

CITY OF DECATUR, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

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, 2006

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City Manager's Office

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December 18, 2006

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, 2006.

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, 2006, 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, 2006, 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 20,000. 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 Georgia General Assembly first adopted the City Charter, under which the City operates, 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 10% 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. An 85-unit townhouse development on Scott Boulevard is under construction. On the east side of the City, Columbia Park, a 271-apartment development has completed the permitting process. Developments at 101 West Ponce de Leon Avenue (173 dwellings) and 233 East Trinity Place (210 apartments) have received plan approval but have not applied for permits.

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 19% this year from the previous year. In addition to Emory University Hospital administration, Enterpulse, an internet technology company; and, Allied Systems, a multi-national vehicle delivery trucking company maintain their corporate headquarters in Decatur. The consolidation of employees from the Centers for Disease Control (CDC) to its main campus along Clifton Road in DeKalb County has resulted 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 Decatur Downtown Development Authority has secured a private tenant for the Old Decatur Depot. Renovation of the interior of the facility for use as a restaurant has begun and opening is expected in Summer 2007.

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, are located in 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

Support for mixed-use developments within the central business district remains robust. On the eastern edge of the central business district, occupancy in a mixed-use development that contains 169-unit condominium units and 8,000 square feet of commercial space is strong. In addition, on the western side of the central business district, occupancy is equally as strong in a mid-rise building that includes 70 condominium units and 6,000 square feet of retail space. Sales of condominium units in both developments have been outstanding with few available units remaining on the market. A significant amount of the available retail space is leased.

Construction of Phase I of a mixed-use development for the northeast corner of West Ponce de Leon Avenue and Commerce Drive is substantially complete. Construction of Phase II 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 was decreased to 77 in Phase I. It is anticipated that there will be 54 units in Phase II which is currently under construction. 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, is completing construction. Eleven dwellings in this project will be developed as part of the City's lifecycle housing initiative.

A private developer has assembled several pieces of property at the end of the block bordered by East Trinity Place and East Howard Avenue, including area that is currently developed with an one-story office/warehouse, a budget motel, a Dairy Queen restaurant and a nightclub. This property will be redeveloped with a mixed-use development that includes 210 units of rental apartments and 25,000 feet of commercial space. The property has been acquired and concept plans have been approved. It is anticipated that construction will begin in mid-2007 and take 15-18 months to complete.

Institutional Activity

Agnes Scott College, a four-year liberal arts college for women, 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 has continued throughout the year. Completion is expected in early 2007.

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 of the 750 space parking deck and a mixed-use development containing 271 apartment units and 14,000 s.f. in commercial space is expected to begin in 2007.

The City has completed \$3,695,000 in 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 included renovation of the existing interiors and construction of a 6,000 square foot addition. Construction was financed with the issuance of \$2,810,000 in twenty-year Certificates of participation (COPs) and with \$945,300 from City sources. City Hall staff and functions reoccupied the historic facility in July, 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 is considering how to proceed, particularly with approaching large commercial property owners. The City Commission did approve several small annexations that cumulatively added 14 new residential parcels to the city limits.

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.

The City's volume-based sanitation collection system continues to work very 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 42%, well in excess of the State of Georgia's goal of a 25% reduction in landfill deposits. The program has been an overwhelming success.

The City has hired a consultant team to assist in developing a community transportation plan that is meant to incorporate the concepts of an active living community to provide a vision for the future for pedestrian, cycling, transit and vehicular transportation needs. The consultants have been working with the City Commission, city staff and community members to develop the plan. It is anticipated that the plan will be presented to the City Commission in mid-2007.

In cooperation with the City Schools of Decatur, the Recreation and Community Services Department was able to secure 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 Department is currently developing plans to sustain the program at the conclusion of the grant period.

The City continues to implement its 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. 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.

In addition, the City has been selected as one of six communities in Georgia to receive grant funding from the Governor's Wireless Communities Georgia Program. The City will use the grant funds, city funds and funds provided through institutional partners to provide wireless broadband access throughout the city limits. The city will own the system and contract with a private provider to provide access and system management services. Initial activity has begun and the project is expected to be completed by the end of 2008.

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.

In September 2006, voters approved issuance of \$33,245,000 in general obligation debt to finance major capital improvement projects for the City and for the City Schools of Decatur. The City's projects include a variety of transportation improvement projects such as sidewalk repair and construction, intersection improvements and matching funds for transportation facility grants; parks and recreation improvements including reconstruction of a pool at McKoy Park, improvements to the Decatur Recreation Center and Glenlake Park, and acquisition of Greenspace; public safety improvements including reconstruction of Fire Station Number 2 and improvements at Fire Station Number 1; and, construction of a joint City/City School's public works facility. The City Schools of Decatur intend to use funds to construct improvements for Renfroe Middle School and Decatur High School.

It is anticipated that thirty-year bonds will be issued in January 2007 and that projects will be complete or under substantial construction in three-five years from bond issuance.

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 4.03%.

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 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 has contributed 9.59% of payroll during fiscal year ending June 30, 2006 to fund the system's liability for projected benefits earned by employees.

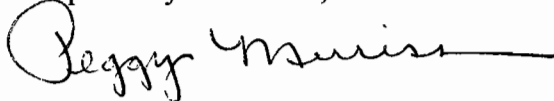
The City of Decatur, Georgia also provides post retirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 72 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

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 black ink that reads "Peggy Merriss" followed by a horizontal line extending to the right.

Peggy Merriss
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Decatur
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF DECATUR, GEORGIA

PRINCIPAL OFFICIALS

June 30, 2006

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
J. Michael Booker	Police Chief

CITY OF DECATUR, GEORGIA
ORGANIZATIONAL CHART

VOTERS

CITY COMMISSION

CITY MANAGER

DEPUTY CITY
MANAGER

Development
Building Inspections

Codes Enforcement

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

Engineering
Streets
Drainage/Stormwater Utility

FIRE
CHIEF

Fire

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

Insurance

Personnel

Municipal Court

Recreation
Traditional Programs
Non-Traditional Programs

Historic Preservation

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FINANCIAL SECTION

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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, 2006, 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, 2006, 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 October 17, 2006, 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 schedules, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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
October 17, 2006

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, 2006. 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 \$58,474,405 (net assets). Of this amount, \$8,446,683 (unrestricted net assets) may be used to meet the government's ongoing obligations.

The City's total net assets increased by \$3,346,589.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,652,226, an increase of \$225,269 in comparison with the prior year. At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,523,991 or 35% 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 ten 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 eight 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

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 \$58,474,405 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	
	2005	2006	2005	2006	2005	2006
Assets						
Current assets	\$ 9,587	\$ 11,213	\$ 2,009	\$ 2,046	\$ 11,596	\$ 13,259
Capital assets	43,631	49,835	6,331	6,004	49,962	55,839
Other non-current assets	1,969	755	-	-	1,969	755
Total assets	<u>55,187</u>	<u>61,803</u>	<u>8,340</u>	<u>8,050</u>	<u>63,527</u>	<u>69,853</u>
Liabilities						
Long-term liabilities	2,763	5,220	3,038	2,292	5,801	7,512
Other liabilities	935	2,425	1,663	1,442	2,598	3,867
Total liabilities	<u>3,698</u>	<u>7,645</u>	<u>4,701</u>	<u>3,734</u>	<u>8,399</u>	<u>11,379</u>
Net assets						
Invested in capital assets, net of related debt	42,667	46,046	3,021	3,387	45,688	49,433
Restricted	-	595	-	-	-	595
Unrestricted	8,822	7,517	618	929	9,440	8,446
Total net assets	<u>\$ 51,489</u>	<u>\$ 54,158</u>	<u>\$ 3,639</u>	<u>\$ 4,316</u>	<u>\$ 55,128</u>	<u>\$ 58,474</u>

By far the largest portion of the City's net assets (85%) 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 either restricted (\$595,078) or unrestricted (\$8,446,683). Unrestricted net assets 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. However, the Solid Waste Fund's negative net assets improved by \$214,081 over fiscal year 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the current fiscal year the government's total net assets increased by \$3,346,589. This is primarily due to increases in tax revenues along with constant efforts to keep expenses in line with the prior year.

Changes in Net Assets

The following schedule presents a summary of changes in net assets for the fiscal year ending June 30, 2006 (in thousands).

	City of Decatur Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Revenues						
Program revenues:						
Charges for services	\$ 2,479	\$ 3,245	\$ 3,149	\$ 3,381	\$ 5,628	\$ 6,626
Operating grants & contributions	1,065	997	-	-	1,065	997
Capital grants & contributions	1,786	8,153	-	-	1,786	8,153
General revenues:						
Property taxes	11,287	11,847	-	-	11,287	11,847
Franchise taxes	1,067	1,254	-	-	1,067	1,254
Sales taxes	250	579	-	-	250	579
Other taxes	1,252	1,363	275	-	1,527	1,363
Investment earnings	188	312	-	-	188	312
Gain on sale of capital assets	8	24	835	-	843	24
Total revenues	<u>19,382</u>	<u>27,774</u>	<u>4,259</u>	<u>3,381</u>	<u>23,641</u>	<u>31,155</u>
Expenses						
General government	5,233	8,729	-	-	5,233	8,729
Education	1,926	1,845	-	-	1,926	1,845
Public safety	7,659	8,414	-	-	7,659	8,414
Public works	3,380	3,544	-	-	3,380	3,544
Recreation	1,605	1,872	-	-	1,605	1,872
Interest on long-term debt	99	106	-	-	99	106
Conference center	-	-	595	561	595	561
Stormwater	-	-	1,588	793	1,588	793
Sanitation	-	-	1,796	1,945	1,796	1,945
Total expenses	<u>19,902</u>	<u>24,510</u>	<u>3,979</u>	<u>3,299</u>	<u>23,881</u>	<u>27,809</u>
Income (Loss) before transfers	(520)	3,264	280	82	(240)	3,346
Transfers	(116)	(595)	116	595	-	-
Change in net assets	(636)	2,669	396	677	(240)	3,346
Net asset beginning of year (as restated)	52,125	51,489	3,243	3,639	55,368	55,128
Net asset end of year	<u>\$ 51,489</u>	<u>\$ 54,158</u>	<u>\$ 3,639</u>	<u>\$ 4,316</u>	<u>\$ 55,128</u>	<u>\$ 58,474</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental charges for services increased by approximately \$766,000 from general fund activities including increased activity in development permits, code violations and recreation service fees. Operating grants and contributions remained fairly stable for education with another full year of activity for the 21st Century Learning Centers grant. Capital grants and contributions increased by \$6,366,789 due to the Decatur MARTA Station improvement project. Property taxes showed an approximate increase of \$560,000 due to an increase in the assessed value of real property and the City's activities with a tax collection service. Franchise taxes increased by \$186,880. Investment earnings increased by \$123,974 due to continued overall market improvements. Other sources of revenue remained relatively stable.

Expenses increased approximately \$4,608,000 primarily due to a merit-based bonus for most full-time City positions and a required increase in the City's retirement system contribution. The City incurred additional expenses in legal fees and utilities such as gasoline, natural gas and electricity.

Net assets on governmental activities funds increased by \$2,668,978 primarily due to an increase in capital grants and contributions.

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 \$677,000, providing twenty percent of the total growth in the government's net assets. The business-type activities experienced a decrease in both revenues and expenses during fiscal year 2006. However, the increase in net assets occurred because the City experienced a larger decrease in expenses as compared to revenues.

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 \$8,652,226, an increase of \$225,269 in comparison with the prior year. Approximately eighty-six percent of the total amount (\$7,449,637) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$1,202,589) is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate grants already received but not expended (\$595,078); 2) to encourage tree preservation activities (\$19,303); 3) to pay debt service (\$158,503); 4) to provide financing to enterprise funds for capital improvements (\$419,854); and 5) to account for pre-paid expenditures in the general fund (\$9,661) and the emergency 911 fund (\$190).

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 \$5,523,991, while the total fund balance for all governmental funds reached \$8,652,226. 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-five percent of total general fund expenditures.

The table below compares general fund revenues and expenditures for 2005 and 2006 (in thousands).

General Fund		
	2005	2006
Revenues		
Taxes	\$ 12,282	\$ 13,270
Licenses & permits	354	721
Intergovernmental	243	279
Fines & forfeitures	523	628
Charges for services	869	1,018
Interest income	106	246
Other revenues	173	128
Total revenues	14,550	16,290
Expenditures		
General government	3,876	4,596
Public safety	6,752	6,844
Public works	2,821	2,839
Recreation	1,525	1,656
Total expenditures	14,974	15,935
Excess (deficiency) of revenues over expenditures	(424)	355
Other financing sources (uses)		
Proceeds from sale of capital assets	8	22
Transfers in	483	403
Transfers out	(523)	(935)
Total other financing sources (uses)	(32)	(510)
Net change in fund balances	(456)	(155)
Fund balances, beginning of year	6,144	5,688
Fund balances, end of year	\$ 5,688	\$ 5,533

Revenue from taxes increased mainly from additional income from real estate taxes as result of an increase in assessed values as well as collection efforts with a tax service, an increase in penalties and interest from delinquent taxes and higher than anticipated franchise taxes. Occupational taxes for businesses, and specifically, lawyers, have increased as the economic market continues to be strong. More consistent enforcement activities have also resulted in higher rates of compliance, especially among the professionals.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Licenses and permits increased over 100% due to major construction programs including mixed-use developments in the downtown area. Fines and forfeitures increased approximately 20% representing increased enforcement activities by the Police department and more stability within the department. Additionally, parking meter fees and parking violation revenue increased. Charges for services show an increase of 17% primarily because recreation program revenues were up due to increased program participation. Cemetery service fees are steady because no new lots were available for purchase. Interest income has rebounded significantly as interest rates continue to increase. Other sources of revenue either remained stable or increased slightly. Very few areas experienced reductions in revenue.

The overall increase in expenditures was approximately six percent, which is due primarily to the one-week bonus provided to most full-time City employees in this fiscal year and the increase in the City's required contribution rate to the City of Decatur Employees' Retirement System from 5.5% to 9.6% of full-time payroll. Personnel services comprise approximately 71% of the general fund operating budget. The merit-based bonus was provided in lieu of a general salary adjustment. The bonus was instrumental in the City's successful transition from a weekly to a bi-weekly payroll cycle. Expenditures for group medical costs were only 2.2% higher than the previous fiscal year but still exceeded budget estimates by \$50,000. The City continues to work closely with the program's third party administrator to control costs to the City as well as ensure accurate information for budgeting. The only other significant budget overage was in gasoline due to the unanticipated rise in gasoline prices.

The moderate increase in General Government, Public Safety, Public Works and Recreation expenditures reflects the one-week, merit-based bonus as well as the increase in the City's retirement contribution. Other increases across departments included increased expenditures for gasoline, natural gas and electricity.

The Capital Improvement Fund's fund balance increased by \$271,968 to \$1,899,581. 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 nineteen 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. Major capital outlay projects in 2005-2006 included the Decatur MARTA Station renovation and improvement project which is nearing completion as well as the renovation and addition to Decatur City Hall which has been completed.

The Debt Service Fund's fund balance decreased by \$139,749 for a total fund balance of \$158,503, 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 2005-2006, the fund balance decreased \$58,939 for a total fund balance of \$78,412, of which \$190 is reserved for prepaid expenditures. In June 2006, the E911 wireless fee was increased from \$1.00 to \$1.50 representing the successful conversion to the Phase II Wireless 911 system which is capable of locating calls from wireless devices.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The other nonmajor governmental funds (Confiscated Drug, Grant, Economic Development, Greenspace Fund, Hotel/Motel Tax and Cemetery Capital Improvement Funds) have a combined fund balance of \$982,078, of which \$367,697 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 from charges for services for the conference center and parking fund experienced a decrease of approximately 28% in fiscal year 2005-2006 and expenditures for services increased approximately 4%. The conference center and parking deck fund continued a positive cash position at the close of the fiscal year. Improvements to the conference center in fiscal year 2005-2006 included new carpeting and flooring throughout the conference center.

Revenue from stormwater fees increased approximately 13% during fiscal year 2005-2006. This can be attributed to the fee increase enacted in fiscal year 2003-2004 and enhanced collection efforts. After accounting for overhead charges due to the general fund for services rendered (\$230,000), the stormwater utility decreased its net assets by \$49,721 for total net assets of \$2,977,544 at the end of the fiscal year. Upon the completion of the stormwater utility master plan, the City initiated storm drainage improvements in conjunction with streetscapes projects and construction of neighborhood storm drainage improvements. This activity has contributed to the decrease in net assets. Over the next 12-18 months, the City will be pursuing various capital funding opportunities, including the use of revenue bonds.

Revenues in the solid waste fund were up about 8% as a result of the fee increases from fiscal year 2004-2005 and collection efforts. Operating expenses were up about 8% over fiscal year 2004-2005 and the fund experienced an operating income of \$387,021. Even after accounting for overhead charges due to the general fund for services rendered (\$172,940), the solid waste fund had an increase in net assets of \$214,081 which reduced the overall deficit to \$486,238. The solid waste fund continued a positive cash position with cash remaining in the amount of \$1,022,610.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted net assets of the Conference and Parking Deck fund at the end of the year amounted to \$221,523. Unrestricted net assets of the Stormwater Utility fund at the end of the year amounted to \$1,217,947. Unrestricted net assets of the Solid Waste fund at the end of the year amounted to (\$509,852).

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 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 Fund had a net increase of \$1,118,766 to net assets during fiscal year 2005-2006.

General Fund Budgetary Highlights

In fiscal year 2005-2006, it was initially anticipated that there would be a contribution of \$1,165,090 from the general fund balance to cover expenditures. However, because expenditures were approximately 2% less than budgeted and revenues were approximately four and one half percent higher than budgeted, the contribution from fund balance was actually \$154,953. The City's general fund balance as of June 30, 2006 is \$5,533,652. This is equivalent to approximately thirty-three percent of the City's current estimate of general fund expenditures for fiscal 2006-2007. It should be noted that the fiscal year 2006-2007 budget anticipates using \$146,100 of general fund balance to provide sufficient funds to meet operations. This would reduce the fund balance to approximately \$5,387,552 or thirty-two percent of general fund expenditures.

The final amended budget for revenues was approximately 2.8% more than the original budget. The main differences reflected concerns regarding lower business personal property taxes due to a decrease in the business personal property digest, a reduction in local grant income for an unfilled police officer position at the Decatur Housing Authority and a revised estimate for recreation service fees due to program adjustments. The final amended budget for expenditures was approximately 3.1% higher than the original budget. The original budget anticipated using \$1,165,090 of fund balance to meet expenditure needs and that figure was increased to \$1,195,894 in the amended budget. Although by the close of the fiscal year revenues exceeded budgetary estimates by \$702,646, expenditures were \$335,814 less than budgetary estimates, thus resulting in the need to only use \$154,953 from fund balance. The City's fund balance as of June 30, 2006 was \$5,533,652 which is approximately thirty-five percent of fiscal year 2005-2006 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, 2006, amounts to \$55,838,673 (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 increased approximately twelve percent for the current fiscal year mainly because of construction in progress, including City Hall. 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	
	2005	2006	2005	2006	2005	2006
Land	\$ 2,295	\$ 2,295	\$ 195	\$ 195	\$ 2,490	\$ 2,490
Construction in progress	1,307	5,662	-	-	1,307	5,662
Land improvements	499	386	-	-	499	386
Infrastructure	7,857	7,693	1,808	1,731	9,665	9,424
Building & improvements	30,077	32,266	3,835	3,592	33,912	35,858
Machinery & equipment	594	925	-	-	594	925
Vehicles	1,002	608	-	-	1,002	608
Furniture, fixtures, & equipment	-	-	493	486	493	486
Total	\$ 43,631	\$ 49,835	\$ 6,331	\$ 6,004	\$ 49,962	\$ 55,839

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 \$154,327,000.

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, 2006 was \$448,645.

At June 30, 2006, the City had long-term debt in the amount of \$7,512,199, which was comprised of \$5,219,925 in capital leases, certificates of participation, claims and judgments and compensated absences in the governmental activities and \$2,292,274 in capital leases, note payable, and compensated absences in the business-type activities. The long-term debt includes the certificates of participation issued in July 2005 in the principal amount of \$2,810,000 to finance the renovation and addition of Decatur City Hall.

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 5%. 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, 2006, unreserved fund balance in the general fund was \$5,523,991. The City has appropriated \$146,100 of this amount for spending in the 2007 fiscal year budget of which will allow for a transfer to the Capital Improvements Fund. This will help to fund one-time expenses including improvements to City facilities. Next year's budget includes a general salary adjustment for city positions, an emphasis on emergency planning and communications, technology improvements, transportation planning and significant capital investments through the general obligation bond financing that was approved in September 2006.

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, 2006**

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	City Schools of Decatur
Cash and cash equivalents	\$ 7,634,086	\$ 2,701,018	\$ 10,335,104	\$ 304,508	\$ 11,925,258
Taxes receivable	463,569	-	463,569	13,948	1,321,732
Other receivables	756,886	-	756,886	19,053	56,660
Accounts receivable, net of allowances	-	294,024	294,024	-	-
Due from primary government	-	-	-	80,508	4,425,220
Due from other governments	691,849	-	691,849	-	2,262,395
Due from component unit	40,460	-	40,460	-	-
Internal balances	980,518	(980,518)	-	-	-
Inventory	-	-	-	-	21,965
Prepaid items	9,851	2,629	12,480	-	-
Restricted Investments	609,184	-	609,184	-	-
Other current assets	26,500	-	26,500	-	-
Deferred charges, unamortized balance	-	29,378	29,378	-	-
Capitalized lease receivable from primary government	-	-	-	2,165,072	-
Capital assets:					
Non-depreciable	7,957,307	194,860	8,152,167	661,383	-
Depreciable, net of accumulated depreciation	41,877,336	5,809,170	47,686,506	-	3,920,306
Other non-current assets	754,949	-	754,949	-	-
Total assets	61,802,495	8,050,561	69,853,056	3,244,472	23,933,536
LIABILITIES					
Accounts payable	609,564	71,039	680,603	19,654	3,029,116
Accrued liabilities	1,669,132	19,550	1,688,682	-	2,517,906
Unearned revenue	145,884	1,351,283	1,497,167	-	8,400,541
Due to primary government	-	-	-	40,460	-
Certificates of participation due within one year	95,000	-	95,000	-	-
Certificates of participation due in more than one year	3,995,000	-	3,995,000	-	-
Claims and judgments payable due within one year	162,964	-	162,964	-	-
Compensated absences due within one year	536,436	34,882	571,318	-	103,243
Compensated absences due in more than one year	122,545	30,635	153,180	-	203,054
Capital leases due to component unit, current	-	685,000	685,000	-	-
Capital leases due to component unit, long-term	-	1,480,072	1,480,072	-	-
Capital leases due within one year	130,585	-	130,585	-	109,355
Capital leases due in more than one year	177,395	-	177,395	-	3,378,603
Notes payable due within one year	-	61,685	61,685	-	-
Notes payable due in more than one year	-	-	-	661,383	-
Bonds payable due within one year	-	-	-	685,000	-
Bonds payable due in more than one year	-	-	-	1,480,072	-
Total liabilities	7,644,505	3,734,146	11,378,651	2,886,569	17,741,818

(Continued)

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

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	\$ 46,045,847	\$ 3,386,797	\$ 49,432,644	\$ -	\$ 432,348
Restricted for capital projects	-	-	-	-	1,654,710
Restricted for grant programs	595,078	-	595,078	-	-
Unrestricted	7,517,065	929,618	8,446,683	357,903	4,104,660
Total net assets	<u>\$ 54,157,990</u>	<u>\$ 4,316,415</u>	<u>\$ 58,474,405</u>	<u>\$ 357,903</u>	<u>\$ 6,191,718</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, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 8,729,341	\$ 773,160	\$ 49,297	\$ 1,210,000
Education	1,844,704	-	893,101	4,320,291
Public safety	8,413,720	1,213,417	35,755	40,291
Public works	3,543,703	379,224	-	2,425,794
Recreation	1,872,562	618,298	19,011	54,760
Community & economic development	-	260,460	-	101,770
Interest on long-term debt	106,148	-	-	-
Total governmental activities	<u>24,510,178</u>	<u>3,244,559</u>	<u>997,164</u>	<u>8,152,906</u>
Business-type activities:				
Conference center	560,962	76,365	-	-
Stormwater	792,469	972,748	-	-
Solid Waste	1,945,415	2,332,436	-	-
Total business-type activities	<u>3,298,846</u>	<u>3,381,549</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,809,024</u>	<u>\$ 6,626,108</u>	<u>\$ 997,164</u>	<u>\$ 8,152,906</u>
Component units:				
Downtown Development Authority	\$ 1,590,641	\$ -	\$ -	\$ -
City Schools of Decatur	36,950,902	1,216,353	11,722,551	4,995
Total component units	<u>\$ 38,541,543</u>	<u>\$ 1,216,353</u>	<u>\$ 12,164,062</u>	<u>\$ 4,995</u>

General revenues:
Property taxes
Franchise taxes
Sales taxes
Business 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
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
\$ (6,696,884)	\$ -	\$ (6,696,884)	\$ -	\$ -
3,368,688	-	3,368,688	-	-
(7,124,257)	-	(7,124,257)	-	-
(738,685)	-	(738,685)	-	-
(1,180,493)	-	(1,180,493)	-	-
362,230	-	362,230	-	-
(106,148)	-	(106,148)	-	-
<u>(12,115,549)</u>	<u>-</u>	<u>(12,115,549)</u>	<u>-</u>	<u>-</u>
-	(484,597)	(484,597)	-	-
-	180,279	180,279	-	-
-	387,021	387,021	-	-
-	82,703	82,703	-	-
<u>(12,115,549)</u>	<u>82,703</u>	<u>(12,032,846)</u>	<u>-</u>	<u>-</u>
-	-	-	(1,590,641)	-
-	-	-	-	(24,007,003)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,590,641)</u>	<u>\$ (24,007,003)</u>
\$ 11,846,816	\$ -	\$ 11,846,816	\$ 371,965	\$ 18,894,447
1,254,130	-	1,254,130	-	-
579,448	-	579,448	-	2,677,827
1,362,496	-	1,362,496	-	-
-	-	-	-	20,000
312,238	-	312,238	-	430,469
24,307	-	24,307	-	-
-	-	-	193,276	504,311
(594,908)	594,908	-	-	-
<u>14,784,527</u>	<u>594,908</u>	<u>15,379,435</u>	<u>565,241</u>	<u>22,527,054</u>
2,668,978	677,611	3,346,589	(1,025,400)	(1,479,949)
51,489,012	3,638,804	55,127,816	1,383,303	7,671,667
<u>\$ 54,157,990</u>	<u>\$ 4,316,415</u>	<u>\$ 58,474,405</u>	<u>\$ 357,903</u>	<u>\$ 6,191,718</u>

CITY OF DECATUR, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

ASSETS	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 4,952,461	\$ 1,738,933	\$ 942,692	\$ 7,634,086
Taxes receivable	365,700	37,761	60,108	463,569
Other receivables	200,136	500,162	56,588	756,886
Due from other governments	-	-	691,849	691,849
Due from other funds	1,683,840	-	4,500	1,688,340
Due from component unit	10,460	30,000	-	40,460
Restricted investments	-	609,184	-	609,184
Advances to other funds	-	419,854	-	419,854
Prepaid expenditures	9,661	-	190	9,851
Other current assets	26,500	-	-	26,500
Total assets	\$ 7,248,758	\$ 3,335,894	\$ 1,755,927	\$ 12,340,579
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 383,329	\$ -	\$ 226,235	\$ 609,564
Accrued liabilities	934,441	585,441	-	1,519,882
Deferred revenues	244,164	23,757	14,638	282,559
Due to other funds	153,172	827,115	296,061	1,276,348
Total liabilities	1,715,106	1,436,313	536,934	3,688,353
FUND BALANCES				
Fund balances:				
Reserved for:				
Long-term advances	-	419,854	-	419,854
Prepaid expenditures	9,661	-	190	9,851
Program expenditures	-	-	595,078	595,078
Tree preservation	-	-	19,303	19,303
Debt service	-	-	158,503	158,503
Unreserved, reported in:				
General fund	5,523,991	-	-	5,523,991
Special revenue funds	-	-	347,386	347,386
Capital projects funds	-	1,479,727	98,533	1,578,260
Total fund balances	5,533,652	1,899,581	1,218,993	8,652,226
Total liabilities and fund balances	\$ 7,248,758	\$ 3,335,894	\$ 1,755,927	
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.				49,834,643
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				136,675
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.				(5,220,503)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds.				754,949
Net assets of governmental activities				\$ 54,157,990

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, 2006**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 13,269,475	\$ 968,810	\$ 894,975	\$ 15,133,260
Licenses and permits	720,984	-	-	720,984
Intergovernmental	279,471	2,520,845	893,101	3,693,417
Fines and forfeitures	628,457	-	24,648	653,105
Charges for services	1,018,331	-	523,601	1,541,932
Interest income	246,365	65,611	262	312,238
Other revenues	127,923	913,674	113,303	1,154,900
Total revenues	<u>16,291,006</u>	<u>4,468,940</u>	<u>2,449,890</u>	<u>23,209,836</u>
Expenditures				
Current:				
General government	4,596,597	3,835,769	85,549	8,517,915
Education	-	-	692,953	692,953
Public safety	6,844,824	-	891,001	7,735,825
Public works	2,839,039	-	-	2,839,039
Recreation	1,655,920	-	-	1,655,920
Capital outlay	-	3,597,389	-	3,597,389
Debt service:				
Principal retirements	-	251,624	11,111	262,735
Interest and fiscal charges	-	108,022	-	108,022
Total expenditures	<u>15,936,380</u>	<u>7,792,804</u>	<u>1,680,614</u>	<u>25,409,798</u>
Excess (deficiency) of revenues over expenditures	<u>354,626</u>	<u>(3,323,864)</u>	<u>769,276</u>	<u>(2,199,962)</u>
Other financing sources (uses):				
Proceeds from capital leases	-	185,832	-	185,832
Issuance of long-term debt	-	2,810,000	-	2,810,000
Proceeds from sale of capital assets	22,481	-	1,826	24,307
Transfers in	402,940	600,000	335,000	1,337,940
Transfers out	(935,000)	-	(997,848)	(1,932,848)
Total other financing sources (uses)	<u>(509,579)</u>	<u>3,595,832</u>	<u>(661,022)</u>	<u>2,425,231</u>
Net change in fund balances	(154,953)	271,968	108,254	225,269
Fund balances, beginning of year	<u>5,688,605</u>	<u>1,627,613</u>	<u>1,110,739</u>	<u>8,426,957</u>
Fund balances, end of year	<u>\$ 5,533,652</u>	<u>\$ 1,899,581</u>	<u>\$ 1,218,993</u>	<u>\$ 8,652,226</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, 2006

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

Net change in fund balances - total governmental funds	\$	225,269
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 capital outlay exceeded depreciation in the current period.		1,572,876
The net effect of the donation of capital assets is to increase net assets.		4,630,291
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(90,370)
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.		(2,733,097)
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>(935,991)</u>
Change in net assets - governmental activities	\$	<u>2,668,978</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, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 12,477,080	\$ 12,693,230	\$ 13,269,475	\$ 576,245
Licenses and permits	473,880	634,400	720,984	86,584
Fines and forfeitures	625,000	672,000	628,457	(43,543)
Interest	81,000	210,000	246,365	36,365
Charges for services	1,107,300	998,940	1,018,331	19,391
Intergovernmental	325,000	272,460	279,471	7,011
Contributions	-	29,000	35,623	6,623
Miscellaneous	73,500	78,330	92,300	13,970
Total revenues	<u>15,162,760</u>	<u>15,588,360</u>	<u>16,291,006</u>	<u>702,646</u>
Expenditures				
Current:				
General government:				
Commission	116,190	115,960	78,293	37,667
Manager	472,910	453,960	424,457	29,503
Administrative services	1,141,450	1,225,620	1,189,822	35,798
Attorney	250,000	600,000	593,327	6,673
Community & economic development	729,480	725,830	752,833	(27,003)
Development and inspection	504,130	492,780	476,634	16,146
Accounting, collection and records	1,134,680	1,125,940	1,081,231	44,709
Total general government	<u>4,348,840</u>	<u>4,740,090</u>	<u>4,596,597</u>	<u>143,493</u>
Public safety:				
General management	588,580	526,700	531,638	(4,938)
Fire	2,839,680	2,855,010	2,876,220	(21,210)
Police	3,426,810	3,490,170	3,436,966	53,204
Total public safety	<u>6,855,070</u>	<u>6,871,880</u>	<u>6,844,824</u>	<u>27,056</u>
Public works:				
Engineering	658,090	638,490	649,501	(11,011)
Motor maintenance	484,090	647,070	636,384	10,686
Buildings and grounds maintenance	1,223,800	1,259,290	1,219,102	40,188
Cemetery	346,030	337,830	334,052	3,778
Total public works	<u>2,712,010</u>	<u>2,882,680</u>	<u>2,839,039</u>	<u>43,641</u>
Recreation	1,860,130	1,777,544	1,655,920	121,624
Total expenditures	<u>15,776,050</u>	<u>16,272,194</u>	<u>15,936,380</u>	<u>335,814</u>
Excess (deficiency) of revenues over expenditures	<u>(613,290)</u>	<u>(683,834)</u>	<u>354,626</u>	<u>1,038,460</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	15,000	20,000	22,481	2,481
Transfers out	(1,366,000)	(935,000)	(935,000)	-
Transfers in	799,200	402,940	402,940	-
Total other financing sources (uses)	<u>(551,800)</u>	<u>(512,060)</u>	<u>(509,579)</u>	<u>2,481</u>
Net change in fund balances	(1,165,090)	(1,195,894)	(154,953)	1,040,941
Fund balance, beginning of year	<u>5,688,605</u>	<u>5,688,605</u>	<u>5,688,605</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,523,515</u>	<u>\$ 4,492,711</u>	<u>\$ 5,533,652</u>	<u>\$ 1,040,941</u>

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

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

ASSETS	Business-type Activities - Enterprise Funds			
	Conference & Parking Deck Fund	Stormwater Utility Fund	Solid Waste Fund	Totals
CURRENT ASSETS				
Cash	\$ 115,024	\$ 1,563,384	\$ 1,022,610	\$ 2,701,018
Accounts receivable	18,000	70,831	205,193	294,024
Due from other funds	110,000	31,601	372,701	514,302
Prepaid items	2,629	-	-	2,629
Total current assets	<u>245,653</u>	<u>1,665,816</u>	<u>1,600,504</u>	<u>3,511,973</u>
CAPITAL ASSETS				
Land	194,860	-	-	194,860
Infrastructure	-	3,589,664	-	3,589,664
Buildings	8,469,375	-	-	8,469,375
Furniture, fixtures and equipment	164,719	134,832	1,384,377	1,683,928
	<u>8,828,954</u>	<u>3,724,496</u>	<u>1,384,377</u>	<u>13,937,827</u>
Accumulated depreciation	(5,027,989)	(1,956,913)	(948,895)	(7,933,797)
	<u>3,800,965</u>	<u>1,767,583</u>	<u>435,482</u>	<u>6,004,030</u>
OTHER NONCURRENT ASSETS	<u>29,378</u>	<u>-</u>	<u>-</u>	<u>29,378</u>
Total noncurrent assets	<u>3,830,343</u>	<u>1,767,583</u>	<u>435,482</u>	<u>6,033,408</u>
Total assets	<u>4,075,996</u>	<u>3,433,399</u>	<u>2,035,986</u>	<u>9,545,381</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	4,580	13,876	52,583	71,039
Accrued liabilities	19,550	-	-	19,550
Compensated absences payable	-	8,067	26,815	34,882
Due to other funds	-	19,319	1,055,647	1,074,966
Deferred revenue	-	406,607	944,676	1,351,283
Capitalized lease obligations - due to component unit	685,000	-	-	685,000
Note payable - current	61,685	-	-	61,685
Total current liabilities	<u>770,815</u>	<u>447,869</u>	<u>2,079,721</u>	<u>3,298,405</u>
NONCURRENT LIABILITIES				
Capitalized lease obligations - due to component unit - long term	1,480,072	-	-	1,480,072
Compensated absences payable - long-term	-	-	30,635	30,635
Advances from other funds	-	7,986	411,868	419,854
Total noncurrent liabilities	<u>1,480,072</u>	<u>7,986</u>	<u>442,503</u>	<u>1,930,561</u>
Total liabilities	<u>2,250,887</u>	<u>455,855</u>	<u>2,522,224</u>	<u>5,228,966</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,603,586	1,759,597	23,614	3,386,797
Unrestricted	221,523	1,217,947	(509,852)	929,618
Total net assets	<u>\$ 1,825,109</u>	<u>\$ 2,977,544</u>	<u>\$ (486,238)</u>	<u>\$ 4,316,415</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, 2006**

	Business-type Activities - Enterprise Funds			Totals
	Conference & Parking Deck Fund	Stormwater Utility Fund	Solid Waste Fund	
OPERATING REVENUE				
Storm water fees	\$ -	\$ 972,748	\$ -	\$ 972,748
Sanitation fees	-	-	2,265,106	2,265,106
Charges for sales and services	76,365	-	-	76,365
Miscellaneous	-	-	67,330	67,330
Total operating revenues	76,365	972,748	2,332,436	3,381,549
OPERATING EXPENSES				
Cost of sales and services	61,145	688,067	1,808,217	2,557,429
Depreciation and amortization	367,008	104,402	137,198	608,608
Total operating expenses	428,153	792,469	1,945,415	3,166,037
Operating income (loss)	(351,788)	180,279	387,021	215,512
NON-OPERATING EXPENSES				
Interest expense	(132,809)	-	-	(132,809)
Total non-operating expenses	(132,809)	-	-	(132,809)
Income (loss) before transfers	(484,597)	180,279	387,021	82,703
Transfers in	997,848	-	-	997,848
Transfers out	-	(230,000)	(172,940)	(402,940)
	997,848	(230,000)	(172,940)	594,908
Change in net assets	513,251	(49,721)	214,081	677,611
Total net assets, beginning	1,311,858	3,027,265	(700,319)	3,638,804
Total net assets, ending	\$ 1,825,109	\$ 2,977,544	\$ (486,238)	\$ 4,316,415

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, 2006**

	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	\$ 92,518	\$ 964,385	\$ 2,307,565	\$ 3,364,468
Payments to suppliers	(177,027)	(480,554)	(1,495,721)	(2,153,302)
Payments to employees	-	(279,059)	(580,193)	(859,252)
Net cash provided by (used in) operating activities	<u>(84,509)</u>	<u>204,772</u>	<u>231,651</u>	<u>351,914</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	997,848	-	-	997,848
Transfers out to other funds	-	(230,000)	(172,940)	(402,940)
Net cash provided by (used in) non-capital financing activities	<u>997,848</u>	<u>(230,000)</u>	<u>(172,940)</u>	<u>594,908</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on capital lease	(650,000)	-	-	(650,000)
Principal payments on note payable	(108,584)	-	-	(108,584)
Repayment of advances from other funds	-	(23,615)	-	(23,615)
Advances from other funds	-	-	39,167	39,167
Interest paid	(138,952)	-	-	(138,952)
Purchase of capital assets	(105,960)	-	(157,516)	(263,476)
Net cash used in capital and related financing activities	<u>(1,003,496)</u>	<u>(23,615)</u>	<u>(118,349)</u>	<u>(1,145,460)</u>
Net decrease in cash	(90,157)	(48,843)	(59,638)	(198,638)
Cash, beginning of year	205,181	1,612,227	1,082,248	2,899,656
Cash, end of year	<u>\$ 115,024</u>	<u>\$ 1,563,384</u>	<u>\$ 1,022,610</u>	<u>\$ 2,701,018</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (351,788)	\$ 180,279	\$ 387,021	\$ 215,512
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	367,008	104,402	137,198	608,608
Change in assets and liabilities:				
Increase in fees receivable	-	(7,933)	(38,483)	(46,416)
Decrease in accounts receivable	16,153	-	-	16,153
Increase in due from other funds	(110,000)	(31,601)	(372,701)	(514,302)
Increase in prepaid items	(2,629)	-	-	(2,629)
Increase (decrease) in accounts payable	(2,986)	13,876	(233,272)	(222,382)
Decrease in accrued liabilities	-	(6,247)	-	(6,247)
Increase in compensated absences payable	-	3,291	5,256	8,547
Increase (decrease) in deferred revenue	-	(430)	13,612	13,182
Increase (decrease) in due to other funds	(267)	(50,865)	333,020	281,888
Net cash provided by (used in) operating activities	<u>\$ (84,509)</u>	<u>\$ 204,772</u>	<u>\$ 231,651</u>	<u>\$ 351,914</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, 2006**

ASSETS	Pension Trust Fund	Agency Funds
Cash	\$ 173,196	\$ 4,570,380
Mutual funds	20,182,606	-
Due from other funds	148,672	-
 Total assets	 <u>20,504,474</u>	 <u>4,570,380</u>
 LIABILITIES		
Accounts payable	309	-
Due to other governments	-	60,682
Due to component unit	-	4,505,728
Due to others	-	3,970
 Total liabilities	 <u>309</u>	 <u>4,570,380</u>
 NET ASSETS		
Assets held in trust for pension benefits	<u>\$ 20,504,165</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, 2006**

ADDITIONS

Contributions

Plan member contributions	\$ 536,378
Employer contributions	<u>790,130</u>

Total contributions 1,326,508

Investment income

Net appreciation in fair value of investments	492,132
Interest and dividends	<u>581,378</u>

Total investment income 1,073,510

Total additions 2,400,018

DEDUCTIONS

Benefit payments	1,046,762
Refunds paid to Plan members and beneficiaries	146,064
Administrative fees	<u>88,426</u>

Total deductions 1,281,252

Net increase 1,118,766

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

Beginning of year 19,385,399

End of year \$ 20,504,165

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

CITY OF DECATUR, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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, 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. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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, sales 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, including municipal court bonds and property taxes.

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 is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is 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, 2006, 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 \$5,220,503 difference are as follows:

Accrued interest payable	\$ (578)
Capital leases payable	(307,980)
Certificates of participation	(4,090,000)
Claims and judgements payable	(162,964)
Compensated absences	<u>(658,981)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (5,220,503)</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 \$1,572,876 difference are as follows:

Capital outlay	\$ 3,597,389
Capital outlay expenditures recognized in various functions	173,724
Depreciation expense	<u>(2,198,237)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,572,876</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 \$2,733,097 difference are as follows:

Proceeds from capital leases	\$ (185,832)
Issuance of long-term debt	(2,810,000)
Principal retirement of long-term debt	<u>262,735</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (2,733,097)</u></u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$935,991 difference are as follows:

Compensated absences	\$ 32,388
Claims and judgments	243,875
Accrued interest	1,874
Net pension asset	<u>(1,214,128)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (935,991)</u></u>

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

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

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 funds and General Fund departments had excesses of actual expenditures over appropriations for the fiscal year ended June 30, 2006:

Greenspace Fund	\$	167
Capital Improvement Fund		1,402,734
General Fund departments:		
Community and economic development		27,003
General management		4,938
Fire		21,210
Engineering		11,011

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

As of June 30, 2006, the City had \$20,182,606 invested on behalf of a defined pension fund and \$609,184 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 asset allocation ranges and performance benchmarks.

Investment	Maturities	Fair Value
Guaranteed Investment Contract	June 1, 2028	\$ 609,184
Stock mutual funds	(1)	10,908,910
Taxable bond funds	4.69 to 4.92 average effective duration	9,273,696
Total		<u>\$ 20,791,790</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, 2006 was 4.80 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.

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 statues, and City policy, 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, 2006, the City had a bank balance of \$161,457 that 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, 2006, 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	\$ 383,409	\$ 39,359	\$ -	\$ -	\$ -	\$ 60,400
Accounts	-	-	18,000	103,958	242,980	-
Due from other governments	-	-	-	-	-	691,849
Other	294,604	500,162	-	-	-	56,588
Less allowance for uncollectible	112,177	1,598	-	33,127	37,787	292
Net total receivable	<u>\$ 565,836</u>	<u>\$ 537,923</u>	<u>\$ 18,000</u>	<u>\$ 70,831</u>	<u>\$ 205,193</u>	<u>\$ 808,545</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2006, 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	\$ 2,295,106	\$ -	\$ -	\$ 2,295,106
Construction in progress	1,306,566	4,480,964	(125,329)	5,662,201
Total	<u>3,601,672</u>	<u>4,480,964</u>	<u>(125,329)</u>	<u>7,957,307</u>
Capital assets, being depreciated:				
Land improvements	1,039,617	-	(79,270)	960,347
Infrastructure	19,442,252	309,710	-	19,751,962
Buildings and improvements	43,023,662	3,074,337	-	46,097,999
Machinery and equipment	2,668,516	602,628	-	3,271,144
Vehicles	3,040,631	138,364	(233,202)	2,945,793
Total	<u>69,214,678</u>	<u>4,125,039</u>	<u>(312,472)</u>	<u>73,027,245</u>
Less accumulated depreciation for:				
Land improvements	(540,417)	(33,542)	-	(573,959)
Infrastructure	(11,585,006)	(473,910)	-	(12,058,916)
Buildings and improvements	(12,946,867)	(885,610)	-	(13,832,477)
Machinery and equipment	(2,074,599)	(271,755)	-	(2,346,354)
Vehicles	(2,037,985)	(533,420)	233,202	(2,338,203)
Total	<u>(29,184,874)</u>	<u>(2,198,237)</u>	<u>233,202</u>	<u>(31,149,909)</u>
Total capital assets, being depreciated, net	<u>40,029,804</u>	<u>1,926,802</u>	<u>(79,270)</u>	<u>41,877,336</u>
Governmental activities capital assets, net	<u>\$ 43,631,476</u>	<u>\$ 6,407,766</u>	<u>\$ (204,599)</u>	<u>\$ 49,834,643</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	\$ 194,860	\$ -	\$ -	\$ 194,860
Total	<u>194,860</u>	<u>-</u>	<u>-</u>	<u>194,860</u>
Capital assets, being depreciated:				
Infrastructure	3,589,664	-	-	3,589,664
Buildings	8,363,415	105,960	-	8,469,375
Furniture, fixtures, and equipment	1,826,562	157,516	(300,150)	1,683,928
Total	<u>13,779,641</u>	<u>263,476</u>	<u>(300,150)</u>	<u>13,742,967</u>
Less accumulated depreciation for:				
Infrastructure	(1,781,471)	(77,497)	-	(1,858,968)
Buildings	(4,527,826)	(349,296)	-	(4,877,122)
Furniture, fixtures, and equipment	(1,333,754)	(164,103)	300,150	(1,197,707)
Total	<u>(7,643,051)</u>	<u>(590,896)</u>	<u>300,150</u>	<u>(7,933,797)</u>
Total capital assets, being depreciated, net	<u>6,136,590</u>	<u>(327,420)</u>	<u>-</u>	<u>5,809,170</u>
Business-type activities capital assets, net	<u>\$ 6,331,450</u>	<u>\$ (327,420)</u>	<u>\$ -</u>	<u>\$ 6,004,030</u>

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

Governmental activities:	
General government	\$ 142,316
Education	1,151,751
Public safety	252,080
Public works	536,511
Recreation	115,579
Total depreciation expense - governmental activities	<u>\$ 2,198,237</u>
Business-type activities:	
Conference and Parking Deck	\$ 349,296
Stormwater	104,402
Sanitation	137,198
Total depreciation expense - business-type activities	<u>\$ 590,896</u>

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:				
Leasehold improvements	\$ -	\$ 3,615,047	\$ -	\$ 3,615,047
Equipment	846,673	153,750	(11,599)	988,824
Total	<u>846,673</u>	<u>3,768,797</u>	<u>(11,599)</u>	<u>4,603,871</u>
Less accumulated depreciation for:				
Leasehold improvements	-	(200,836)	-	(200,836)
Equipment	(392,753)	(101,075)	11,099	(482,729)
Total	<u>(392,753)</u>	<u>(301,911)</u>	<u>11,099</u>	<u>(683,565)</u>
Total capital assets, being depreciated, net	<u>453,920</u>	<u>3,466,886</u>	<u>(500)</u>	<u>3,920,306</u>
Governmental activities capital assets, net	<u>\$ 453,920</u>	<u>\$ 3,466,886</u>	<u>\$ (500)</u>	<u>\$ 3,920,306</u>

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2006, 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	\$ 344,883	\$ 185,832	\$ (222,735)	\$ 307,980	\$ 130,585
Certificates of participation	1,320,000	2,810,000	(40,000)	4,090,000	95,000
Claims and judgments	406,839	42,019	(285,894)	162,964	162,964
Compensated absences	691,369	530,413	(562,801)	658,981	536,436
Governmental activity Long-term liabilities	<u>\$ 2,763,091</u>	<u>\$ 3,568,264</u>	<u>\$ (1,111,430)</u>	<u>\$ 5,219,925</u>	<u>\$ 924,985</u>
Business-type activities:					
Capital leases - due to component unit	\$ 2,825,000	\$ -	\$ (650,000)	\$ 2,175,000	\$ 685,000
Less deferred amounts	(14,332)	4,404	-	(9,928)	
	<u>2,810,668</u>	<u>4,404</u>	<u>(650,000)</u>	<u>2,165,072</u>	
Note payable	170,269	-	(108,584)	61,685	61,685
Compensated absences	56,970	46,148	(37,601)	65,517	34,882
Business-type activity Long-term liabilities	<u>\$ 3,037,907</u>	<u>\$ 50,552</u>	<u>\$ (796,185)</u>	<u>\$ 2,292,274</u>	<u>\$ 781,567</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, 2006, the City had \$448,645 of machinery and equipment under capital leases.

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

Fiscal Year Ending June 30,	<u>Governmental Activities</u>
2007	\$ 141,331
2008	107,911
2009	40,654
2010	<u>40,654</u>
Total minimum lease payments	330,550
Less amount representing interest	<u>22,570</u>
Present value of future minimum lease payments	<u><u>\$ 307,980</u></u>

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

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, 2006:

Fiscal Year Ending June 30,		
2007	\$	779,374
2008		783,066
2009		784,669
		2,347,109
Less:		
Amount representing interest		(172,109)
Unamortized loss on refunding		(9,928)
Net present value of capitalized lease obligation due to component unit		\$ 2,165,072

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.

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, 2006:

	Principal	Interest	Total
Fiscal Year Ending June 30, 2007	\$ 61,685	\$ 2,487	\$ 64,172

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

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.

In July 2005, the City issued certificates of participation, Series 2005, in the principal amount of \$2,810,000 with principal and interest payments beginning January 1, 2006 through January 1, 2026 at an interest rate of 3.91%. Proceeds were used to acquire, construct, install and equip certain renovations and additions to its City Hall.

The City's total certificates of participation debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 95,000	\$ 116,854	\$ 211,854
2008	95,000	167,292	262,292
2009	100,000	163,578	263,578
2010	105,000	159,668	264,668
2011	110,000	155,562	265,562
2012-2016	620,000	709,390	1,329,390
2017-2021	745,000	579,186	1,324,186
2022-2026	900,000	421,806	1,321,806
2027-2028	1,320,000	125,400	1,445,400
Total	<u>\$ 4,090,000</u>	<u>\$ 2,598,736</u>	<u>\$ 6,688,736</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

City Schools of Decatur

Long-term liability activity for the year ended June 30, 2006, 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:					
Capital leases	\$ -	\$ 3,615,047	\$ (127,089)	\$ 3,487,958	\$ 109,355
Compensated absences	292,841	162,574	(149,118)	306,297	103,243
Governmental activity					
Long-term liabilities	<u>\$ 292,841</u>	<u>\$ 3,777,621</u>	<u>\$ (276,207)</u>	<u>\$ 3,794,255</u>	<u>\$ 212,598</u>

Future required minimum payments on the City Schools of Decatur's capital leases are as follows at June 30, 2006:

Fiscal Year Ending June 30,	
2007	\$ 251,590
2008	251,590
2009	251,590
2010	251,590
2011	251,590
2012-2016	1,257,950
2017-2021	1,257,950
2022-2026	1,048,293
	<u>4,822,143</u>
Less amount representing interest	(1,334,185)
Net present value of capitalized lease obligation	<u>\$ 3,487,958</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2006, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ 422,813
General Fund	Solid Waste Fund	1,055,647
General Fund	Stormwater Utility Fund	19,319
General Fund	Nonmajor governmental funds	186,061
Solid Waste Fund	Capital Improvements Fund	372,701
Stormwater Utility Fund	Capital Improvements Fund	31,601
Conference & Parking Deck Fund	Nonmajor governmental funds	110,000
Pension Trust Fund	General Fund	148,672
Nonmajor governmental funds	General Fund	4,500
		<u>\$ 2,351,314</u>

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

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	\$ 10,460
Primary government - Capital Improvement Fund	Component unit - Downtown Development Authority	30,000
Component unit - Downtown Development Authority	Primary government - Downtown Development Authority Fund	80,508
Component unit - City Schools of Decatur	Primary government - Board of Education Fund	4,425,220
		<u>\$ 4,546,188</u>

NOTES TO FINANCIAL STATEMENTS

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 335,000
Capital Improvement Fund	General Fund	600,000
		<u>\$ 935,000</u>
General Fund	Solid Waste Fund	\$ 172,940
General Fund	Stormwater Utility Fund	230,000
		<u>\$ 402,940</u>
Conference & Parking Deck Fund	Nonmajor governmental funds	<u>\$ 997,848</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.

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	\$ 411,868
Capital Improvement Fund	Stormwater Utility Fund	7,986
		<u>\$ 419,854</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.

NOTES TO FINANCIAL STATEMENTS

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, 2006 the most recent actuarial valuation date, the plan membership included the following categories of participants:

Retirees and beneficiaries receiving benefits	72
Terminated vested participants not yet receiving benefits	7
Active participants	186
	<u>265</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, 2006, were as follows: State Street Equity Investments Mutual Fund of \$20,182,606. 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, 2005, 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 obligation (asset) for the year ended June 30, 2006, is as follows:

Annual required contribution	\$ 790,460
Interest on net pension obligation (asset)	(60,140)
Adjustments to annual required contribution	107,058
Annual pension cost	<u>837,378</u>
Contributions made	<u>790,460</u>
Increase in net pension obligation	46,918
Net pension obligation (asset), beginning of year	(801,867)
Net pension obligation (asset), end of year	<u><u>\$ (754,949)</u></u>

The estimated interest adjustment has been calculated by applying a 7.5% rate of return to the beginning of the year balance of the net pension obligation (asset).

For the year ended June 30, 2006, the City's contribution was 9.59% of covered payroll.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 2006	\$ 837,378	94%	\$ (754,949)
June 30, 2005	488,305	91%	(801,867)
June 30, 2004	450,624	86%	(847,251)

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contribution</u>	<u>Percentage of ARC Contributed</u>
June 30, 2006	\$ 790,460	\$ 790,460	100%
June 30, 2005	436,262	442,921	102%
June 30, 2004	394,624	386,188	98%
June 30, 2003	113,827	126,389	111%
June 30, 2002	54,136	149,866	277%
June 30, 2001	52,267	84,928	162%

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, 2006, 2005, and 2004, were \$882,491, \$862,782, and \$855,647, respectively. The District's contributions to TRS for the years ended June 30, 2006, 2005, and 2004, were \$1,610,521, \$1,559,146, and \$1,552,127, 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)

City Schools of Decatur (Continued)

Public School Employees Retirement System (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, 2006, June 30, 2005, and June 30, 2004 totaled \$2,364, \$1,992, and \$2,352, 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, 2006, June 30, 2005, and June 30, 2004 for District employees were \$2,144, \$6,472, and \$33,267, respectively.

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 64 employees covered under PSERS for the year ended June 30, 2006.

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, 2006, there were 79 plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED CONTRIBUTION PENSION PLAN (Continued)

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to a maximum of \$14,000 from July 1, 2005 through December 31, 2005 and up to a maximum of \$15,000 from January 1, 2006 through June 30, 2006. 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 five employees. Total employer and employee contributions for the year ended June 30, 2006, was \$26,189 and \$131,931, respectively.

NOTE 11. FUND DEFICITS

For the year ended June 30, 2006, the City's Solid Waste Fund had deficit net assets of \$486,238. The fund deficit in the Solid Waste Fund will be reduced through increased user charges and General Fund appropriations, as needed.

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.

NOTES TO FINANCIAL STATEMENTS

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.

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, 72 retirees are eligible for post-retirement benefits. These post-retirement benefits are funded on a pay-as-you go basis and totaled \$1,046,762 for the year ended June 30, 2006.

<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>
2006	\$ 79,032	\$ 1,763,593	\$ 1,745,450	\$ 97,175
2005	\$ 128,319	\$ 2,039,343	\$ 2,088,630	\$ 79,032

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 \$1,000,000 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>
2006	\$ 77,127	\$ 104,047	\$ 153,948	\$ 27,226
2005	\$ 120,795	\$ 129,510	\$ 173,178	\$ 77,127

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, 2006, contractual commitments on uncompleted contracts were \$2,091,186.

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.

City Schools of Decatur:

The District has a contingent liability related to various special education services for two students of the District. At present, the District is required to pay approximately \$1,821,745 over the next seven years for special service needs, which will be provided by an outside professional. The District is continuing settlement negotiations. The future commitments are as follows:

Year Ending June 30,			
2007	\$	424,623	
2008		265,623	
2009		265,623	
2010		265,623	
2011		265,623	
2012-2013		334,630	
Total future payments	\$	1,821,745	

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 \$297,848. Of this amount 100%, or \$297,848, 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.

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 Fund – To account for amounts received and expended for greenspace acquisitions.

Hotel/Motel Tax Fund – To account for the 7% lodging tax levied in the City.

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.

CITY OF DECATUR, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

ASSETS	Special Revenue Funds			
	Emergency Telephone System Fund	Confiscated Drug Fund	Grant Fund	Economic Development Fund
Cash and cash equivalents	\$ 263,430	\$ 40,766	\$ 48,536	\$ 214,093
Taxes receivable	-	-	-	-
Due from other governments	-	-	691,849	-
Other receivables	51,781	-	-	1,045
Prepaid expenditures	190	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 315,401	\$ 40,766	\$ 740,385	\$ 215,138
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 189,310	\$ -	\$ 6,925	\$ -
Due to other funds	47,679	-	138,382	-
Deferred revenue	-	-	-	-
Total liabilities	236,989	-	145,307	-
FUND BALANCES				
Reserved for:				
Prepaid expenditures	190	-	-	-
Program expenditures	-	-	595,078	-
Tree preservation	-	-	-	19,303
Debt service	-	-	-	-
Unreserved	78,222	40,766	-	195,835
	78,412	40,766	595,078	215,138
Total liabilities and fund balances	\$ 315,401	\$ 40,766	\$ 740,385	\$ 215,138

Greenspace Fund	Hotel/Motel Tax Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
			Cemetery Capital Improvement Fund	
\$ 35,687	\$ -	\$ 246,147	\$ 94,033	\$ 942,692
-	36,876	23,232	-	60,108
-	-	-	-	691,849
-	-	3,762	-	56,588
-	-	-	-	190
-	-	-	4,500	4,500
<u>\$ 35,687</u>	<u>\$ 36,876</u>	<u>\$ 273,141</u>	<u>\$ 98,533</u>	<u>\$ 1,755,927</u>
\$ 30,000	\$ -	\$ -	\$ -	\$ 226,235
-	10,000	100,000	-	296,061
-	-	14,638	-	14,638
<u>30,000</u>	<u>10,000</u>	<u>114,638</u>	<u>-</u>	<u>536,934</u>
-	-	-	-	190
-	-	-	-	595,078
-	-	-	-	19,303
-	-	158,503	-	158,503
<u>5,687</u>	<u>26,876</u>	<u>-</u>	<u>98,533</u>	<u>445,919</u>
<u>5,687</u>	<u>26,876</u>	<u>158,503</u>	<u>98,533</u>	<u>1,218,993</u>
<u>\$ 35,687</u>	<u>\$ 36,876</u>	<u>\$ 273,141</u>	<u>\$ 98,533</u>	<u>\$ 1,755,927</u>

CITY OF DECATUR, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			
	Emergency Telephone System Fund	Confiscated Drug Fund	Grant Fund	Economic Development Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	523,601	-	-	-
Intergovernmental	-	-	893,101	-
Fines and forfeitures	-	24,648	-	-
Interest	-	262	-	-
Miscellaneous	-	-	-	94,881
Total revenues	523,601	24,910	893,101	94,881
EXPENDITURES				
Current				
General government	-	-	-	21,882
Education	-	-	692,953	-
Public safety	856,429	34,572	-	-
Debt service				
Principal retirements	11,111	-	-	-
Total expenditures	867,540	34,572	692,953	21,882
Excess (deficiency) of revenues over (under) expenditures	(343,939)	(9,662)	200,148	72,999
Other financing sources (uses)				
Proceeds from sale of capital assets	-	1,826	-	-
Transfers in	285,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	285,000	1,826	-	-
Net change in fund balances	(58,939)	(7,836)	200,148	72,999
FUND BALANCES, beginning of year	137,351	48,602	394,930	142,139
FUND BALANCES, end of year	\$ 78,412	\$ 40,766	\$ 595,078	\$ 215,138

Greenspace Fund	Hotel/Motel Tax Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
			Cemetery Capital Improvement Fund	
\$ -	\$ 334,724	\$ 560,251	\$ -	\$ 894,975
-	-	-	-	523,601
-	-	-	-	893,101
-	-	-	-	24,648
-	-	-	-	262
6,889	-	-	11,533	113,303
6,889	334,724	560,251	11,533	2,449,890
50,167	10,000	-	3,500	85,549
-	-	-	-	692,953
-	-	-	-	891,001
-	-	-	-	11,111
50,167	10,000	-	3,500	1,680,614
(43,278)	324,724	560,251	8,033	769,276
-	-	-	-	1,826
50,000	-	-	-	335,000
-	(297,848)	(700,000)	-	(997,848)
50,000	(297,848)	(700,000)	-	(661,022)
6,722	26,876	(139,749)	8,033	108,254
(1,035)	-	298,252	90,500	1,110,739
\$ 5,687	\$ 26,876	\$ 158,503	\$ 98,533	\$ 1,218,993

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, 2006

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 427,870	\$ 464,000	\$ 523,601	\$ 59,601
EXPENDITURES				
Public Safety	897,610	898,900	856,429	42,471
Debt Service				
Principal	39,320	11,200	11,111	89
Total expenditures	936,930	910,100	867,540	42,560
Deficiency of revenues under expenditures	(509,060)	(446,100)	(343,939)	102,161
OTHER FINANCING SOURCES				
Transfers in	316,000	285,000	285,000	-
Net change in fund balances	(193,060)	(161,100)	(58,939)	102,161
FUND BALANCES, beginning of year	137,351	137,351	137,351	-
FUND BALANCES, end of year	<u>\$ (55,709)</u>	<u>\$ (23,749)</u>	<u>\$ 78,412</u>	<u>\$ 102,161</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, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 17,660	\$ 17,660	\$ 24,648	\$ 6,988
Interest	300	300	262	(38)
Total revenue	<u>17,960</u>	<u>17,960</u>	<u>24,910</u>	<u>6,950</u>
EXPENDITURES				
Public safety	<u>65,520</u>	<u>65,520</u>	<u>34,572</u>	<u>30,948</u>
Total expenditures	<u>65,520</u>	<u>65,520</u>	<u>34,572</u>	<u>30,948</u>
Deficiency of revenues under expenditures	(47,560)	(47,560)	(9,662)	37,898
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>1,826</u>	<u>1,826</u>
Net change in fund balances	(47,560)	(47,560)	(7,836)	39,724
FUND BALANCES, beginning of year	<u>48,602</u>	<u>48,602</u>	<u>48,602</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 1,042</u>	<u>\$ 1,042</u>	<u>\$ 40,766</u>	<u>\$ 39,724</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, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 652,780	\$ 712,780	\$ 893,101	\$ 180,321
Interest	500	500	-	(500)
Miscellaneous	60,000	-	-	-
Total revenue	<u>713,280</u>	<u>713,280</u>	<u>893,101</u>	<u>179,821</u>
EXPENDITURES				
Education	<u>749,040</u>	<u>749,040</u>	<u>692,953</u>	<u>56,087</u>
Total expenditures	<u>749,040</u>	<u>749,040</u>	<u>692,953</u>	<u>56,087</u>
Net change in fund balances	(35,760)	(35,760)	200,148	235,908
FUND BALANCES, beginning of year	<u>394,930</u>	<u>394,930</u>	<u>394,930</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 359,170</u>	<u>\$ 359,170</u>	<u>\$ 595,078</u>	<u>\$ 235,908</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, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ 25,000	\$ 94,000	\$ 94,881	\$ 881
Total revenue	25,000	94,000	94,881	881
EXPENDITURES				
General government	20,000	50,000	21,882	28,118
Net change in fund balances	5,000	44,000	72,999	28,999
FUND BALANCES, beginning of year	142,139	142,139	142,139	-
FUND BALANCES, end of year	<u>\$ 147,139</u>	<u>\$ 186,139</u>	<u>\$ 215,138</u>	<u>\$ 28,999</u>

**CITY OF DECATUR, GEORGIA
GREENSPACE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ 6,880	\$ 6,889	\$ 9
EXPENDITURES				
General government	50,000	50,000	50,167	(167)
Total expenditures	50,000	50,000	50,167	(167)
Deficiency of revenues under expenditures	(50,000)	(43,120)	(43,278)	(158)
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	50,000	-
Net change in fund balances	-	6,880	6,722	(158)
FUND BALANCES, beginning of year	(1,035)	(1,035)	(1,035)	-
FUND BALANCES, end of year	<u>\$ (1,035)</u>	<u>\$ 5,845</u>	<u>\$ 5,687</u>	<u>\$ (158)</u>

**CITY OF DECATUR, GEORGIA
HOTEL/MOTEL TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 310,000	\$ 310,000	\$ 334,724	\$ 24,724
EXPENDITURES				
General government	10,000	10,000	10,000	-
Total expenditures	10,000	10,000	10,000	-
Excess of revenues over expenditures	300,000	300,000	324,724	24,724
OTHER FINANCING USES				
Transfers out	(300,000)	(300,000)	(297,848)	2,152
Net change in fund balances	-	-	26,876	26,876
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,876</u>	<u>\$ 26,876</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, 2006

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 385,500	\$ 560,000	\$ 560,251	\$ 251
OTHER FINANCING USES				
Transfers out	(600,000)	(700,000)	(700,000)	-
Net change in fund balances	(214,500)	(140,000)	(139,749)	251
FUND BALANCES, beginning of year	<u>298,252</u>	<u>298,252</u>	<u>298,252</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 83,752</u>	<u>\$ 158,252</u>	<u>\$ 158,503</u>	<u>\$ 251</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, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ 4,200	\$ 10,400	\$ 11,533	\$ 1,133
Total revenues	4,200	10,400	11,533	1,133
EXPENDITURES				
General government	11,000	11,000	3,500	7,500
Total expenditures	11,000	11,000	3,500	7,500
Net change in fund balances	(6,800)	(600)	8,033	8,633
FUND BALANCES, beginning of year	90,500	90,500	90,500	-
FUND BALANCES, end of year	<u>\$ 83,700</u>	<u>\$ 89,900</u>	<u>\$ 98,533</u>	<u>\$ 8,633</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, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 964,700	\$ 964,700	\$ 968,810	\$ 4,110
Intergovernmental	2,276,000	2,276,000	2,520,845	244,845
Interest	21,000	21,000	65,611	44,611
Miscellaneous	1,792,915	1,792,915	913,674	(879,241)
Total revenues	5,054,615	5,054,615	4,468,940	(585,675)
EXPENDITURES				
General government	991,130	991,130	3,835,769	(2,844,639)
Capital outlay	4,962,140	4,962,140	3,597,389	1,364,751
Debt service				
Principal retirements	346,800	346,800	251,373	95,427
Interest and fiscal charges	90,000	90,000	108,273	(18,273)
Total expenditures	6,390,070	6,390,070	7,792,804	(1,402,734)
Deficiency of revenues under expenditures	(1,335,455)	(1,335,455)	(3,323,864)	(1,988,409)
OTHER FINANCING SOURCES				
Proceeds from capital lease	292,000	292,000	185,832	(106,168)
Issuance of long-term debt	-	-	2,810,000	2,810,000
Transfers in	600,000	600,000	600,000	-
Total other financing sources	892,000	892,000	3,595,832	2,703,832
Net change in fund balances	(443,455)	(443,455)	271,968	715,423
FUND BALANCES, beginning of year	1,627,613	1,627,613	1,627,613	-
FUND BALANCES, end of year	\$ 1,184,158	\$ 1,184,158	\$ 1,899,581	\$ 715,423

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, 2006**

ASSETS	Municipal Court Fund	Board of Education Fund	Downtown Development Authority Fund	Totals
Cash	\$ 64,652	\$ 4,425,220	\$ 80,508	\$ 4,570,380
 LIABILITIES				
Due to other governments	\$ 60,682	\$ -	\$ -	\$ 60,682
Due to component unit	-	4,425,220	80,508	4,505,728
Due to others	3,970	-	-	3,970
 Total liabilities	 \$ 64,652	 \$ 4,425,220	 \$ 80,508	 \$ 4,570,380

CITY OF DECATUR, GEORGIA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
<u>MUNICIPAL COURT</u>				
Assets - cash	\$ 59,321	\$ 382,919	\$ 377,588	\$ 64,652
Liabilities:				
Due to other governments	\$ 46,209	\$ 298,280	\$ 283,807	\$ 60,682
Due to others	13,112	84,639	93,781	3,970
Total liabilities	\$ 59,321	\$ 382,919	\$ 377,588	\$ 64,652
<u>BOARD OF EDUCATION</u>				
Assets - cash	\$ 4,093,385	\$ 18,874,422	\$ 18,542,587	\$ 4,425,220
Liabilities - due to component unit	\$ 4,093,385	\$ 18,874,422	\$ 18,542,587	\$ 4,425,220
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
Assets - cash	\$ 72,534	\$ 369,085	\$ 361,111	\$ 80,508
Liabilities - due to component unit	\$ 72,534	\$ 369,085	\$ 361,111	\$ 80,508
<u>TOTAL AGENCY FUNDS</u>				
Assets - cash	\$ 4,225,240	\$ 19,626,426	\$ 19,281,286	\$ 4,570,380
Liabilities:				
Due to other governments	\$ 46,209	\$ 298,280	\$ 283,807	\$ 60,682
Due to component unit	4,165,919	19,243,507	18,903,698	4,505,728
Due to others	13,112	84,639	93,781	3,970
Total liabilities	\$ 4,225,240	\$ 19,626,426	\$ 19,281,286	\$ 4,570,380

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**COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY**

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CITY OF DECATUR, GEORGIA

BALANCE SHEET COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY JUNE 30, 2006

ASSETS	
Cash	\$ 304,508
Taxes receivable	13,948
Other receivables	19,053
Due from primary government	<u>80,508</u>
Total assets	<u><u>\$ 418,017</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 19,654
Due to primary government	40,460
Deferred revenue	<u>10,292</u>
Total liabilities	<u>70,406</u>
FUND BALANCE	
Unreserved	<u>347,611</u>
Total liabilities and fund balance	<u><u>\$ 418,017</u></u>

CITY OF DECATUR, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED JUNE 30, 2006

REVENUES	
Taxes	\$ 371,733
Miscellaneous	<u>193,276</u>
Total revenues	<u>565,009</u>
EXPENDITURES	
Current	
Downtown development	<u>1,590,641</u>
Total expenditures	<u>1,590,641</u>
Net change in fund balances	<u>(1,025,632)</u>
FUND BALANCE, beginning of year	<u>1,373,243</u>
FUND BALANCE, end of year	<u><u>\$ 347,611</u></u>

STATISTICAL SECTION

This part of the City of Decatur's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

	<u>Page</u>
Financial Trends	74
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	80
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	
Debt Capacity	85
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	87
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	89
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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CITY OF DECATUR, GEORGIA

NET ASSETS BY COMPONENT LAST FOUR YEARS

(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 46,046	\$ 42,667	\$ 42,074	\$ 43,864
Restricted	595	-	-	-
Unrestricted	<u>7,517</u>	<u>8,822</u>	<u>10,051</u>	<u>9,997</u>
Total governmental activities net assets	<u>\$ 54,158</u>	<u>\$ 51,489</u>	<u>\$ 52,125</u>	<u>\$ 53,861</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 3,387	\$ 3,021	\$ 2,658	\$ 2,444
Unrestricted	<u>929</u>	<u>618</u>	<u>585</u>	<u>656</u>
Total business-type activities net assets	<u>\$ 4,316</u>	<u>\$ 3,639</u>	<u>\$ 3,243</u>	<u>\$ 3,100</u>
Primary government				
Invested in capital assets, net of related debt	\$ 49,433	\$ 45,688	\$ 44,732	\$ 46,308
Restricted	595	-	-	-
Unrestricted	<u>8,446</u>	<u>9,440</u>	<u>10,636</u>	<u>10,653</u>
Total primary government net assets	<u>\$ 58,474</u>	<u>\$ 55,128</u>	<u>\$ 55,368</u>	<u>\$ 56,961</u>

CITY OF DECATUR, GEORGIA

CHANGES IN NET ASSETS LAST FOUR YEARS (accrual basis of accounting) (amounts expressed in thousands)

	2006	2005	2004	2003
Expenses				
Governmental activities:				
General government	\$ 8,729 (1)	\$ 5,233	\$ 4,118	\$ 4,030
Education	1,845	1,926	1,914	1,499
Public safety	8,414	7,659	7,133	6,340
Public works	3,544	3,380	3,163	2,758
Recreation	1,873	1,605	1,818	1,649
Community & economic development	-	-	-	318
Interest on long-term debt	106	99	24	35
Total governmental activities expenses	<u>24,510</u>	<u>19,902</u>	<u>18,170</u>	<u>16,629</u>
Business-type activities:				
Conference center	561	595	611	671
Stormwater	793	1,588	670	648
Solid Waste	1,945	1,796	1,830	1,857
Total business-type activities expenses	<u>3,299</u>	<u>3,979</u>	<u>3,111</u>	<u>3,176</u>
Total primary government expenses	<u>\$ 27,809</u>	<u>\$ 23,881</u>	<u>\$ 21,281</u>	<u>\$ 19,805</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 773	\$ 433	\$ 588	\$ 414
Public safety	1,214	1,241	1,257	1,246
Public works	379	84	117	149
Recreation	618	524	677	712
Community & economic development	261	197	214	-
Operating grants and contributions	997	1,065	479	435
Capital grants and contributions	8,153 (1)	1,786	1,949	7,493
Total governmental activities program revenues	<u>12,395</u>	<u>5,330</u>	<u>5,281</u>	<u>10,449</u>
Business-type activities:				
Charges for services:				
Solid Waste	76	106	66	74
Stormwater	973	889	780	924
Conference Center	2,332	2,154	2,043	2,039
Capital grants and contributions	-	-	-	47
Total business-type activities program revenues	<u>3,381</u>	<u>3,149</u>	<u>2,889</u>	<u>3,084</u>
Total primary government program revenues	<u>\$ 15,776</u>	<u>\$ 8,479</u>	<u>\$ 8,170</u>	<u>\$ 13,533</u>

(Continued)

CITY OF DECATUR, GEORGIA

CHANGES IN NET ASSETS LAST FOUR YEARS (accrual basis of accounting) (amounts expressed in thousands)

	2006	2005	2004	2003
Net (expense)/revenue				
Governmental activities	\$ (12,115)	\$ (14,572)	\$ (12,889)	\$ (6,180)
Business-type activities	82	(830)	(222)	(92)
Total primary government net expense	\$ (12,033)	\$ (15,402)	\$ (13,111)	\$ (6,272)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 11,847	\$ 11,287	\$ 9,848	\$ 10,322
Franchise taxes	1,254	1,067	1,034	1,047
Sales taxes	579	250	261	219
Other taxes	1,363	1,252	1,220	1,125
Unrestricted investment earnings	312	188	40	35
Gain on sale of capital assets	24	8	16	11
Transfers	(595)	(116)	(110)	(50)
Total governmental activities	14,784	13,936	12,309	12,709
Business-type activities:				
Other taxes	-	275	254	259
Gain on sale of capital assets	-	835	-	-
Transfers	595	116	110	50
Total business-type activities	595	1,226	364	309
Total primary government	\$ 15,379	\$ 15,162	\$ 12,673	\$ 13,018
Change in Net Assets				
Governmental activities	\$ 2,669	\$ (636)	\$ (580)	\$ 6,529
Business-type activities	677	396	142	217
Total primary government	\$ 3,346	\$ (240)	\$ (438)	\$ 6,746

NOTE: (1) 2006 capital grant revenues and general government expenses include grants received from the U.S. Department of Transportation for MARTA transit station improvements.

CITY OF DECATUR, GEORGIA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST FOUR YEARS

(Accrual basis of accounting)

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Sales Tax</u>	<u>Insurance Tax</u>	<u>Other Taxes</u>	<u>Total</u>
2003	\$ 10,322	\$ 1,047	\$ 219	\$ 752	\$ 373	\$ 12,713
2004	9,848	1,034	261	820	400	12,363
2005	11,287	1,067	250	844	408	13,856
2006	11,847	1,254	579	909	454	15,043

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CITY OF DECATUR, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS

(modified accrual basis of accounting)

(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General fund				
Reserved	\$ 10	\$ -	\$ -	\$ -
Unreserved	<u>5,524</u>	<u>5,689</u>	<u>6,144</u>	<u>6,476</u>
Total general fund	<u>\$ 5,534</u>	<u>\$ 5,689</u>	<u>\$ 6,144</u>	<u>\$ 6,476</u>
All other governmental funds				
Reserved	\$ 1,193	\$ 1,425	\$ 922	\$ 539
Unreserved, reported in:				
Special revenue funds	347	(1)	-	-
Capital projects funds	<u>1,578</u>	<u>1,314</u>	<u>545</u>	<u>450</u>
Total all other governmental funds	<u>\$ 3,118</u>	<u>\$ 2,738</u>	<u>\$ 1,467</u>	<u>\$ 989</u>

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>4,923</u>	<u>3,379</u>	<u>3,789</u>	<u>3,591</u>	<u>2,708</u>	<u>3,484</u>
<u>\$ 4,923</u>	<u>\$ 3,379</u>	<u>\$ 3,789</u>	<u>\$ 3,591</u>	<u>\$ 2,708</u>	<u>\$ 3,484</u>
\$ 725	\$ 685	\$ 462	\$ 195	\$ 383	\$ 507
-	-	-	-	-	-
<u>327</u>	<u>333</u>	<u>204</u>	<u>291</u>	<u>600</u>	<u>537</u>
<u>\$ 1,052</u>	<u>\$ 1,018</u>	<u>\$ 666</u>	<u>\$ 486</u>	<u>\$ 983</u>	<u>\$ 1,044</u>

CITY OF DECATUR, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS

(modified accrual basis of accounting)

(amounts expressed in thousands)

	2006	2005	2004	2003
Revenues				
Taxes	\$ 15,133	\$ 13,845	\$ 12,477	\$ 12,281
Licenses and permits	721	354	517	398
Intergovernmental (1)	3,693	1,701	1,105	1,855
Fines and forfeitures	653	523	530	821
Charges for services	1,542	1,321	1,473	1,404
Interest income	312	188	40	35
Other revenues	1,155	190	554	350
Total revenues	23,209	18,122	16,696	17,144
Expenditures				
General government (1)	8,518	4,733	4,085	3,175
Education	693	777	458	545
Public safety	7,736	7,585	6,948	6,545
Public works	2,839	2,821	2,592	2,290
Recreation	1,656	1,525	1,777	1,683
General services	-	-	-	-
Non-departmental	-	-	-	883
Capital outlay	3,597	692	401	385
Debt service				
Principal retirements	262	189	309	415
Interest and fiscal charges	108	101	25	36
Total expenditures	25,409	18,423	16,595	15,957
Excess of revenues over (under) expenditures				
Other financing sources (uses)				
Proceeds from capital leases	186	210	123	167
Issuance of long-term debt	2,810	-	-	-
Proceeds from sale of capital assets	24	8	32	11
Transfers in	1,338	1,018	1,012	535
Transfers out	(1,933)	(1,135)	(1,122)	(903)
Total other financing sources (uses)	2,425	101	45	(190)
Net change in fund balances	\$ 225	\$ (200)	\$ 146	\$ 997
Debt service as a percentage of noncapital expenditures	1.70%	1.64%	2.06%	2.90%

NOTE: (1) 2006 capital grant revenues include grants received from the U.S. Department of Transportation for MARTA transit station improvements.

	2002	2001	2000	1999	1998	1997
\$	11,474	\$ 9,465	\$ 8,998	\$ 8,603	\$ 7,145	\$ 7,608
	410	471	984	965	728	669
	1,966	1,127	1,289	615	299	423
	736	845	863	905	833	683
	1,260	1,686	2,393	2,423	2,220	2,859
	66	225	226	157	184	194
	293	339	479	257	234	274
	<u>16,205</u>	<u>14,158</u>	<u>15,232</u>	<u>13,925</u>	<u>11,643</u>	<u>12,710</u>
	1,903	1,858	1,922	1,153	1,103	1,090
	445	-	487	-	-	-
	5,636	5,723	5,512	5,027	4,937	4,873
	1,874	1,761	3,458	3,161	3,067	3,063
	1,705	1,610	1,417	1,369	1,361	1,305
	307	656	634	633	355	762
	760	903	766	867	676	876
	2,260	802	833	545	579	591
	404	360	259	295	189	283
	31	25	24	24	25	26
	<u>15,325</u>	<u>13,698</u>	<u>15,312</u>	<u>13,074</u>	<u>12,292</u>	<u>12,869</u>
	750	517	470	183	297	208
	-	-	-	-	-	-
	1	12	4	9	16	-
	499	480	325	20	126	100
	(552)	(970)	(500)	(520)	(626)	(625)
	<u>698</u>	<u>39</u>	<u>299</u>	<u>(308)</u>	<u>(187)</u>	<u>(317)</u>
\$	<u>1,578</u>	<u>\$ 499</u>	<u>\$ 219</u>	<u>\$ 543</u>	<u>\$ (836)</u>	<u>\$ (476)</u>
	3.33%	2.99%	1.95%	2.55%	1.83%	2.52%

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CITY OF DECATUR, GEORGIA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE LAST TEN YEARS

(modified accrual basis of accounting)

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Sales Tax</u>	<u>Insurance Tax</u>	<u>Other Taxes</u>	<u>Total</u>
1997	\$ 4,945	\$ 1,193	\$ 236	\$ 839	\$ 395	\$ 7,608
1998	4,704	1,093	216	769	362	7,144
1999	6,057	1,140	225	802	378	8,602
2000	6,235	1,238	245	871	410	8,999
2001	7,094	1,062	210	747	352	9,465
2002	9,220	973	222	695	364	11,474
2003	9,894	1,048	219	752	368	12,281
2004	9,962	1,034	261	820	400	12,477
2005	11,276	1,067	250	844	408	13,845
2006	11,937	1,254	580	909	453	15,133

CITY OF DECATUR, GEORGIA

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

(amounts expressed in thousands)

Fiscal Year	Real Property		Personal Property	Public Utility
	Residential	Commercial		
1997	\$ 313,298	\$ 83,539	\$ 17,574	\$ 18,115
1998	362,594	82,822	17,614	17,509
1999	523,632	87,734	20,642	18,487
2000	637,489	104,891	22,039	19,951
2001	918,815	117,123	30,700	20,111
2002	1,118,322	117,261	27,168	18,873
2003	1,161,929	110,894	26,680	20,539
2004	1,211,367	126,798	21,952	18,617
2005	1,259,995	136,446	18,082	19,869
2006	1,379,645	144,998	18,630	**N/A

Source: DeKalb County, Georgia Board of Tax Assessors

Source: City of Decatur Revenue Division

** Not Available - Public Utilities billed in December of each year.

Less:					
Tax Exempt	Total Taxable	Total Direct	Estimated Actual	Assessed Value	as a Percentage
Real Property	Assessed Value	Tax Rate	Taxable Value	of Actual Value	
\$ N/A	\$ 432,526	1.271	\$ 865,052		50.00%
N/A	480,539	1.158	961,078		50.00%
109,523	540,972	1.155	1,081,944		50.00%
124,353	660,017	0.987	1,320,034		50.00%
306,520	780,229	1.114	1,560,458		50.00%
445,274	836,350	1.114	1,672,700		50.00%
449,109	870,933	1.087	1,741,866		50.00%
463,811	914,923	1.166	1,829,846		50.00%
466,989	967,403	1.166	1,934,806		50.00%
505,041	1,038,232	1.264	2,076,464		50.00%

CITY OF DECATUR, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (Per \$1000 of Assessed Value) LAST TEN YEARS

Calendar Year	City of Decatur, Georgia			County	School District	Downtown Development Authority	State	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage		Operating Millage	Operating Millage		
1997	1.181	0.090	1.271	40.16	2.250	0.045	0.25	43.976
1998	1.073	0.085	1.158	37.66	2.150	0.043	0.25	41.261
1999	1.070	0.085	1.155	37.91	2.050	0.045	0.25	41.410
2000	0.914	0.073	0.987	37.16	1.850	0.038	0.25	40.285
2001	1.047	0.067	1.114	37.26	1.850	0.038	0.25	40.512
2002	1.057	0.057	1.114	37.61	1.961	0.038	0.25	40.973
2003	1.030	0.057	1.087	38.61	2.024	0.038	0.25	42.009
2004	1.109	0.057	1.166	38.71	1.965	0.038	0.25	42.129
2005	1.112	0.054	1.166	38.71	1.905	0.038	0.25	42.069
2006	1.110	0.154	1.264	38.71	1.895	0.038	0.25	42.157

Source: City of Decatur Tax Department and Dekalb County

CITY OF DECATUR, GEORGIA

**PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO**

(amounts expressed in thousands)

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Bell South Communications	\$ 14,677	1	1.41 %	\$ 13,295	1	3.07 %
Decatur Towncenter Association	7,763	2	0.75	6,095	3	1.41
APG Decatur, LLC	5,941	3	0.57	-	-	-
Ackerman Decatur, LP	6,593	4	0.64	-	-	-
Decatur Plaza, LLC	6,492	5	0.63	-	-	-
Lexington Decatur, LLC	4,529	6	0.44	-	-	-
Deck-Decatur Court, LLC	4,525	7	0.44	-	-	-
Ashton Park Trace, LLC	4,427	8	0.43	-	-	-
Avery Properties	4,088	9	0.39	-	-	-
Bask Decatur Hotel	3,500	10	0.34	-	-	-
First Union Bank	-	-	-	6,204	2	1.43
Delos	-	-	-	4,499	4	1.04
NationsBank of Georgia	-	-	-	4,128	5	0.95
Georgia Power	-	-	-	3,694	6	0.85
Prime Bank	-	-	-	3,832	7	0.89
Park Trace Properties, LTD	-	-	-	3,369	8	0.78
Gwinnett Industries	-	-	-	3,102	9	0.72
East College Avenue Partners LP	-	-	0.00	2,557	10	0.59
	<u>\$ 62,535</u>		<u>6.02 %</u>	<u>\$ 50,775</u>		<u>11.74 %</u>

Source: City of Decatur Revenue Division

CITY OF DECATUR, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

(amounts expressed in thousands)

Tax Year*	Total Tax Levy (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	\$ 15,326	\$ 9,772	63.8%	\$ 5,554	\$ 15,326	100.00%
1997	17,290	10,973	63.5%	6,317	17,290	100.00%
1998	15,953	9,941	62.3%	6,012	15,953	100.00%
1999	(2) 16,715	9,583	57.3%	7,126	16,709	99.96%
2000	18,029	9,636	53.4%	8,390	18,026	99.98%
2001	19,948	10,451	52.4%	9,497	19,948	100.00%
2002	21,936	10,067	45.9%	11,869	21,936	100.00%
2003	24,746	11,092	44.8%	13,637	24,729	99.93%
2004	25,960	11,732	45.2%	14,228	25,960	100.00%
2005	26,397	12,335	46.7%	13,756	26,091	98.84%

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) For the tax year 1999 and thereafter, sanitation taxes were converted to an annual fee for property tax billing and collection dates.

* Taxes are billed twice a year in April and October for the calendar year. The billing in April is an estimated billing based on the prior years assessed values. The ten year presentation above is for completed tax years only.

CITY OF DECATUR, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN YEARS

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Certificates of Participation	Capital Leases	Notes Payable	Capital Leases			
1997	\$ -	\$ 577	\$ -	\$ 6,900	\$ 7,477	2.68%	\$ 431
1998	1,320	651	-	6,480	8,451	3.03%	487
1999	1,320	552	-	6,034	7,906	2.84%	456
2000	1,320	662	600	5,564	8,146	1.53%	449
2001	1,320	837	525	5,068	7,750	1.45%	427
2002	1,320	1,002	445	4,838	7,605	1.43%	419
2003	1,320	754	365	4,471	6,910	1.30%	381
2004	1,320	324	270	3,416	5,330	1.00%	294
2005	1,320	345	170	2,811	4,646	0.87%	256
2006	4,090	308	62	2,165	6,625	1.24%	365

(1) See the Demographic and Economic Statistics for personal income and population data.

CITY OF DECATUR, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2006

(amounts expressed in thousands)

	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Decatur (1)</u>	<u>Amount Applicable to City of Decatur</u>
Overlapping General Obligation Debt:			
DeKalb County	\$ 203,187	4.760%	\$ 9,672
Fulton Dekalb Hospital Authority	<u>73,048</u>	4.760%	<u>3,477</u>
Total direct and overlapping debt	<u><u>\$ 276,235</u></u>		<u><u>\$ 13,149</u></u>

Source: Assessed value data used to estimate applicable percentages provided by the Dekalb County Finance Department. Debt outstanding data provided by Dekalb County Finance Departments.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Decatur, Georgia. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

CITY OF DECATUR, GEORGIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Fiscal Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (1)	Median Age (1)	Percentage of Population Age 25 and Older with Greater than 12 Years of Formal Schooling (3)	School Enrollment (2)	Unemployment Rate (4)
1997	17,336	\$ 278,676	\$ 16,075	N/A	60%	2,758	5.8%
1998	17,336	278,676	16,075	N/A	60%	2,742	5.8%
1999	17,336	278,676	16,075	N/A	60%	2,682	5.8%
2000	18,147	532,850	29,363	36	75%	2,593	4.1%
2001	18,147	532,850	29,363	36	75%	2,521	4.1%
2002	18,147	532,850	29,363	36	75%	2,568	4.1%
2003	18,147	532,850	29,363	36	75%	2,499	4.1%
2004	18,147	532,850	29,363	36	75%	2,487	4.1%
2005	18,147	532,850	29,363	36	75%	2,514	4.1%
2006	18,147	532,850	29,363	36	75%	2,535	4.1%

(1) Source: U.S. Census (available every tenth year)

(2) Source: Provided by City of Decatur School Board

(3) Source: U.S. Census and Department of Community Affairs

(4) Source: U.S. Census and Department of Labor

CITY OF DECATUR, GEORGIA

PRINCIPAL EMPLOYERS CURRENT YEAR

Employer	2006		
	Employees	Rank	Percentage of Total City Employment
Dekalb County Government	\$ 1,100	1	N/A %
The City Schools of Decatur (education)	481	2	N/A
Agnes Scott College (education)	400	3	N/A
Emory University (satellite offices)	239	4	N/A
City of Decatur	206	5	N/A
Decatur Hospital	178	6	N/A
Allied Systems	175	7	N/A
Columbia Theological Sem	116	8	N/A
McCurdy & Calendar	74	9	N/A
Third Millennium	50	10	N/A
	\$ 3,019		N/A %

Source: Various City departments

Note: Information for prior years principal employers is currently not available.

N/A - Information not available

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CITY OF DECATUR, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Function	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General government	28	25	25	21	22
Public Safety					
Police					
Officers	53	50	51	52	53
Civilians	27	29	28	27	29
Fire					
Firefighters and officers	39	40	40	39	39
Highways and streets					
Engineering	20	20	19	19	20
Maintenance	39	34	36	36	34
Sanitation	17	17	15	15	16
Culture and recreation	18	17	18	14	17
Total	<u>241</u>	<u>232</u>	<u>232</u>	<u>223</u>	<u>230</u>

Note: In 2002, engineering personnel were moved to maintenance.

2001	2000	1999	1998	1997
22	23	23	21	38
54	52	49	53	49
28	28	27	27	27
39	39	41	39	40
45	47	47	35	44
6	6	6	5	10
16	16	17	17	13
21	13	23	20	17
<u>231</u>	<u>224</u>	<u>233</u>	<u>217</u>	<u>238</u>

CITY OF DECATUR, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	2006	2005	2004	2003	2002
Police					
Physical arrests	1,874	1,655	1,758	1,869	1,455
Parking violations	5,699	4,126	N/A	N/A	N/A
Traffic violations	8,011	8,195	9,129	6,991	4,154
Fire					
Number of calls answered	2,430	2,353	2,200	2,551	2,216
Inspections	370	427	278	213	N/A
Highways and streets					
Street resurfacing (miles)	-	0.65	0.75	1.65	1.65
Potholes repaired	48	24	31	34	30
Sanitation					
Refuse collected (tons/day)	46.43	46.91	49.93	51.64	52.48
Recyclables collected (tons/day)	11.92	10.40	10.98	10.89	8.95
Culture and recreation					
Athletic field permits issued	608	642	513*	N/A	N/A
Community center admissions	6,135	6,268	4143*	N/A	N/A

Source: City of Decatur Departments

N/A - Information not available

Note: Fluctuations experienced in traffic violations from year to year result from the number of officers on the streets during those periods.

Note: Increases in recyclables collected due to recycling program starting in 1999.

Note: Decreases in refuse collected due to State of Georgia mandates and recycling.

* City of Decatur recreation program Trac Program started in March 2004.

2001	2000	1999	1998	1997
1,969	2,583	1,507	N/A	N/A
N/A	N/A	N/A	N/A	N/A
5,673	7,632	4,526	N/A	N/A
2,077	2,226	2,303	N/A	N/A
N/A	N/A	N/A	N/A	N/A
0.08	1.43	0.67	-	1.10
15	26	20	22	44
56.58	53.00	50.00	53.86	54.51
9.35	8.39	5.87	5.44	3.97
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

CITY OF DECATUR, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol units	35	40	42	40	36
Fire stations	2	2	2	2	2
Sanitation					
Collection trucks	7	7	7	7	7
Highways and streets					
Streets (miles)	62	62	62	62	62
Culture and recreation					
Parks acreage	56.5	56.5	56.5	56.5	56.5
Parks	13	13	13	13	13
Swimming pools	3	3	3	3	3
Tennis courts	11	11	11	11	11
Community centers	2	2	2	2	2

Source: Various City departments

Note: Capital asset indicators are not available for the general government function

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
1	1	1	1	1
42	40	43	36	36
2	2	2	2	2
7	7	7	7	7
62	62	62	62	62
56.5	56.5	56.5	56.5	56.5
13	13	13	13	13
3	3	3	3	3
11	11	11	11	11
2	2	2	2	2