-	(12,200)	(12,200)	-
Net change in fund balances	(19,000)	(20,500)	(24,774)	(4,274)
FUND BALANCES, beginning of year	115,274	115,274	115,274	-
FUND BALANCES, end of year	<u>\$ 96,274</u>	<u>\$ 94,774</u>	<u>\$ 90,500</u>	<u>\$ (4,274)</u>

**CITY OF DECATUR, GEORGIA
CAPITAL IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 925,300	\$ 925,300	\$ 987,032	\$ 61,732
Intergovernmental	258,300	258,300	42,660	(215,640)
Interest	4,400	4,400	81,353	76,953
Total revenues	<u>1,188,000</u>	<u>1,188,000</u>	<u>1,111,045</u>	<u>(76,955)</u>
EXPENDITURES				
General government	936,100	936,100	592,156	343,944
Capital outlay	252,100	252,100	414,515	(162,415)
Debt service				
Principal retirements	355,000	355,000	181,363	173,637
Interest and fiscal charges	29,200	29,200	100,468	(71,268)
Total expenditures	<u>1,572,400</u>	<u>1,572,400</u>	<u>1,288,502</u>	<u>283,898</u>
Deficiency of revenues under expenditures	<u>(384,400)</u>	<u>(384,400)</u>	<u>(177,457)</u>	<u>206,943</u>
OTHER FINANCING SOURCES				
Proceeds from capital lease	278,870	278,870	210,000	(68,870)
Transfers in	150,000	150,000	150,000	-
Total other financing sources	<u>428,870</u>	<u>428,870</u>	<u>360,000</u>	<u>(68,870)</u>
Net change in fund balances	44,470	44,470	182,543	138,073
FUND BALANCES, beginning of year	429,155	429,155	429,155	-
Prior period adjustment	-	-	1,015,915	1,015,915
FUND BALANCES, end of year	<u>\$ 473,625</u>	<u>\$ 473,625</u>	<u>\$ 1,627,613</u>	<u>\$ 1,153,988</u>

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CITY OF DECATUR, GEORGIA

FIDUCIARY FUNDS

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, 2005**

ASSETS	Municipal Court Fund	Board of Education Fund	Downtown Development Authority Fund	Totals
Cash	\$ 59,321	\$ 4,093,385	\$ 72,534	\$ 4,225,240
 LIABILITIES				
Due to other governments	\$ 46,209	\$ -	\$ -	\$ 46,209
Due to component unit	-	4,093,385	72,534	4,165,919
Due to others	13,112	-	-	13,112
 Total liabilities	 \$ 59,321	 \$ 4,093,385	 \$ 72,534	 \$ 4,225,240

CITY OF DECATUR, GEORGIA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS JUNE 30, 2005

<u>MUNICIPAL COURT</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Assets - cash	\$ 45,893	\$ 970,184	\$ 956,756	\$ 59,321
Liabilities:				
Due to other governments	\$ 36,960	\$ 785,849	\$ 774,972	\$ 47,837
Due to others	8,933	184,335	181,784	11,484
	<u>\$ 45,893</u>	<u>\$ 970,184</u>	<u>\$ 956,756</u>	<u>\$ 59,321</u>
<u>BOARD OF EDUCATION</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Assets - cash	\$ 2,022,690	\$ 18,819,420	\$ 16,616,870	\$ 4,225,240
Liabilities - due to component unit	\$ 2,022,690	\$ 18,819,420	\$ 16,616,870	\$ 4,225,240
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Assets - cash	\$ 35,964	\$ 347,181	\$ 310,611	\$ 72,534
Liabilities - due to component unit	\$ 35,964	\$ 347,181	\$ 310,611	\$ 72,534
<u>Total Agency Funds</u>				
ASSETS				
Cash	\$ 2,104,547	\$ 20,136,785	\$ 17,884,237	\$ 4,357,095
LIABILITIES				
Due to other governments	\$ 36,960	\$ 785,849	\$ 774,972	\$ 47,837
Due to component unit	2,058,654	19,166,601	16,927,481	4,297,774
Due to others	8,933	184,335	181,784	11,484
Total liabilities	<u>\$ 2,104,547</u>	<u>\$ 20,136,785</u>	<u>\$ 17,884,237</u>	<u>\$ 4,357,095</u>

**COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY**

CITY OF DECATUR, GEORGIA

BALANCE SHEET COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY JUNE 30, 2005

ASSETS	
Cash	\$ 1,413,763
Taxes receivable	13,715
Other receivables	34,757
Due from primary government	<u>72,534</u>
Total assets	<u>\$ 1,534,769</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to primary government	\$ 151,466
Deferred revenue	<u>10,060</u>
Total liabilities	<u>161,526</u>
FUND BALANCE	
Unreserved	<u>1,373,243</u>
Total liabilities and fund balance	<u>\$ 1,534,769</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, 2005

REVENUES

Taxes	\$ 347,181
Miscellaneous	86,731
Contributions	<u>1,031,692</u>
Total revenues	<u>1,465,604</u>

EXPENDITURES

Current	
Downtown development	<u>401,077</u>
Total expenditures	<u>401,077</u>

Net change in fund balances	<u>1,064,527</u>
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FUND BALANCE, beginning of year	<u>308,716</u>
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FUND BALANCE, end of year	<u><u>\$ 1,373,243</u></u>
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STATISTICAL SECTION

CITY OF DECATUR, GEORGIA

COMMENTS RELATIVE TO STATISTICAL SECTION

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.

CITY OF DECATUR, GEORGIA

GENERAL INFORMATION

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.

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CITY OF DECATUR, GEORGIA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1) LAST TEN YEARS

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General government (2)	\$ 3,876,564	\$ 3,307,270	\$ 2,015,404	\$ 1,921,696
Public safety	6,751,677	6,271,362	6,537,856	5,836,781
Public works (3)	2,821,235	2,591,720	2,290,331	-
Sanitation and Motor maintenance	-	-	-	421,702
Engineering	-	-	-	1,463,089
Recreation	1,524,720	1,777,404	1,683,336	1,708,303
Nondepartmental and Miscellaneous	-	-	883,471	781,553
Debt service	-	28,267	-	-
	<u>\$ 14,974,196</u>	<u>\$ 13,976,023</u>	<u>\$ 13,410,398</u>	<u>\$ 12,133,124</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.

	2001	2000	1999	1998	1997	1996
\$	1,871,266	\$ 1,928,939	\$ 1,153,364	\$ 1,102,716	\$ 1,083,058	\$ 985,080
	5,988,526	5,675,398	5,022,178	4,904,488	4,837,694	4,576,177
	-	-	-	-	-	-
	353,525	2,034,164	1,701,378	1,697,767	1,634,662	1,555,348
	1,471,596	1,483,893	1,459,939	1,369,585	1,428,600	1,294,145
	1,617,652	1,436,317	1,368,672	1,360,713	1,305,045	1,228,257
	1,038,191	765,895	1,157,704	950,986	876,309	1,033,611
	-	-	181,016	159,988	343,766	160,648
\$	12,340,756	\$ 13,324,606	\$ 12,044,251	\$ 11,546,243	\$ 11,509,134	\$ 10,833,266

CITY OF DECATUR, GEORGIA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1) LAST TEN YEARS

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Property taxes	\$ 9,711,125	\$ 8,725,758	\$ 8,381,569	\$ 7,573,906
Sanitation taxes (2)	-	-	-	-
Other taxes (3)	2,571,362	2,516,460	2,386,942	2,634,235
Licenses and Permits	354,459	517,353	397,938	409,595
Fines and Forfeitures	522,826	508,813	820,477	735,518
From Use of Money and Property	106,612	37,685	23,940	44,646
Grants	242,739	304,307	313,960	353,992
Charges for Services and Miscellaneous (4)	<u>1,041,352</u>	<u>1,135,812</u>	<u>1,538,876</u>	<u>1,425,757</u>
	<u>\$ 14,550,475</u>	<u>\$ 13,746,188</u>	<u>\$ 13,863,702</u>	<u>\$ 13,177,649</u>

Notes:

- (1) - Includes General Fund only.
- (2) - Sanitation taxes are accounted for as a charge for services effective for fiscal years ending June 30, 1999.
- (3) - 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.
- (4) - Sanitation fees are accounted for as a charge for services in the Solid Waste Fund effective July 1, 2000.

2001	2000	1999	1998	1997	1996
\$ 6,162,689	\$ 5,693,610	\$ 5,504,553	\$ 3,813,165	\$ 3,916,485	\$ 4,404,090
-	-	-	1,465,754	2,140,356	2,489,101
2,747,070	2,945,940	2,546,460	2,441,436	2,662,958	2,696,103
470,848	538,106	965,161	727,766	668,687	631,531
845,110	862,578	904,611	832,636	581,614	626,374
181,795	194,973	94,435	184,236	193,587	169,858
552,985	88,872	245,001	225,093	190,438	202,997
<u>1,817,463</u>	<u>2,919,596</u>	<u>2,677,889</u>	<u>939,315</u>	<u>938,570</u>	<u>908,310</u>
<u>\$ 12,777,960</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>

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

Tax Year	Total Tax Levy (1)	Collections of Current Years' Taxes During Year	Percentage of Levy Collected During Year	Collections of Prior Years' Taxes During Year
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
2005	26,396,608	12,335,367	46.7	14,413,761

- 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 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.

	Total Collections	Delinquent Taxes	Outstanding Delinquent Taxes as % of Levy	
\$	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	
	26,749,128	581,931	2.20	

CITY OF DECATUR, GEORGIA

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

Calendar Year	Total	General Fund	Debt Service Fund	Board of Education Fund	Downtown Development Authority Fund	Capital Improvement Fund
1996	(1) 4.150	1.390	0.120	2.500	0.050	0.090
1997	3.566	1.100	0.090	2.250	0.045	0.081
1998	3.350	1.050	0.085	2.150	0.043	0.023
1999	3.250	1.070	0.085	2.050	0.045	0.000
2000	2.875	0.914	0.073	1.850	0.038	0.000
2001	3.002	0.980	0.067	1.850	0.038	0.067
2002	3.113	0.980	0.057	1.961	0.038	0.077
2003	3.149	0.953	0.057	2.024	0.038	0.077
2004	3.169	1.009	0.057	1.965	0.038	0.100
2005	3.169	1.012	0.054	1.905	0.038	0.100

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

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CITY OF DECATUR, GEORGIA

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

Fiscal Year	Real Property Value		Personal Property Value	
	Assessed	Estimated	Assessed	Estimated
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
2005	929,451,113	1,858,902,226	18,082,415	36,164,830

Privately Owned Public Utilities		Total Property		Ratio of Total Assessed Value to Estimated True Value
Assessed	Estimated	Assessed	Estimated	
\$ 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
19,869,478	39,738,956	967,403,006	1,934,806,012	50

CITY OF DECATUR, GEORGIA

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

Calendar Year	City of Decatur (1)	DeKalb County (2)	State (3)
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
2005	3.169	1.092	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
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005

Total Assessed Value of Taxable Property - 2005	<u>\$ 967,403,006</u>
Legal Debt Margin	<u>\$ 96,740,301</u>

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

CITY OF DECATUR, GEORGIA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2005

	<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	221,318,000	4.624%	10,233,744
Fulton DeKalb Hospital Authority	<u>75,815,000</u>	4.624%	<u>3,505,686</u>
Total direct and overlapping debt	<u>\$ 297,133,000</u>		<u>\$ 13,739,430</u>

City of Decatur Debt per Capita (3):

Direct General Obligation Debt	\$ -
Overlapping General Obligation Debt	\$ 757

NOTE: (1) City of Decatur debt stated as of June 30, 2005. All other debt stated as of December 31, 2004.

(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 2000 census population of 18,147.

CITY OF DECATUR, GEORGIA

DEMOGRAPHIC INFORMATION

Fiscal Year	1940	1950	1960	1970	1980	1990	2000
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, 2005 - 2,514

Source: Decatur Board of Education

CITY OF DECATUR, GEORGIA

PRINCIPAL TAXPAYERS 2005

Taxpayer	Type of Business	Assessed Valuation 50%	Percentage of Total Assessed Valuation
Bell South Communications	Utility	\$ 13,788,931	1.43 %
Decatur Towncenter Association	Real Estate Holding	9,055,200	0.94
APG Decatur, LLC	Real Estate Holding	7,514,600	0.78
Ackerman Decatur, LP	Real Estate Holding	6,592,950	0.68
Decatur Plaza, LLC	Real Estate Holding	6,330,800	0.66
Lexington Decatur, LLC	Investment	4,529,050	0.47
Deck-Decatur Court, LLC	Bank	4,525,000	0.47
Ashton Park Trace, LLC	Real Estate Holding	4,427,500	0.46
Averty Properties	Real Estate Holding	4,088,200	0.42
Decatur Professional Investors	Investment	3,560,550	0.37
		<u>\$ 64,412,781</u>	<u>6.68 %</u>

CITY OF DECATUR, GEORGIA
PROPERTY VALUE AND CONSTRUCTION
LAST TEN YEARS

Fiscal Year	Property Value			Construction Permits	
	Commercial	Residential	Total	Number of Units	Value
1996	\$ 67,368,495	\$ 230,647,434	\$ 298,015,929	264	\$ 17,783,550
1997	83,538,960	313,297,984	396,836,944	344	19,707,818
1998	82,821,817	362,594,372	445,416,189	480	31,908,035
1999	87,733,858	414,108,876	501,842,734	610	75,243,941
2000	104,891,080	513,135,838	618,026,918	676	65,237,842
2001	117,122,502	612,295,161	729,417,663	641	65,631,286
2002	117,260,630	673,048,370	790,309,000	667	48,514,267
2003	110,894,448	712,819,652	823,714,100	660	74,469,122
2004	126,798,185	747,555,696	874,353,881	717	60,988,659
2005	136,445,602	793,005,511	929,451,113	646	42,581,561

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)			
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
2005	19,385,399	956,565	1,411,541	1,037,138	122,110	71,955