

CITY OF DECATUR, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

Prepared By:
Administrative Services Department

Karen desIslets
City Clerk

CITY OF DECATUR, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

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January 14, 2009

City Manager's Office

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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, 2008.

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 is to provide reasonable assurance that the financial statements of the City of Decatur, Georgia for the fiscal year ended June 30, 2008, 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, 2008, 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 22 as part of the basic financial statements.

FACTORS AFFECTING FINANCIAL CONDITION.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Decatur, Georgia operates.

The City of Decatur is the seat of DeKalb County, a large, urban county in the Atlanta metropolitan area. With its central location within the county and as the location of county offices and the court system, Decatur's economy is primarily a service economy. Legal, banking, medical, insurance, accounting, governmental and educational services are the mainstay of this economy. The essential nature of these services provides a solid basis for the City's economic well-being.

Residential Activity

The residential housing market is stable. Applications for renovations, in-fill housing developments and subdivisions of existing lots have leveled off during the past six months reflective of the overall economic conditions. Sales of existing housing stock has slowed with a corresponding moderation in sale prices. However, unlike some national and metropolitan Atlanta markets, the City's residential property appears to be holding its value.

The City's overall 2008 residential property digest increased 3% from 2007 digest values. However, all of the growth for 2008 came from new construction. We are anticipating a relatively flat property digest for 2009, with possible moderate improvements of 3-5% in 2010.

We do not expect significant residential development in the next 18-24 months. On the east side of the City, Columbia Park, a 271-apartment development completed the permitting process but due to contractual issues with the Metropolitan Atlanta Rapid Transit Authority (MARTA), financing for the project expired and it does not appear that construction will begin in the near future. Developments at 233 East Trinity Place (210 apartments) and 432 East Howard Avenue (57 dwellings) 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 remained constant in 2008.

Vacancy rates for available office space in the City of Decatur are generally lower than in surrounding office market areas. Vacant office space has been renovated and is being leased. Two major tenants, The Atlanta Art Institute – Decatur and DeVry University have occupied space in the One West Court Square building. Interest in restaurant and retail activity continues to be vigorous in the central business district while interest in other commercial activities remains constant.

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.

The Oakhurst Business District is holding its own given the size and scope of the area. While turnover in a few of the restaurant spaces is occurring, others have established a stable presence and other business enterprises in the area, including the executive offices of Progressive Redevelopment Inc., an affordable housing development company, provide a steady influence. The Oakhurst Business District continues to provide a local commercial center for the surrounding neighborhood.

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

Development of mixed-use projects within the central business district has been robust over the past six years. Occupancy of the residential units has been strong and rental of the commercial spaces has been consistent. Several projects have completed all phases of construction and appear to be strong financially. New development

has slowed significantly consistent with financing and market conditions. It is anticipated that there will be a temporary lull in activity for the next eighteen to twenty-four months as the credit and financial markets stabilize.

An additional mixed-use development is planned for the area adjacent to the Avondale MARTA Station along Sams Street and East College Avenue; however, it appears that this will be delayed or deferred as well.

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. They anticipate being in the design and permitting phase of the project in 2009 with construction starting before 2010.

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. They have completed a comprehensive master plan for the campus and have begun construction on a \$7.1million dormitory facility. The City Schools of Decatur is in the midst of a \$30 million construction program. The new stadium has been completed and opened and construction of the new gymnasium building and an auditorium/performance center are underway. DeKalb County has completed a \$50 million addition at its Courthouse and is completing over \$17 million worth of renovations to the existing facility.

MAJOR ACTIVITIES.

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. In December, 2006, Moody's Investors Service issued a rating of Aa3 and Standard & Poor's upgraded the City's rating to AA from A+ for the bonds. The bonds were issued in January, 2007.

The City's portion of the proceeds was approximately \$16,653,000. A number of projects have been completed, including phase I of sidewalk repair and construction improvements, reconstruction of a pool at McKoy Park, installation of a Wayfinding signage system and development of a master plan for Glenlake Park and a master plan for the Decatur Cemetery. Current projects that are underway include, reconstruction of Fire Station Number 2, acquisition and demolition of flood-prone properties located on Westchester Drive, construction of improvements at Glenlake Park, implementation of the Decatur Cemetery Master Plan and installation of bike lanes and traffic calming activities along West Ponce de Leon Avenue and West Trinity Place, Oakhurst Business District Streetscapes and Phase V of the Downtown Streetscapes Master Plan.

Future projects include a variety of transportation improvements such as additional sidewalk repair and construction, intersection improvements and matching funds for transportation facility grants; parks and recreation improvements including, a master plan for the Decatur Recreation Center and acquisition of openspace and greenspace; and, reconstruction of the City's public works facility.

The City Schools of Decatur intend to use funds to construct improvements for Decatur High School and Renfroe Middle School.

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 in conjunction with private and institutional construction projects in the central business district, the City will be looking to finance substantial capital improvements through the storm water utility in the next several years.

In 1986 the Decatur Downtown Development Authority and the City of Decatur Parking Authority issued \$4,000,000 each in bonds to build the Decatur Conference Center and the parking deck. Those bonds were consolidated and refinanced in 1993. On November 1, 2008 the last bond payment was made on the refinanced debt.

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 40%, 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 also sponsored a number of electronics recycling events which have resulted in over 170 tons of electronic equipment being recycled and not sent to the landfill. The City rebid its recycling contract resulting in an approximate 60% cost reduction for collection of recyclable materials.

In 2007 the City's ISO Fire Rating was renewed at the Class 2 level, a rating that is only obtained by 1.5% of all the Fire Departments in the United States. The Police Department received recertification from the Georgia Police Chief Association. The City has implemented a reverse emergency notification system and a severe weather warning system that allows the City to send recorded telephone messages to residents and businesses regarding emergency situations. We have also submitted a grant application for the purchase and installation of four siren weather warning devices.

Finance and budgeting staff were awarded a Certificate of Achievement for Excellence in Financial Reporting from the Georgia Finance Officers Association for the 2005, 2006 and 2007 Comprehensive Annual Financial Report.

In 2006 the City hired a consultant team to assist in developing a community transportation plan that incorporated the concepts of an active living community to provide a vision for the future for pedestrian, cycling, transit and vehicular transportation needs. The plan was adopted by the City Commission in April, 2008.

In cooperation with the City Schools of Decatur, the Children and Youth Services Division 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 grant period has been completed. The City has transferred the Division to its own fund so that program finances can be easily tracked with the goal of sustaining the program over time.

The City was selected as one of six communities in Georgia to receive grant funding from the Governor's Wireless Communities Georgia Program. The City has used 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 has contracted with a private provider to provide access and system management services. Wireless service is available within a two square mile area surrounding the central business district and Agnes Scott College.

Over the past year the City has been exploring potential annexation opportunities in order to expand the commercial property digest and to protect and manage growth and redevelopment along the city limits at key gateways. Consideration is on-going as annexation will require a long-term vision for the future of the community.

LONG-TERM FINANCIAL PLANNING.

With the exception of the item discussed below, the City of Decatur, Georgia does not anticipate major changes in either revenue sources or expenditures in the future. Unlike other communities that relied heavily on sales tax revenue and revenue from construction and other permitting activity, Decatur does not have access to sales tax income and construction activity, while important, has been a small fraction of the City's operating funds. The City has taken a conservative approach to budgeting and finance, with an emphasis on estimating expenses on the high-end and estimating revenues on the low-end. This has resulted in controlled expenditures with low to moderate growth. This has also allowed the City to contribute to fund balance over the years. We anticipate being able to manage through the current financial challenges by using a combination of expenditure control and fund balance transfers. If necessary we could also recommend modest property tax rate increases.

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 County then took the position that the entire agreement was invalid. The Superior Court granted the County's motion for 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. In December, 2006, the Superior Court entered a ruling in favor of the City, but the Court of Appeals reversed that ruling. The City appealed and the Georgia Supreme Court reversed the Court of Appeals' decision. We anticipate that the case will be returned to DeKalb County Superior Court in the Spring, 2009. Should the City's position prevail, there would be a source of revenues for capital improvement projects.

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 3.136%.

RISK MANAGEMENT.

The City of Decatur maintains a risk management program to control and manage worker's 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 contributes 8.23% of payroll during fiscal year ending June 30, 2009 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 71 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

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

ACKNOWLEDGEMENTS.

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

Respectfully Submitted,

Peggy Merriss
City Manager

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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emmer

Executive Director

CITY OF DECATUR, GEORGIA

PRINCIPAL OFFICIALS

June 30, 2008

CITY COMMISSION

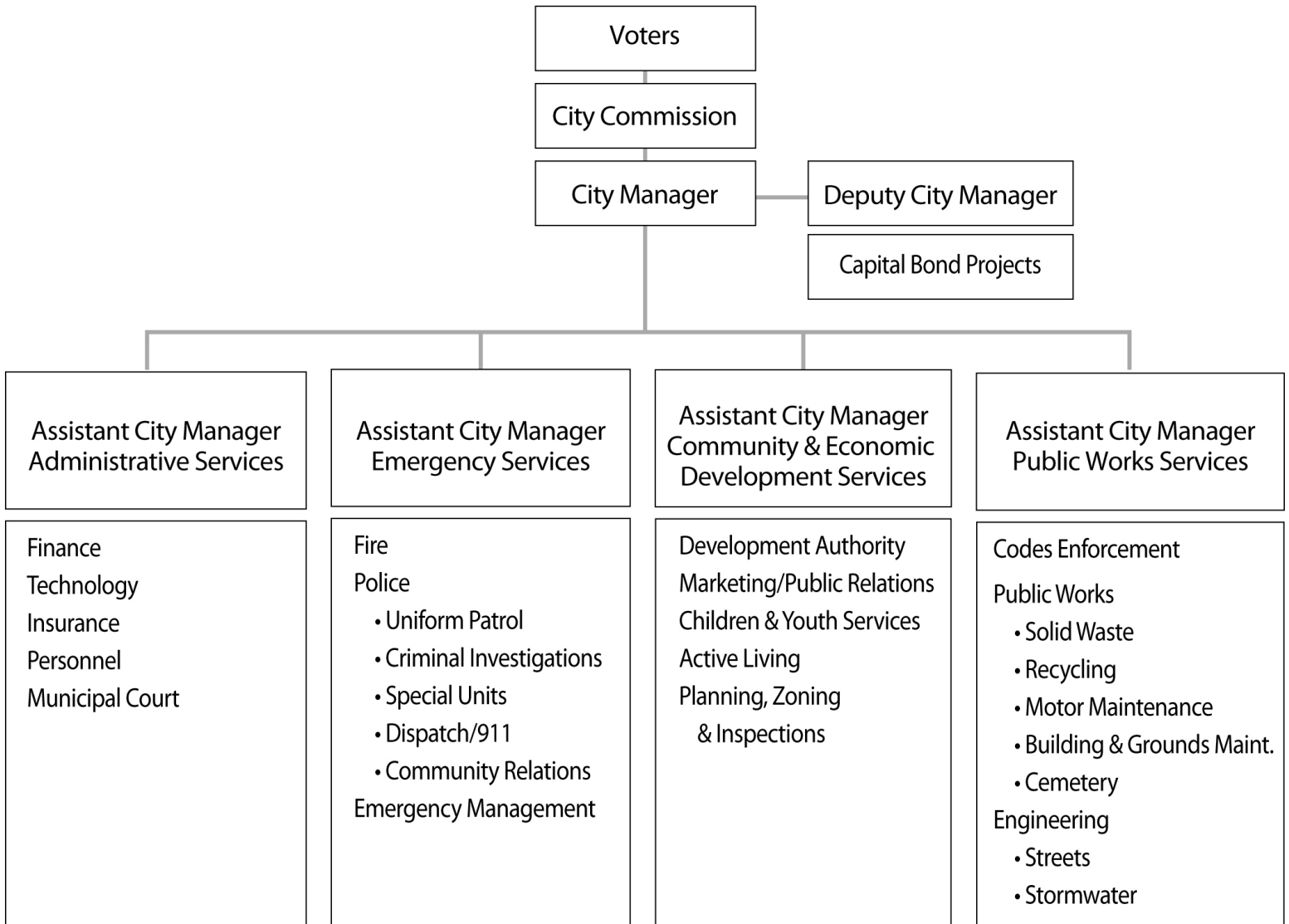
Bill Floyd	Mayor
Jim Baskett	Mayor Pro-Tem
Fred C. Boykin, Jr.	Commissioner
Kecia Cunningham	Commissioner
Mary Alice Kemp	Commissioner

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 desIslets	City Clerk
Jerry Malone	Fire Chief
J. Michael Booker	Police Chief



City Organization



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Decatur, Georgia** as of and for the year ended June 30, 2008, 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, 2008, 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 January 14, 2009, 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 and Schedule of Funding Progress on pages 3 through 15 and 61 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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
January 14, 2009

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, 2008. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, financial statements and footnotes.

Overview of the Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) is presented in three distinct sections:

- An Introductory Section which includes the Letter of Transmittal and general information;
- Financial Section which includes the Independent Auditor's Report, Management's Discussion and Analysis, Government-wide and Fund Financial Statements, along with Notes to these statements; and
- Statistical Section

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$52,474,133 (net assets). Of this amount, \$13,324,507 (unrestricted net assets) may be used to meet the government's ongoing obligations.

In September 2006, Decatur voters approved a bond referendum that provides the City of Decatur and City Schools of Decatur with \$33,245,000 for large capital improvement projects. This is the first general obligation debt for the City since 1955 and for the school system since the late 1950s. The bonds were issued in January 2007. Of the overall bond issue, \$16,500,000 was transferred to the school system. During this fiscal year, approximately \$3,600,000 was spent on capital bond projects including the completion of McKoy pool and bathhouse, installation of a wayfinding signage system, addition and repair of sidewalks and purchases of greenspace.

The net assets increased by approximately \$8,830,000 primarily due to an increase in capital assets within governmental activities as a result of capital construction in progress.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,324,110, an increase of \$60,240 in comparison with the prior year. At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,202,562 or 41% 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and parking deck, the stormwater utility and solid waste.

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 16-18 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 19-21 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.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-60 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 \$52,474,133 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 Activities	
	2007	2008	2007	2008	2007	2008
Assets						
Current assets	\$ 29,361	\$ 29,815	\$ 2,460	\$ 2,855	\$ 31,821	\$ 32,670
Capital assets	49,953	57,661	5,622	5,553	55,575	63,214
Other non-current assets	716	1,041	-	3	716	1,044
Total assets	<u>80,030</u>	<u>88,517</u>	<u>8,082</u>	<u>8,411</u>	<u>88,112</u>	<u>96,928</u>
Liabilities						
Long-term liabilities	39,261	39,108	1,478	974	40,739	40,082
Other liabilities	2,174	2,648	1,555	1,722	3,729	4,370
Total assets	<u>41,435</u>	<u>41,756</u>	<u>3,033</u>	<u>2,696</u>	<u>44,468</u>	<u>44,452</u>
Net assets						
Invested in capital assets, net of related debt	28,897	33,445	4,154	4,661	33,051	38,106
Restricted	823	1,045	-	-	823	1,045
Unrestricted	8,875	12,271	895	1,054	9,770	13,325
Total net assets	<u>\$ 38,595</u>	<u>\$ 46,761</u>	<u>\$ 5,049</u>	<u>\$ 5,715</u>	<u>\$ 43,644</u>	<u>\$ 52,476</u>

By far the largest portion of the City's net assets (73%) 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 (\$1,044,293) or unrestricted (\$13,324,507). 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 \$155,535 over fiscal year 2007. It is foreseeable that the Solid Waste Fund will eliminate the negative net assets within the next two fiscal years based on savings realized from a recycling services contract that was effective July 1, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the current fiscal year the City's total net assets increased by \$8,830,454. This is primarily due to construction in progress related to capital bond projects.

Changes in Net Assets

The following schedule presents a summary of changes in net assets for the fiscal year ending June 30, 2008 (in thousands).

	City of Decatur Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Revenues						
Program revenues:						
Charges for services	\$ 3,361	\$ 4,030	\$ 3,421	\$ 3,446	\$ 6,782	\$ 7,476
Operating grants & contributions	790	657	-	-	790	657
Capital grants & contributions	3,362	7,582	-	-	3,362	7,582
General revenues:						
Property taxes	14,456	14,852	-	-	14,456	14,852
Franchise taxes	1,227	1,354	-	-	1,227	1,354
Sales taxes	609	662	-	-	609	662
Other taxes	1,495	1,397	-	-	1,495	1,397
Investment earnings	710	1,081	-	-	710	1,081
Gain on sale of capital assets	1	6	-	-	1	6
Total revenues	<u>26,011</u>	<u>31,621</u>	<u>3,421</u>	<u>3,446</u>	<u>29,432</u>	<u>35,067</u>
Expenses						
General government	8,589	5,406	-	-	8,589	5,406
Education	2,007	1,945	-	-	2,007	1,945
Public safety	8,043	8,331	-	-	8,043	8,331
Public works	3,310	3,508	-	-	3,310	3,508
Recreation	1,865	2,152	-	-	1,865	2,152
Interest on long-term debt	804	1,632	-	-	804	1,632
Conference center	-	-	516	516	516	516
Stormwater	-	-	552	662	552	662
Sanitation	-	-	2,076	2,085	2,076	2,085
Total expenses	<u>24,618</u>	<u>22,974</u>	<u>3,144</u>	<u>3,263</u>	<u>27,762</u>	<u>26,237</u>
Income (Loss) before transfers and special item	1,393	8,647	277	183	1,670	8,830
Transfers	(456)	(483)	456	483	-	-
Special item	(16,500)	-	-	-	(16,500)	-
Change in net assets	<u>(15,563)</u>	<u>8,164</u>	<u>733</u>	<u>666</u>	<u>(14,830)</u>	<u>8,830</u>
Net assets beginning of year	54,158	38,595	4,316	5,049	58,474	43,644
Net assets end of year	<u>\$ 38,595</u>	<u>\$ 46,759</u>	<u>\$ 5,049</u>	<u>\$ 5,715</u>	<u>\$ 43,644</u>	<u>\$ 52,474</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental charges for services increased by approximately \$669,000 from general fund activities which reflected the updated fee schedule that went into effect in this fiscal year. Building permits and inspection fees increased approximately \$143,000, recreation service fees increased by \$131,000, and parking meter fees and fines increased \$234,000 over the prior year. Operating grants and contributions decreased \$133,000 mostly due to the reduction in federal funding for the 21st Century Learning Centers grant in the education category. Capital grants and contributions increased by \$4,219,808 primarily because construction in progress on the high school and middle school facilities increased \$4,960,000 under Education. The most significant decrease in capital grants and contributions was in Public Works reflecting the completion of McKoy pool and bathhouse. Property taxes showed an approximate increase of \$396,000 due to a slight increase in the assessed value of real property and the City's activities with a tax collection service. The \$98,000 decrease in other taxes reflects the audit adjustment made to the prior fiscal year to correctly recognize occupational taxes within the period received. Barring significant changes in the numbers of businesses in the City, this revenue number should remain stable in the future. Franchise taxes increased \$127,000 with half of that increase attributed to the electric utility franchise. Other sources of revenue remained relatively stable.

Governmental expenses decreased approximately \$1,644,000 primarily due to the decreased funding for the 21st Century Learning Centers program and the completion of significant capital projects in the prior fiscal year including the MARTA Plaza project and the Community Transportation Plan.

Net assets for governmental activities increased by \$8,164,580 primarily due to increased capital contributions and reduced expenses.

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 \$665,874. The business-type activities experienced an increase of approximately \$119,000 in expenses during fiscal year 2008 and a slight increase in revenues and transfers of \$52,000.

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 flow needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the end of the current fiscal year, the City of Decatur, Georgia's governmental funds reported combined ending fund balances of \$27,324,110, an increase of \$60,240 in comparison with the prior year. Approximately thirty-seven percent of the total amount (\$10,182,270) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$17,141,840) 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 (\$1,044,293); 2) to encourage economic development activities (\$19,303); 3) to pay debt service (\$1,640,972); 4) to provide financing to enterprise funds for capital improvements (\$517,220); 5) to account for pre-paid expenditures (\$61,625); and 6) to finance capital projects that were approved by the voters in September 2006 (\$13,858,427).

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 \$7,202,562, while the total fund balance for all governmental funds reached \$27,324,110. 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 forty-one percent of total general fund expenditures.

The table below compares general fund revenues and expenditures for 2007 and 2008 (in thousands).

	General Fund		\$ Increase (Decrease)	% Increase (Decrease)
	2007	2008		
Revenues				
Taxes	\$ 14,151	\$ 14,659	508	4
Licenses & permits	603	758	155	26
Intergovernmental	259	267	8	3
Fines & forfeitures	571	480	(91)	(16)
Charges for services	1,100	1,431	331	30
Interest income	340	310	(30)	(9)
Other revenues	52	170	118	227
Total revenues	<u>17,076</u>	<u>18,075</u>	<u>999</u>	<u>6</u>
Expenditures				
General government	4,970	5,082	112	2
Public safety	7,063	7,340	277	4
Public works	2,663	2,976	313	12
Recreation	1,752	1,985	233	13
Total expenditures	<u>16,448</u>	<u>17,383</u>	<u>935</u>	<u>6</u>
Excess of revenues over expenditures	628	692	64	10
Other financing sources (uses)				
Proceeds from sale of capital assets	1	7	6	600
Transfers in	424	513	89	21
Transfers out	(298)	(287)	11	(4)
Total other financing sources (uses)	<u>127</u>	<u>233</u>	<u>106</u>	<u>(83)</u>
Net change in fund balances	755	925	170	23
Fund balances, beginning of year	5,533	6,288	755	14
Fund balances, end of year	<u>\$ 6,288</u>	<u>\$ 7,213</u>	<u>925</u>	<u>15</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and higher than anticipated franchise and insurance premium taxes.

Licenses and permits increased approximately \$155,000 primarily due to the City's new fee schedule which went into effect July 1, 2007 and impacted a majority of development related fees. Construction activity remains strong and actual revenues exceeded budgeted expectations. Revenues from alcoholic beverage licenses increased slightly. Fines and forfeitures fell short of budgeted revenues and showed a decrease of approximately 23% predominately due to the vacancies in Uniform Patrol. Charges for services show an increase of 30% primarily because parking meter fees increased from fifty cents per hour of parking to one dollar and fifty cents per hour of parking. This resulted in an increase of \$234,410 in parking meter revenue which was approximately \$32,000 higher than the budgeted amount. Recreation program revenues were up \$131,500. Interest income fell slightly with interest rates. Other sources of revenue either remained stable or increased slightly. Very few areas experienced reductions in revenue.

The overall increase in general fund expenditures was approximately ten percent, which is due primarily to the one-week bonuses in lieu of a general salary adjustment budgeted for most full-time City employees in this fiscal year. Additional adjustments were made for other positions based on a market salary survey and internal salary equity. Personnel services comprise approximately 70% of the general fund operating budget. The City's required contribution rate to the City of Decatur Employees' Retirement System decreased from 8.95% to 8.02% of full-time payroll. Expenditures for group medical costs were approximately 8% lower than the previous fiscal year and remained within budget estimates. Employee and retiree contributions were increased to offset the impact of the group medical costs. 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. Workers compensation expenditures were 46% higher than the previous year due to higher than normal claims activity and claim settlements. These expenditures were budgeted accurately in the revised budget.

The moderate increase in General Government, Public Safety and Recreation expenditures reflects the one-week, merit-based bonuses for full-time employees, overtime and workers compensations charges. The increases were largely confined to personnel related expenditures. Gasoline expenditures increased approximately \$110,000 over the prior fiscal year. Electricity and street lighting expenditures increased almost 11%. Not all accounts experienced increases. For example, legal fee expenditures decreased by \$279,000.

The Capital Improvement Fund's fund balance decreased by \$1,194,823 to \$16,541,463. The reduction from the previous year is due to the budgeted expenditures from the general obligation bonds for capital projects. 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 (\$2,115,377) represents forty-five percent of total capital improvement fund expenditures. The fund balance in the capital improvement fund is used to cover cash flow operating needs and to fund unanticipated capital construction or capital equipment needs as approved by the City Commission. Major capital outlay projects in 2007-2008 included McKoy pool and bathhouse, sidewalks, greenspace and wayfinding signage.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Debt Service Fund's fund balance decreased by \$189,571 for a total fund balance of \$1,640,972, 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 and the debt service payments for the general obligation bonds issued in 2007.

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 2007-2008, the fund balance increased \$112,442 for a total fund balance of \$307,591. 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. In April 2008, an E911 wireless fee of \$1.50 was added to voice over Internet protocol (VOIP) connections to be effective in August 2008.

The other non-major governmental funds (Confiscated Drug, Grant, Economic Development, Greenspace Fund, Hotel/Motel Tax and Cemetery Capital Improvement Funds) have a combined fund balance of \$1,620,336, of which \$556,740 is unreserved. Approximately \$19,303 in the Economic Development fund is reserved for tree plantings.

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.

Revenue from charges for services for the conference center and parking fund experienced an increase of approximately 7% in fiscal year 2007-2008 and expenditures for services increased approximately 68% due to maintenance improvements. Improvements to the conference center in fiscal year 2007-2008 included general building maintenance improvements, the replacement of exhaust fans and lighting fixtures in the parking deck, repair to lighting controls, and the replacement of exterior doors. The conference center and parking deck fund continued a positive cash position at the close of the fiscal year.

Revenue from stormwater fees decreased approximately 1.5% during fiscal year 2007-2008. It is anticipated that these fees will be recovered with ongoing collection efforts. After accounting for overhead charges due to the general fund for services rendered (\$260,600), the stormwater utility increased its net assets by \$62,191 for total net assets of \$3,240,985 at the end of the fiscal year. Upon the completion of the stormwater utility master plan, the City will initiate storm drainage improvements in conjunction with streetscapes projects and construction of neighborhood storm drainage improvements. Over the next 12-18 months, the City will be pursuing various capital funding opportunities, including the use of revenue bonds.

Revenue in the solid waste fund was up approximately 1.5%. Operating expenses were up less than .5% over fiscal year 2006-2007 and the fund experienced an operating income of \$292,590. Even after accounting for overhead charges due to the general fund for services rendered (\$136,100), the solid waste fund had an increase in net assets of \$155,535 which reduced the overall deficit to \$242,106. The solid waste fund continued a positive cash position with cash remaining in the amount of \$1,836,765.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Unrestricted net assets of the Conference and Parking Deck fund at the end of the year amounted to \$387,301. Unrestricted net assets of the Stormwater Utility fund at the end of the year amounted to \$1,334,887. Unrestricted net assets of the Solid Waste fund at the end of the year amounted to (\$668,050).

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 decrease of \$629,230 to net assets during fiscal year 2007-2008 due to market forces.

General Fund Budgetary Highlights

In fiscal year 2007-2008, it was initially anticipated that there would be a contribution of \$203,340 from the general fund balance to cover expenditures. However, because expenditures were approximately two percent less than budgeted and revenues were approximately four percent higher than budgeted, the fund balance increased by \$925,392. The City's general fund balance as of June 30, 2008 is \$7,213,748. This is equivalent to approximately forty percent of the City's current estimate of general fund expenditures for fiscal 2008-2009. It should be noted that the fiscal year 2008-2009 budget anticipates using \$480,860 of general fund balance to provide sufficient funds to meet operations. This would reduce the fund balance to approximately \$6,732,888 or thirty-seven percent of general fund expenditures.

The final amended budget for revenues was approximately 1% or \$145,000 less than the original budget. The minor adjustments were based on financial information available prior to the adoption of the amended budget. The final amended budget for expenditures was approximately 1% or \$216,000 lower than the original budget. The original budget anticipated using \$203,340 of fund balance to meet expenditure needs and that figure was adjusted to be a contribution of \$30,310 to fund balance in the amended budget. By the close of the fiscal year, revenues exceeded budgetary estimates by \$635,719 and expenditures were \$287,702 less than budgetary estimates, thus resulting in an addition of \$925,392 to the fund balance. The City's fund balance as of June 30, 2008 was \$7,213,748 which is approximately forty-one percent of fiscal year 2007-2008 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, 2008, amounts to \$63,214,202 (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 13% for the current fiscal year mainly because of construction in progress within governmental activities. Additional information on the City's capital assets can be found in Note 6 on pages 42-44 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	
	2007	2008	2007	2008	2007	2008
Land	\$ 2,322	\$ 2,385	\$ 280	\$ 280	\$ 2,602	\$ 2,665
Construction in progress	2,318	11,007	-	28	2,318	11,035
Land improvements	335	283	-	-	335	283
Infrastructure	7,259	7,922	1,660	1,742	8,919	9,664
Building & improvements	35,661	34,164	3,239	2,885	38,900	37,049
Machinery & equipment	1,010	969	-	-	1,010	969
Vehicles	1,048	931	-	-	1,048	931
Furniture, fixtures, & equipment	-	-	443	618	443	618
Total	<u>\$ 49,953</u>	<u>\$ 57,661</u>	<u>\$ 5,622</u>	<u>\$ 5,553</u>	<u>\$ 55,575</u>	<u>\$ 63,214</u>

Long-term Debt and Capital Leases. At the end of the current fiscal year, the City had long-term bonded debt in the amount of \$33,485,339 including the bond issuance premium. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The City's total assessed valuation for 2008 is \$1,601,289,000 with a current debt limitation for the City of \$160,129,000, not including current debt outstanding.

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, 2008 was \$1,016,427.

MANAGEMENT'S DISCUSSION AND ANALYSIS

At June 30, 2008, the City had long-term debt in the amount of \$40,082,740, which was comprised of \$33,485,339 in general obligation bonds payable, \$5,623,323 in capital leases, certificates of participation, claims and judgments, other long-term liability and compensated absences in the governmental activities and \$974,078 in capital leases and compensated absences in the business-type activities. The long-term debt includes the general obligation bonds issued in January 2007. The bond issuance will finance approximately \$16,600,000 worth of capital improvements for city-related capital projects, including transportation improvements, parks and recreation improvements, greenspace acquisition, public safety facility renovations, and public works improvements. The City Schools of Decatur will use approximately \$16,500,000 for school-related capital projects. Also included in the long-term debt are the certificates of participation issued in July 2005 in the principal amount of \$2,675,000 to finance the renovation and addition of Decatur City Hall.

Additional information on the City's long-term debt can be found in Note 7 on pages 44-49 of this report.

Economic Factors

Since the City is not reliant on sale tax as a primary revenue source, the immediate impact of an economic recession will be lessened. Also, the City's housing market has avoided the mass foreclosures experienced by many communities. The real property digest grew approximately 3% from 2007 to 2008. The growth in the digest is expected to slow in the upcoming years and additional challenges may lie in the ability to collect taxes in a timely manner. Other revenue concerns include the uncertain future of franchise taxes, the homeowner's tax relief grant and local government control of finance and budgeting decisions.

The unemployment rate for the City is currently five percent. The occupancy rate of the government's central business district is approximately ninety percent as compared to surrounding areas that average a seventy-five percent occupancy rate. Inflationary trends in the region compare favorably to national indices. Vacancies in two downtown office buildings created by downsizing and the completion of the new permanent campus for CDC have been reduced by the relocation of DeVry Institute and the opening of a Decatur campus for the Art Institute of Atlanta. 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

At June 30, 2008, unreserved fund balance in the general fund was \$7,202,562. The City has appropriated \$480,860 of this amount for spending in the 2009 fiscal year budget. This use of fund balance was recommended to avoid a millage rate increase. Next year's budget includes an extension of the pay plan ranges, various reclassifications and market based salary adjustments, an emphasis on sustainability, environmental initiatives, performance measurement, technology improvements, transportation planning and significant capital investments through the general obligation bond financing that was approved in September 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, Georgia 30030. This report and other financial reports can be viewed on the City of Decatur's website at www.decaturga.com within the Administrative Services Department section.

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS	Primary Government			Component Units	
	Governmental	Business-type	Total	Downtown	City
	Activities	Activities		Development	Schools of
				Authority	Decatur
Cash and cash equivalents	\$ 23,768,043	\$ 4,280,217	\$ 28,048,260	\$ 48,207	\$ 27,934,210
Taxes receivable	824,836	-	824,836	32,984	1,867,998
Other receivables	1,813,166	-	1,813,166	16,203	159,673
Accounts receivable, net of allowances	-	317,191	317,191	-	-
Due from primary government	-	-	-	192,667	8,854,018
Due from other governments	539,599	-	539,599	-	2,191,550
Due from component unit	99,950	-	99,950	-	-
Internal balances	1,742,322	(1,742,322)	-	-	-
Inventory	-	-	-	-	18,146
Prepaid items	782,381	-	782,381	-	-
Restricted investments	217,791	-	217,791	-	-
Other current assets	26,500	-	26,500	-	-
Deferred charges, unamortized balance	354,977	2,763	357,740	-	-
Capitalized lease receivable from primary government	-	-	-	763,880	-
Capital assets:					
Non-depreciable	13,392,462	308,063	13,700,525	-	-
Depreciable, net of accumulated depreciation	44,268,821	5,244,856	49,513,677	-	4,104,642
Other non-current assets	685,892	-	685,892	-	-
Total assets	88,516,740	8,410,768	96,927,508	1,053,941	45,130,237
LIABILITIES					
Accounts payable	488,982	120,566	609,548	8,118	3,665,255
Accrued liabilities	2,114,272	66,927	2,181,199	-	2,637,637
Unearned revenue	20,482	1,374,647	1,395,129	-	9,411,524
Due to primary government	-	-	-	-	72,861
Due to component unit	25,000	159,759	184,759	-	-
Certificates of participation due within one year	100,000	-	100,000	-	-
Certificates of participation due in more than one year	3,800,000	-	3,800,000	-	-
Claims and judgments payable due within one year	139,250	-	139,250	-	-
Claims and judgments payable due in more than one year	89,696	-	89,696	-	-
Compensated absences, current	555,624	51,598	607,222	-	71,550
Compensated absences, long-term	194,509	30,214	224,723	-	28,331
Capital leases due to component unit, current	-	763,880	763,880	-	-
Other long-term liability, due to primary government	-	-	-	-	27,089
Capital leases due within one year	159,319	30,419	189,738	-	297,310
Capital leases due in more than one year	530,372	97,967	628,339	-	3,347,826
Bonds payable due within one year	-	-	-	-	-
Bonds payable due in more than one year	33,485,339	-	33,485,339	763,880	-
Other long-term liability, long-term	54,553	-	54,553	-	-
Total liabilities	41,757,398	2,695,977	44,453,375	771,998	19,559,383

(Continued)

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

NET ASSETS	Primary Government			Component Units	
	Governmental	Business-type	Total	Downtown	City
	Activities	Activities		Development	Schools of
				Authority	Decatur
Invested in capital assets, net of related debt	\$ 33,444,680	\$ 4,660,653	\$ 38,105,333	\$ -	\$ 459,506
Restricted for capital projects	-	-	-	-	20,005,574
Restricted for grant programs	1,044,293	-	1,044,293	-	-
Unrestricted	12,270,369	1,054,138	13,324,507	281,943	5,105,774
Total net assets	<u>\$ 46,759,342</u>	<u>\$ 5,714,791</u>	<u>\$ 52,474,133</u>	<u>\$ 281,943</u>	<u>\$ 25,570,854</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, 2008

<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	\$ 5,406,304	\$ 1,228,819	\$ -	\$ -
Education	1,944,590	249,440	557,558	5,864,337
Public safety	8,331,144	1,672,300	12,367	20,000
Public works	3,507,734	103,020	61,788	1,447,595
Recreation	2,152,218	776,050	25,000	250,000
Interest on long-term debt	1,632,097	-	-	-
Total governmental activities	<u>22,974,087</u>	<u>4,029,629</u>	<u>656,713</u>	<u>7,581,932</u>
Business-type activities:				
Conference center	516,221	84,369	-	-
Stormwater	661,659	984,450	-	-
Solid waste	2,085,495	2,377,130	-	-
Total business-type activities	<u>3,263,375</u>	<u>3,445,949</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 26,237,462</u>	<u>\$ 7,475,578</u>	<u>\$ 656,713</u>	<u>\$ 7,581,932</u>
Component units:				
Downtown Development Authority	\$ 691,766	\$ -	\$ -	\$ -
City Schools of Decatur	42,421,952	1,632,930	13,958,490	-
Total component units	<u>\$ 43,113,718</u>	<u>\$ 1,632,930</u>	<u>\$ 13,958,490</u>	<u>\$ -</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 statement:

**Net (Expenses) Revenues and
Changes in Net Assets**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	City Schools of Decatur
\$ (4,177,485)	\$ -	\$ (4,177,485)	\$ -	\$ -
4,726,745	-	4,726,745	-	-
(6,626,477)	-	(6,626,477)	-	-
(1,895,331)	-	(1,895,331)	-	-
(1,101,168)	-	(1,101,168)	-	-
(1,632,097)	-	(1,632,097)	-	-
<u>(10,705,813)</u>	<u>-</u>	<u>(10,705,813)</u>	<u>-</u>	<u>-</u>
-	(431,852)	(431,852)	-	-
-	322,791	322,791	-	-
-	291,635	291,635	-	-
-	182,574	182,574	-	-
<u>(10,705,813)</u>	<u>182,574</u>	<u>(10,523,239)</u>	<u>-</u>	<u>-</u>
-	-	-	(691,766)	-
-	-	-	-	(26,830,532)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (691,766)</u>	<u>\$ (26,830,532)</u>
\$ 14,851,593	\$ -	\$ 14,851,593	\$ 428,098	\$ 21,798,758
1,354,353	-	1,354,353	-	-
662,378	-	662,378	-	3,505,800
1,397,245	-	1,397,245	-	-
-	-	-	-	20,000
1,081,287	-	1,081,287	-	415,761
6,837	-	6,837	-	-
-	-	-	276,597	936,375
<u>(483,300)</u>	<u>483,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>18,870,393</u>	<u>483,300</u>	<u>19,353,693</u>	<u>704,695</u>	<u>26,676,694</u>
8,164,580	665,874	8,830,454	12,929	(153,838)
38,594,762	5,048,917	43,643,679	269,014	25,724,692
<u>\$ 46,759,342</u>	<u>\$ 5,714,791</u>	<u>\$ 52,474,133</u>	<u>\$ 281,943</u>	<u>\$ 25,570,854</u>

CITY OF DECATUR, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 6,103,849	\$ 14,773,937	\$ 2,890,257	\$ 23,768,043
Taxes receivable	582,841	83,881	158,114	824,836
Other receivables	209,352	1,530,852	72,962	1,813,166
Due from other governments	-	-	539,599	539,599
Due from other funds	2,384,863	-	87,481	2,472,344
Due from component unit	32,808	-	40,053	72,861
Restricted investments	-	217,791	-	217,791
Advances to other funds	-	517,220	-	517,220
Prepaid expenditures	11,186	50,439	720,756	782,381
Other current assets	26,500	-	-	26,500
Total assets	\$ 9,351,399	\$ 17,174,120	\$ 4,509,222	\$ 31,034,741
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 457,848	\$ -	\$ 31,134	\$ 488,982
Accrued liabilities	1,169,344	156,314	-	1,325,658
Deferred revenues:	443,113	68,062	112,574	623,749
Due to other funds	67,346	408,281	659,195	1,134,822
Due to component unit	-	-	25,000	25,000
Advances from other funds	-	-	112,420	112,420
Total liabilities	2,137,651	632,657	940,323	3,710,631
FUND BALANCES				
Fund balances:				
Reserved for:				
Long-term advances	-	517,220	-	517,220
Prepaid expenditures	11,186	50,439	-	61,625
Program expenditures	-	-	1,044,293	1,044,293
Tree preservation	-	-	19,303	19,303
Debt service	-	-	1,640,972	1,640,972
Capital projects	-	13,858,427	-	13,858,427
Unreserved, reported in				
General fund	7,202,562	-	-	7,202,562
Special revenue funds	-	-	623,339	623,339
Capital projects funds	-	2,115,377	240,992	2,356,369
Total fund balances	7,213,748	16,541,463	3,568,899	27,324,110
Total liabilities and fund balances	\$ 9,351,399	\$ 17,174,120	\$ 4,509,222	
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.				57,661,283
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				603,267
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.				(39,515,210)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds.				685,892
Net assets of governmental activities				\$ 46,759,342

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, 2008**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 14,658,484	\$ 1,079,962	\$ 2,050,791	\$ 17,789,237
Licenses and permits	758,230	-	-	758,230
Intergovernmental	267,179	1,486,519	569,779	2,323,477
Fines and forfeitures	479,461	-	5,102	484,563
Charges for services	1,431,391	-	832,359	2,263,750
Interest income	310,164	741,186	29,937	1,081,287
Other revenues	170,200	47,796	172,641	390,637
Total revenues	<u>18,075,109</u>	<u>3,355,463</u>	<u>3,660,609</u>	<u>25,091,181</u>
Expenditures				
Current:				
General government	5,081,741	215,421	30,134	5,327,296
Education	-	-	560,592	560,592
Public safety	7,340,253	-	732,300	8,072,553
Public works	2,975,802	-	-	2,975,802
Recreation	1,985,082	-	50,000	2,035,082
Capital outlay	-	4,023,207	-	4,023,207
Debt service:				
Principal retirements	-	311,441	11,111	322,552
Interest and fiscal charges	-	118,436	1,353,801	1,472,237
Total expenditures	<u>17,382,878</u>	<u>4,668,505</u>	<u>2,737,938</u>	<u>24,789,321</u>
Excess (deficiency) of revenues over expenditures	<u>692,231</u>	<u>(1,313,042)</u>	<u>922,671</u>	<u>301,860</u>
Other financing sources (uses):				
Issuance of long-term debt	-	234,843	-	234,843
Proceeds from sale of capital assets	6,837	-	-	6,837
Transfers in	513,324	-	317,000	830,324
Transfers out	(287,000)	(116,624)	(910,000)	(1,313,624)
Total other financing sources (uses)	<u>233,161</u>	<u>118,219</u>	<u>(593,000)</u>	<u>(241,620)</u>
Net change in fund balance	925,392	(1,194,823)	329,671	60,240
Fund balances, beginning of year	<u>6,288,356</u>	<u>17,736,286</u>	<u>3,239,228</u>	<u>27,263,870</u>
Fund balances, end of year	<u>\$ 7,213,748</u>	<u>\$ 16,541,463</u>	<u>\$ 3,568,899</u>	<u>\$ 27,324,110</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, 2008

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

Net change in fund balances - total governmental funds	\$	60,240
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.		1,660,646
The net effect of the donation of capital assets is to increase net assets.		6,047,617
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		476,332
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.		83,687
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>(163,942)</u>
Change in net assets - governmental activities	\$	<u><u>8,164,580</u></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, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 14,430,050	\$ 14,496,400	\$ 14,658,484	\$ 162,084
Licenses and permits	512,580	611,980	758,230	146,250
Fines and forfeitures	580,000	570,000	479,461	(90,539)
Interest	300,000	330,000	310,164	(19,836)
Charges for services	1,382,000	1,140,680	1,431,391	290,711
Intergovernmental	317,190	214,800	267,179	52,379
Contributions	-	14,200	74,157	59,957
Miscellaneous	62,700	61,330	96,043	34,713
Total revenues	17,584,520	17,439,390	18,075,109	635,719
Expenditures				
Current:				
General government:				
Commission	107,790	108,790	86,907	21,883
Manager	714,190	705,070	695,295	9,775
Administrative services	1,342,040	1,399,700	1,379,320	20,380
Attorney	550,000	300,000	266,300	33,700
Community & economic development	871,340	904,810	901,429	3,381
Development and inspection	474,280	598,590	587,202	11,388
Accounting, collection and records	1,250,860	1,235,330	1,165,288	70,042
Total general government	5,310,500	5,252,290	5,081,741	170,549
Public safety:				
General management	1,031,940	926,700	941,416	(14,716)
Fire	3,059,510	3,205,880	3,287,610	(81,730)
Police	3,482,230	3,330,390	3,111,227	219,163
Total public safety	7,573,680	7,462,970	7,340,253	122,717
Public works:				
Engineering	701,380	635,470	606,052	29,418
Motor maintenance	513,300	517,780	607,329	(89,549)
Buildings and grounds maintenance	1,419,880	1,407,120	1,364,204	42,916
Cemetery	423,140	401,660	398,217	3,443
Total public works	3,057,700	2,962,030	2,975,802	(13,772)
Recreation	1,945,400	1,993,290	1,985,082	8,208
Total expenditures	17,887,280	17,670,580	17,382,878	287,702
Excess (deficiency) of revenues over expenditures	(302,760)	(231,190)	692,231	923,421
Other financing sources (uses)				
Proceeds from sale of capital assets	18,500	6,800	6,837	37
Transfers out	(305,000)	(287,000)	(287,000)	-
Transfers in	385,920	541,700	513,324	(28,376)
Total other financing sources (uses)	99,420	261,500	233,161	(28,339)
Net change in fund balances	(203,340)	30,310	925,392	895,082
Fund balances, beginning of year	6,288,356	6,288,356	6,288,356	-
Fund balances, end of year	\$ 6,085,016	\$ 6,318,666	\$ 7,213,748	\$ 895,082

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

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

ASSETS	Business-type Activities - Enterprise Funds			Totals
	Conference & Parking Deck Fund	Stormwater Utility Fund	Solid Waste Fund	
CURRENT ASSETS				
Cash	\$ 69,125	\$ 2,374,327	\$ 1,836,765	\$ 4,280,217
Accounts receivable	6,000	64,315	246,876	317,191
Due from other funds	350,000	-	376,840	726,840
Total current assets	<u>425,125</u>	<u>2,438,642</u>	<u>2,460,481</u>	<u>5,324,248</u>
CAPITAL ASSETS				
Construction in progress	-	27,998	-	27,998
Land	194,860	85,205	-	280,065
Infrastructure	-	3,749,424	-	3,749,424
Buildings	8,469,375	-	-	8,469,375
Furniture, fixtures and equipmen	164,719	189,807	1,757,570	2,112,096
	<u>8,828,954</u>	<u>4,052,434</u>	<u>1,757,570</u>	<u>14,638,958</u>
Accumulated depreciator	(5,736,463)	(2,146,336)	(1,203,240)	(9,086,039)
	<u>3,092,491</u>	<u>1,906,098</u>	<u>554,330</u>	<u>5,552,919</u>
OTHER NONCURRENT ASSETS	2,763	-	-	2,763
Total noncurrent assets	<u>3,095,254</u>	<u>1,906,098</u>	<u>554,330</u>	<u>5,555,682</u>
Total assets	<u>3,520,379</u>	<u>4,344,740</u>	<u>3,014,811</u>	<u>10,879,930</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	8,798	9,505	102,263	120,566
Accrued liabilities	6,566	28,607	31,754	66,927
Compensated absences payabl	-	13,570	38,028	51,598
Due to other funds	25,223	425,918	1,613,221	2,064,362
Due to component uni	-	159,759	-	159,759
Deferred revenue	-	411,421	963,226	1,374,647
Capital lease, due within one year	-	-	30,419	30,419
Capitalized lease obligations due to component uni	763,880	-	-	763,880
Total current liabilities	<u>804,467</u>	<u>1,048,780</u>	<u>2,778,911</u>	<u>4,632,158</u>
NONCURRENT LIABILITIES				
Capital lease, due in more than one year	-	-	97,967	97,967
Compensated absences - long term	-	-	30,214	30,214
Advances from other funds	-	54,975	349,825	404,800
Total noncurrent liabilities	<u>-</u>	<u>54,975</u>	<u>478,006</u>	<u>532,981</u>
Total liabilities	<u>804,467</u>	<u>1,103,755</u>	<u>3,256,917</u>	<u>5,165,139</u>
NET ASSETS				
Invested in capital assets, net of related det	2,328,611	1,906,098	425,944	4,660,653
Unrestricted	387,301	1,334,887	(668,050)	1,054,138
Total net assets	<u>\$ 2,715,912</u>	<u>\$ 3,240,985</u>	<u>\$ (242,106)</u>	<u>\$ 5,714,791</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, 2008

	Business-type Activities - Enterprise Funds			
	Conference & Parking Deck Fund	Stormwater Utility Fund	Solid Waste Fund	Totals
OPERATING REVENUE				
Storm water fees	\$ -	\$ 983,850	\$ -	\$ 983,850
Sanitation fees	-	-	2,359,750	2,359,750
Charges for sales and services	84,369	-	-	84,369
Miscellaneous	-	600	17,380	17,980
Total operating revenue:	<u>84,369</u>	<u>984,450</u>	<u>2,377,130</u>	<u>3,445,949</u>
OPERATING EXPENSES				
Cost of sales and services	91,944	570,290	1,956,432	2,618,666
Depreciation and amortization	372,433	91,369	128,108	591,910
Total operating expense:	<u>464,377</u>	<u>661,659</u>	<u>2,084,540</u>	<u>3,210,576</u>
Operating income (loss)	<u>(380,008)</u>	<u>322,791</u>	<u>292,590</u>	<u>235,373</u>
NON-OPERATING EXPENSES				
Interest expense	(51,844)	-	(955)	(52,799)
Total non-operating expense	<u>(51,844)</u>	<u>-</u>	<u>(955)</u>	<u>(52,799)</u>
Income (loss) before transfers	<u>(431,852)</u>	<u>322,791</u>	<u>291,635</u>	<u>182,574</u>
Transfers in	880,000	-	-	880,000
Transfers out	-	(260,600)	(136,100)	(396,700)
	<u>880,000</u>	<u>(260,600)</u>	<u>(136,100)</u>	<u>483,300</u>
Change in net assets	448,148	62,191	155,535	665,874
Total net assets, beginning	<u>2,267,764</u>	<u>3,178,794</u>	<u>(397,641)</u>	<u>5,048,917</u>
Total net assets, ending	<u>\$ 2,715,912</u>	<u>\$ 3,240,985</u>	<u>\$ (242,106)</u>	<u>\$ 5,714,791</u>

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

CITY OF DECATUR, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	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	\$ 85,551	\$ 994,856	\$ 2,332,357	\$ 3,412,764
Payments to suppliers	(279,401)	57,120	(591,935)	(814,216)
Payments to employees	-	(311,530)	(654,119)	(965,649)
Net cash provided by (used in) operating activities	<u>(193,850)</u>	<u>740,446</u>	<u>1,086,303</u>	<u>1,632,899</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	880,000	-	-	880,000
Transfers out to other funds	-	(260,600)	(136,100)	(396,700)
Repayment of advances from other funds	-	-	(32,104)	(32,104)
Receipt of advances from other funds	-	54,975	-	54,975
Net cash provided by (used in) non-capital financing activities	<u>880,000</u>	<u>(205,625)</u>	<u>(168,204)</u>	<u>506,171</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipt of lease proceeds	-	-	162,458	162,458
Principal payments on capital lease	(725,000)	-	(34,072)	(759,072)
Interest paid	(58,066)	-	(955)	(59,021)
Purchases of capital assets	-	(82,974)	(262,393)	(345,367)
Net cash used in capital and related financing activities	<u>(783,066)</u>	<u>(82,974)</u>	<u>(134,962)</u>	<u>(1,001,002)</u>
Net increase (decrease) in cash	(96,916)	451,847	783,137	1,138,068
Cash, beginning of year	166,041	1,922,480	1,053,628	3,142,149
Cash, end of year	<u>\$ 69,125</u>	<u>\$ 2,374,327</u>	<u>\$ 1,836,765</u>	<u>\$ 4,280,217</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (380,008)	\$ 322,791	\$ 292,590	\$ 235,373
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	372,433	91,369	128,108	591,910
Change in assets and liabilities:				
Decrease (increase) in fees receivable	-	8,653	(62,918)	(54,265)
Decrease in accounts receivable	1,182	-	-	1,182
Decrease (increase) in due from other funds	(220,000)	8,690	35,067	(176,243)
Decrease in prepaid items	-	1,291	2,324	3,615
Increase in accounts payable	8,024	8,416	33,692	50,132
Increase in accrued liabilities	-	6,920	8,387	15,307
Increase in compensated absences payable	-	8,794	7,243	16,037
Increase in deferred revenue	-	1,753	18,145	19,898
Increase in due to other funds	24,519	281,769	623,665	929,953
Net cash provided by (used in) operating activities	<u>\$ (193,850)</u>	<u>\$ 740,446</u>	<u>\$ 1,086,303</u>	<u>\$ 1,632,899</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, 2008

ASSETS	Pension Trust Fund	Agency Funds
Cash	\$ 879,070	\$ 8,910,576
Mutual funds	21,727,092	-
Benefits receivable	56,343	
Total assets	<u>22,662,505</u>	<u>8,910,576</u>
LIABILITIES		
Accounts payable	3,232	-
Due to others	-	48,650
Due to component unit	-	8,861,926
Total liabilities	<u>3,232</u>	<u>8,910,576</u>
NET ASSETS		
Assets held in trust for pension benefits	<u>\$ 22,659,273</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, 2008**

ADDITIONS

Contributions	
Plan member contributions	\$ 728,635
Employer contributions	749,274
	<hr/>
Total contributions	1,477,909
	<hr/>
Investment income	
Net depreciation in fair value of investmets	(2,019,586)
Interest and dividends	1,277,891
	<hr/>
Total investment income	(741,695)
	<hr/>
Total additions	736,214

DEDUCTIONS

Benefit payments	1,155,970
Refunds paid to Plan members and beneficiaries	103,739
Administrative fees	105,735
	<hr/>
Total deductions	1,365,444
	<hr/>
Net decrease in net assets	(629,230)

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

Beginning of year	<hr/>
	23,288,503
	<hr/>
End of year	\$ 22,659,273
	<hr/>

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

CITY OF DECATUR, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 758 Scott Boulevard, 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 509 North McDonough Street, 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. Deposits 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, all highly liquid investments 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, 2008, 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. Infrastructure (e.g., roads, bridges, sidewalks, and similar items) prior to July 1, 2002 have been reported.

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 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 effective interest method.

In the fund financial statements, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources and bond issuance costs as expenditures.

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 \$39,515,210 difference are as follows:

Arbitrage payable	\$ (54,553)
Less: Amount due from component unit	27,089
Net arbitrage payable	<u>(27,464)</u>
Capital leases payable	(689,691)
Certificates of participation	(3,900,000)
Claims and judgements payable	(228,946)
Bonds payable	(33,245,000)
Bond issuance costs	354,977
Unamortized premium	(240,339)
Accrued interest payable	(788,614)
Compensated absences	<u>(750,133)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ (39,515,210)</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 \$1,660,646 difference are as follows:

Capital outlay	\$ 4,204,913
Depreciation expense	<u>(2,544,267)</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>\$ 1,660,646</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 \$83,687 difference are as follows:

Proceeds from capital leases	\$ (234,843)
Amortization of premium and deferred charges	(4,022)
Principal retirement of long-term debt	322,552
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>	\$ 83,687

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 \$163,942 difference are as follows:

Compensated absences	\$ (4,050)
Claims and judgments	(7,149)
Net arbitrage rebate	33,362
Accrued interest	(155,838)
Net pension asset	(30,267)
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>	\$ (163,942)

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

1. In accordance with the Fiscal Control Ordinance of the City, the City Manager submits a proposed operating budget to the City Commissioners. The operating budget includes proposed expenditures and the means for financing them.
2. Prior to any action by the Commissioners, the City publishes the proposed budget in the official legal organ, other community newspapers and makes copies available to the residents of the City.
3. Public meetings are held to obtain taxpayer comments.
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 City 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, 2008:

Confiscated Drug Fund	\$	2,934
Debt Service Fund		131
Capital Improvement Fund		796,755
General Fund departments:		
General management		14,716
Fire		81,730
Motor maintenance		89,549

These over expenditures were funded by greater than anticipated revenues and by available fund balance. The Capital Improvement fund variance was funded by approximately \$1,335,000 in unbudgeted grant awards.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

As of June 30, 2008, the City had \$21,727,092 invested on behalf of a defined pension fund and \$217,791 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.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Guaranteed Investment Contract	June 1, 2028	\$ 217,791
Stock mutual funds	(1)	11,698,918
Taxable bond mutual funds	3.65 average effective duration	10,028,174
Georgia Fund 1	40 days	<u>13,858,427</u>
Total		<u>\$ 35,803,310</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, 2008 was 4.60 years.

Credit risk: State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2008, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

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 underlying investments in the taxable bond mutual funds had average ratings ranging from AAA to BBB+.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAAM rated money market funds and is regulated by the Georgia Office of Treasury and Fiscal Services. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1 per share. The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia. As of June 30, 2008, the City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, 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, 2008, the City's bank balances were properly collateralized as defined by GAAP and State statutes.

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 for the calendar year and are due June 1.

Receivables at June 30, 2008, for the City's individual major funds and nonmajor 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>Other Governmental Funds</u>
Receivables:						
Taxes	\$ 634,603	\$ 88,853	\$ -	\$ -	\$ -	\$ 164,275
Accounts	-	-	6,000	121,536	339,963	-
Due from other governments	-	-	-	-	-	539,599
Other	209,352	1,530,852	-	941	8,749	72,962
Less allowance for uncollectible	(51,762)	(4,972)	-	(58,162)	(101,836)	(6,161)
Net total receivable	<u>\$ 792,193</u>	<u>\$ 1,614,733</u>	<u>\$ 6,000</u>	<u>\$ 64,315</u>	<u>\$ 246,876</u>	<u>\$ 770,675</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2008, 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	\$ 2,321,899	\$ 63,052	\$ -	\$ 2,384,951
Construction in progress	2,317,498	9,136,847	(446,834)	11,007,511
Total	<u>4,639,397</u>	<u>9,199,899</u>	<u>(446,834)</u>	<u>13,392,462</u>
Capital assets, being depreciated:				
Land improvements	960,347	-	-	960,347
Infrastructure	19,778,211	1,129,975	-	20,908,186
Buildings and improvements	50,888,840	26,340	-	50,915,180
Machinery and equipment	3,551,344	119,013	-	3,670,357
Vehicles	3,715,126	224,137	(76,451)	3,862,812
Total	<u>78,893,868</u>	<u>1,499,465</u>	<u>(76,451)</u>	<u>80,316,882</u>
Less accumulated depreciation for:				
Land improvements	(625,477)	(51,659)	-	(677,136)
Infrastructure	(12,519,175)	(466,951)	-	(12,986,126)
Buildings and improvements	(15,227,746)	(1,523,240)	-	(16,750,986)
Machinery and equipment	(2,540,999)	(160,800)	-	(2,701,799)
Vehicles	(2,666,848)	(341,617)	76,451	(2,932,014)
Total	<u>(33,580,245)</u>	<u>(2,544,267)</u>	<u>76,451</u>	<u>(36,048,061)</u>
Total capital assets, being depreciated, net	<u>45,313,623</u>	<u>(1,044,802)</u>	<u>-</u>	<u>44,268,821</u>
Governmental activities capital assets, net	<u>\$ 49,953,020</u>	<u>\$ 8,155,097</u>	<u>\$ (446,834)</u>	<u>\$ 57,661,283</u>

Included in buildings and improvements and construction in progress for governmental activities are school facilities used by the City Schools of Decatur but owned by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 27,998	\$ -	\$ 27,998
Land	280,065	-	-	280,065
Total	280,065	27,998	-	308,063
Capital assets, being depreciated:				
Infrastructure	3,589,664	159,760	-	3,749,424
Buildings	8,469,375	-	-	8,469,375
Furniture, fixtures, and equipment	1,794,728	317,368	-	2,112,096
Total	13,853,767	477,128	-	14,330,895
Less accumulated depreciation for:				
Infrastructure	(1,930,076)	(77,711)	-	(2,007,787)
Buildings	(5,229,857)	(354,258)	-	(5,584,115)
Furniture, fixtures, and equipment	(1,351,908)	(142,229)	-	(1,494,137)
Total	(8,511,841)	(574,198)	-	(9,086,039)
Total capital assets, being depreciated, net	5,341,926	(97,070)	-	5,244,856
Business-type activities capital assets, net	\$ 5,621,991	\$ (69,072)	\$ -	\$ 5,552,919

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

Governmental activities:	
General government	\$ 125,390
Education	1,383,998
Public safety	355,080
Public works	572,135
Recreation	107,664
Total depreciation expense - governmental activities	\$ 2,544,267
Business-type activities:	
Conference and Parking Deck	\$ 354,721
Stormwater	91,369
Sanitation	128,108
Total depreciation expense - business-type activities	\$ 574,198

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	1,180,056	762,628	-	1,942,684
Total	<u>4,795,103</u>	<u>762,628</u>	<u>-</u>	<u>5,557,731</u>
Less accumulated depreciation for:				
Leasehold improvements	(441,839)	(241,003)	-	(682,842)
Equipment	(581,706)	(188,541)	-	(770,247)
Total	<u>(1,023,545)</u>	<u>(429,544)</u>	<u>-</u>	<u>(1,453,089)</u>
Total capital assets, being depreciated, net	<u>3,771,558</u>	<u>333,084</u>	<u>-</u>	<u>4,104,642</u>
Governmental activities capital assets, net	<u>\$ 3,771,558</u>	<u>\$ 333,084</u>	<u>\$ -</u>	<u>\$ 4,104,642</u>

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2008, 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:					
General obligation bonds	\$ 33,245,000	\$ -	\$ -	\$ 33,245,000	\$ -
Plus issuance premium	248,772	-	(8,433)	240,339	
Total bonds payable	33,493,772	-	(8,433)	33,485,339	
Capital leases	682,400	234,843	(227,552)	689,691	159,319
Certificates of participation	3,995,000	-	(95,000)	3,900,000	100,000
Claims and judgments	221,797	86,750	(79,601)	228,946	139,250
Other long-term liability	121,980	-	(67,427)	54,553	-
Compensated absences	746,083	556,674	(552,624)	750,133	555,624
Governmental activity Long-term liabilities	<u>\$ 39,261,032</u>	<u>\$ 878,267</u>	<u>\$ (1,030,637)</u>	<u>\$ 39,108,662</u>	<u>\$ 954,193</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital leases - due to component unit	\$ 1,490,000	\$ -	\$ (725,000)	\$ 765,000	\$ 765,000
Less deferred amounts	(5,524)	4,404	-	(1,120)	
	<u>1,484,476</u>	<u>4,404</u>	<u>(725,000)</u>	<u>763,880</u>	
Capital lease	-	162,458	(34,072)	128,386	30,419
Compensated absences	70,315	58,113	(46,616)	81,812	51,598
Business-type activity					
Long-term liabilities	<u>\$ 1,554,791</u>	<u>\$ 224,975</u>	<u>\$ (805,688)</u>	<u>\$ 974,078</u>	<u>\$ 847,017</u>

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. The arbitrage liability, classified as other long-term liability, will be liquidated by the Capital Improvements 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 and business-type 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, 2008, the City had \$1,016,427 and \$162,458 for governmental activities and business-type activities, respectively, 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,	Governmental Activities	Business-type Activities
2009	\$ 189,020	\$ 35,028
2010	189,020	35,028
2011	148,366	35,028
2012	148,366	35,028
2013	96,650	-
Total minimum lease payments	<u>771,422</u>	<u>140,112</u>
Less amount representing interest	81,731	11,726
Present value of future minimum lease payments	<u>\$ 689,691</u>	<u>\$ 128,386</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

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.

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, 2008:

Fiscal Year Ending June 30, 2009		\$ 784,699
		<u>784,699</u>
Less:		
Amount representing interest		(18,579)
Unamortized loss on refunding		<u>(1,120)</u>
Net present value of capitalized lease obligation due to component unit		<u><u>\$ 765,000</u></u>

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

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>
2009	\$ 100,000	\$ 163,578	\$ 263,578
2010	105,000	159,668	264,668
2011	110,000	155,563	265,563
2012	115,000	151,262	266,262
2013	120,000	146,765	266,765
2014-2018	665,000	660,122	1,325,122
2019-2023	805,000	519,753	1,324,753
2024-2028	1,880,000	357,879	2,237,879
Total	<u>\$ 3,900,000</u>	<u>\$ 2,314,590</u>	<u>\$ 6,214,590</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds. In January 2007 the City issued \$33,245,000 of Various Purpose Series 2007 General Obligation Bonds, with a premium of \$252,988. The proceeds from the bonds will be used to pay for the costs of acquiring, constructing, equipping and renovating certain transportation projects, parks and recreation projects, public safety projects, public works projects and projects for the City Schools of Decatur as well as the issuance costs.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The bonds were issued as 30-year serial bonds with interest rates ranging from 3.75% to 5.00%. General obligation bonds currently outstanding are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 1,441,769	\$ 1,441,769
2010	275,000	1,441,769	1,716,769
2011	355,000	1,431,456	1,786,456
2012	440,000	1,418,144	1,858,144
2013	475,000	1,400,544	1,875,544
2014-2018	3,065,000	6,681,519	9,746,519
2019-2023	4,465,000	5,963,119	10,428,119
2024-2028	6,295,000	4,905,100	11,200,100
2029-2033	8,725,000	3,179,063	11,904,063
2033-2037	9,150,000	1,001,938	10,151,938
Total	<u>\$ 33,245,000</u>	<u>\$ 28,864,421</u>	<u>\$ 62,109,421</u>

City Schools of Decatur

Long-term liability activity for the year ended June 30, 2008, 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	\$ 3,356,349	\$ 735,116	\$ (446,329)	\$ 3,645,136	\$ 297,310
Compensated absences	99,704	71,460	(71,283)	99,881	71,550
Other long term liability, due to primary government	61,154	-	(34,065)	27,089	-
Governmental activity Long-term liabilities	<u>\$ 3,517,207</u>	<u>\$ 806,576</u>	<u>\$ (551,677)</u>	<u>\$ 3,772,106</u>	<u>\$ 368,860</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Future required minimum payments on the City Schools of Decatur's capital leases are as follows at June 30, 2008:

Fiscal Year Ending June 30,		
2009	\$	389,697
2010		496,629
2011		251,590
2012		251,590
2013		251,590
2014-2018		1,257,950
2019-2023		1,257,950
2024-2026		545,112
		4,702,108
Less amount representing interest		(1,056,972)
Net present value of capitalized lease obligation	\$	3,645,136

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Fund	\$ 31,306
General Fund	Solid Waste Fund	1,613,221
General Fund	Stormwater Utility Fund	425,918
General Fund	Conference & Parking Deck Fund	5,223
General Fund	Nonmajor governmental funds	309,195
Solid Waste Fund	Capital Improvement Fund	376,840
Conference & Parking Deck Fund	Nonmajor governmental funds	350,000
Nonmajor governmental funds	Capital Improvement Fund	135
Nonmajor governmental funds	General Fund	67,346
Nonmajor governmental funds	Conference & Parking Deck Fund	20,000
		\$ 3,199,184

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

NOTES TO FINANCIAL STATEMENTS

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

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit - City Schools of Decatur	\$ 32,808
Primary government - Other governmental funds	Component unit - City Schools of Decatur	40,053
Component unit - Downtown Development Authority	Primary government - Grant Fund	25,000
Component unit - Downtown Development Authority	Primary government - Downtown Development Authority Fund (Agency)	167,667
Component unit - City Schools of Decatur	Primary government - Stormwater Fund	159,759
Component unit - City Schools of Decatur	Primary government - Board of Education Fund (Agency)	8,694,259
		<u>\$ 9,119,546</u>

In addition to the amounts noted as due to/from primary government and component units above, the City has reported a due from component unit, in the amount of \$27,089, in governmental activities that represents the City Schools of Decatur's portion of the City's arbitrage rebate payable that has been reported in governmental activities as an other long-term liability.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	<u>\$ 287,000</u>
General Fund	Solid Waste Fund	\$ 136,100
General Fund	Capital Projects Fund	116,624
General Fund	Stormwater Utility Fund	260,600
		<u>\$ 513,324</u>
Nonmajor governmental funds	Nonmajor governmental funds	<u>\$ 30,000</u>
Conference & Parking Deck Fund	Nonmajor governmental funds	<u>\$ 880,000</u>

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

NOTES TO FINANCIAL STATEMENTS

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

Advances to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvement Fund	Solid Waste Fund	\$ 349,825
Capital Improvement Fund	Stormwater Fund	54,975
Capital Improvement Fund	Nonmajor governmental funds	112,420
		\$ 517,220

The amounts payable from the Solid Waste Fund, Stormwater Fund and the Nonmajor governmental funds relate to equipment purchased through the Capital Improvement Fund and transferred to these funds.

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, 2008 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	6
Active participants	189
	267

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Employee Contributions

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

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

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

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

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

City Contributions

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

Benefits

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

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, 2008, were as follows: State Street Equity Investments Mutual Fund of \$21,727,092. 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, 2007, 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 \$250.

Although the actuarial valuation method is the aggregate actuarial cost method, the following is a schedule of funding progress, using the entry age actuarial cost method.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2008	23,974,434	28,554,857	4,580,423	84.0%	9,424,366	48.6%

The above schedule of funding progress serves as a surrogate for the funded status and funding progress of the plan. See required supplementary information for a history of funding progress.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Annual Pension Cost

The City's actuarially determined contribution, pension cost and increase in net pension obligation (asset) for the year ended June 30, 2008, is as follows:

Annual required contribution	\$ 729,462
Interest on net pension obligation (asset)	(53,712)
Adjustments to annual required contribution	103,791
Annual pension cost	<u>779,541</u>
Contributions made	<u>749,274</u>
Increase in net pension obligation	30,267
Net pension obligation (asset), beginning of year	<u>(716,159)</u>
Net pension obligation (asset), end of year	<u><u>\$ (685,892)</u></u>

For the year ended June 30, 2008, the City's contribution was 8.02% of covered payroll.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 2008	\$ 779,541	96%	\$ (685,892)
June 30, 2007	822,448	95%	(716,159)
June 30, 2006	837,378	94%	(754,949)

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contribution</u>	<u>Percentage of ARC Contributed</u>
June 30, 2008	\$ 729,462	\$ 749,274	103%
June 30, 2007	770,443	783,658	102%
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%

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

City Schools of Decatur

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

Covered employees are required by state law to contribute 5% of their annual covered salary to the plan and the District is required to contribute 9.28% of current covered payroll. Covered employees' contributions for the years ended June 30, 2008, 2007, and 2006, were \$938,709, \$920,730, and \$882,491, respectively. The District's contributions to TRS for the years ended June 30, 2008, 2007, and 2006, were \$1,710,630, \$1,702,336, and \$1,610,521, 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, 2008, June 30, 2007, and June 30, 2006 totaled \$1,850, \$2,076, and \$2,364, 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, 2008, June 30, 2007, and June 30, 2006 for District employees were \$2,408, \$2,068, and \$2,144, 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 58 employees covered under PSERS for the year ended June 30, 2008.

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, 2008, there were 74 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, not to exceed the IRS guidelines, into the Plan. 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 six employees. Total employer and employee contributions for the year ended June 30, 2008, was \$43,965 and \$147,806, respectively.

NOTE 11. FUND DEFICITS

For the year ended June 30, 2008, the City's Solid Waste Fund had deficit net assets of \$242,106. The fund deficit in the Solid Waste Fund will be reduced through increased user charges, reduced collection fees 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, 77 retirees are eligible for post-retirement benefits. These post-retirement benefits are funded on a pay-as-you go basis and totaled \$1,471,863 for the year ended June 30, 2008.

<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>
2008	\$ 89,008	\$ 2,048,088	\$ 2,018,233	\$ 118,863
2007	\$ 97,175	\$ 2,191,881	\$ 2,200,048	\$ 89,008

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>
2008	\$ 32,041	\$ 132,344	\$ 88,882	\$ 75,503
2007	\$ 27,226	\$ 71,042	\$ 66,227	\$ 32,041

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, 2008, contractual commitments on uncompleted contracts were \$2,049,308.

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 three students of the District. At present, the District is required to pay approximately \$1,140,289 over the next five 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,	
2009	\$ 274,411
2010	265,623
2011	265,623
2012	221,568
2013	113,064
Total future payments	<u>\$ 1,140,289</u>

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 were \$386,360 for the year ended June 30, 2008. Of this amount 93.2%, or \$360,000, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DECATUR, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2008	23,974,434	28,554,857	4,580,423	84.0%	9,424,366	48.6%
6/30/2007	22,454,254	26,137,175	3,682,921	85.9%	8,305,214	44.3%
6/30/2006	20,626,000	24,449,540	3,823,540	84.4%	7,909,378	48.3%
6/30/2005	19,124,046	23,110,843	3,986,797	82.7%	7,499,611	53.2%
6/30/2004	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2003	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

Note: See assumptions used for the Schedule of Funding Progress in Note 9 to the financial statements.

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 and other grant programs.

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, 2008

ASSETS	Special Revenue Funds			
	Emergency Telephone System Fund	Confiscated Drug Fund	Grant Fund	Economic Development Fund
Cash and cash equivalents	\$ 341,909	\$ 41,681	\$ 789,503	\$ 168,752
Taxes receivable	-	-	-	-
Due from other governments	-	-	539,599	-
Other receivables	63,934	-	-	-
Due from other funds	49,616	-	135	15,730
Due from component unit	-	-	40,053	-
Prepays	627	-	-	-
Total assets	\$ 456,086	\$ 41,681	\$ 1,369,290	\$ 184,482
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 29,645	\$ -	\$ 1,489	\$ -
Due to other funds	6,430	4,257	298,508	-
Due to component unit	-	-	25,000	-
Deferred revenue	-	-	-	-
Advances from other funds	112,420	-	-	-
Total liabilities	148,495	4,257	324,997	-
FUND BALANCES				
Reserved for:				
Program expenditures	-	-	1,044,293	-
Tree preservation	-	-	-	19,303
Debt service	-	-	-	-
Unreserved	307,591	37,424	-	165,179
	307,591	37,424	1,044,293	184,482
Total liabilities and fund balances	\$ 456,086	\$ 41,681	\$ 1,369,290	\$ 184,482

			Capital Projects Fund	
Greenspace Fund	Hotel/Motel Tax Fund	Debt Service Fund	Cemetery Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ 35,651	\$ 402,353	\$ 869,416	\$ 240,992	\$ 2,890,257
-	30,641	127,473	-	158,114
-	-	-	-	539,599
-	-	9,028	-	72,962
2,000	-	20,000	-	87,481
-	-	-	-	40,053
-	-	720,129	-	720,756
<u>\$ 37,651</u>	<u>\$ 432,994</u>	<u>\$ 1,746,046</u>	<u>\$ 240,992</u>	<u>\$ 4,509,222</u>
\$ -	\$ -	\$ -	\$ -	\$ 31,134
-	350,000	-	-	659,195
-	-	-	-	25,000
7,500	-	105,074	-	112,574
-	-	-	-	112,420
<u>7,500</u>	<u>350,000</u>	<u>105,074</u>	<u>-</u>	<u>940,323</u>
-	-	-	-	1,044,293
-	-	-	-	19,303
-	-	1,640,972	-	1,640,972
30,151	82,994	-	240,992	864,331
<u>30,151</u>	<u>82,994</u>	<u>1,640,972</u>	<u>240,992</u>	<u>3,568,899</u>
<u>\$ 37,651</u>	<u>\$ 432,994</u>	<u>\$ 1,746,046</u>	<u>\$ 240,992</u>	<u>\$ 4,509,222</u>

CITY OF DECATUR, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds			
	Emergency Telephone System Fund	Confiscated Drug Fund	Grant Fund	Economic Development Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	582,919	-	249,440	-
Intergovernmental	-	-	569,779	-
Fines and forfeitures	-	5,102	-	-
Interest	-	138	-	-
Miscellaneous	-	-	12,779	3,709
Total revenues	<u>582,919</u>	<u>5,240</u>	<u>831,998</u>	<u>3,709</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Education	-	-	560,592	-
Public safety	724,366	7,934	-	-
Recreation	-	-	50,000	-
Debt service				
Principal retirements	11,111	-	-	-
Interest expenditures	-	-	-	-
Total expenditures	<u>735,477</u>	<u>7,934</u>	<u>610,592</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(152,558)</u>	<u>(2,694)</u>	<u>221,406</u>	<u>3,709</u>
Other financing sources (uses)				
Transfers in	265,000	-	-	-
Transfers out	-	-	-	(30,000)
Total other financing sources (uses)	<u>265,000</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balances	<u>112,442</u>	<u>(2,694)</u>	<u>221,406</u>	<u>(26,291)</u>
FUND BALANCES, beginning of year	<u>195,149</u>	<u>40,118</u>	<u>822,887</u>	<u>210,773</u>
FUND BALANCES, end of year	<u>\$ 307,591</u>	<u>\$ 37,424</u>	<u>\$ 1,044,293</u>	<u>\$ 184,482</u>

			Capital Projects Fund	
Greenspace Fund	Hotel/Motel Tax Fund	Debt Service Fund	Cemetery Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ -	\$ 386,360	\$ 1,664,431	\$ -	\$ 2,050,791
-	-	-	-	832,359
-	-	-	-	569,779
-	-	-	-	5,102
-	-	29,799	-	29,937
-	-	-	156,153	172,641
-	386,360	1,694,230	156,153	3,660,609
20,134	10,000	-	-	30,134
-	-	-	-	560,592
-	-	-	-	732,300
-	-	-	-	50,000
-	-	-	-	11,111
-	-	1,353,801	-	1,353,801
20,134	10,000	1,353,801	-	2,737,938
(20,134)	376,360	340,429	156,153	922,671
52,000	-	-	-	317,000
-	(350,000)	(530,000)	-	(910,000)
52,000	(350,000)	(530,000)	-	(593,000)
31,866	26,360	(189,571)	156,153	329,671
(1,715)	56,634	1,830,543	84,839	3,239,228
\$ 30,151	\$ 82,994	\$ 1,640,972	\$ 240,992	\$ 3,568,899

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, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 525,000	\$ 570,000	\$ 582,919	\$ 12,919
EXPENDITURES				
Public safety	830,750	821,220	724,366	96,854
Debt service				
Principal	49,000	48,600	11,111	37,489
Total expenditures	879,750	869,820	735,477	134,343
Deficiency of revenues over expenditures	(354,750)	(299,820)	(152,558)	147,262
OTHER FINANCING SOURCES				
Transfers in	285,000	265,000	265,000	-
Net change in fund balances	(69,750)	(34,820)	112,442	147,262
FUND BALANCES, beginning of year	195,149	195,149	195,149	-
FUND BALANCES, end of year	<u>\$ 125,399</u>	<u>\$ 160,329</u>	<u>\$ 307,591</u>	<u>\$ 147,262</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, 2008**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 5,102	\$ 5,102
Interest	250	140	138	(2)
Total revenue	<u>250</u>	<u>140</u>	<u>5,240</u>	<u>5,100</u>
EXPENDITURES				
Public safety	<u>2,000</u>	<u>5,000</u>	<u>7,934</u>	<u>(2,934)</u>
Total expenditures	<u>2,000</u>	<u>5,000</u>	<u>7,934</u>	<u>(2,934)</u>
Net change in fund balances	(1,750)	(4,860)	(2,694)	2,166
FUND BALANCES, beginning of year	<u>40,118</u>	<u>40,118</u>	<u>40,118</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 38,368</u></u>	<u><u>\$ 35,258</u></u>	<u><u>\$ 37,424</u></u>	<u><u>\$ 2,166</u></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, 2008**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 485,740	\$ 485,000	\$ 569,779	\$ 84,779
Charges for services	280,230	200,000	249,440	49,440
Miscellaneous	-	-	12,779	12,779
	<u>765,970</u>	<u>685,000</u>	<u>831,998</u>	<u>146,998</u>
Total revenue				
EXPENDITURES				
Education	736,840	739,560	560,592	178,968
Recreation	-	-	50,000	(50,000)
	<u>736,840</u>	<u>739,560</u>	<u>610,592</u>	<u>128,968</u>
Total expenditures				
Net change in fund balances	29,130	(54,560)	221,406	275,966
FUND BALANCES, beginning of year	<u>822,887</u>	<u>822,887</u>	<u>822,887</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 852,017</u>	<u>\$ 768,327</u>	<u>\$ 1,044,293</u>	<u>\$ 275,966</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, 2008**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 10,000	\$ 24,700	\$ 3,709	\$ (20,991)
Total revenue	<u>10,000</u>	<u>24,700</u>	<u>3,709</u>	<u>(20,991)</u>
EXPENDITURES				
General government	<u>67,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>67,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of revenues over expenditures	(57,000)	24,700	3,709	(20,991)
OTHER FINANCING USES				
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balances	(87,000)	(5,300)	(26,291)	(20,991)
FUND BALANCES, beginning of year	<u>210,773</u>	<u>210,773</u>	<u>210,773</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 123,773</u>	<u>\$ 205,473</u>	<u>\$ 184,482</u>	<u>\$ (20,991)</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, 2008**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 7,500	\$ -	\$ (7,500)
EXPENDITURES				
General government	50,000	50,150	20,134	30,016
Deficiency of revenues over expenditures	(50,000)	(42,650)	(20,134)	22,516
OTHER FINANCING SOURCES				
Transfers in	50,000	52,000	52,000	-
Net change in fund balances	-	9,350	31,866	22,516
FUND BALANCES, beginning of year	<u>(1,715)</u>	<u>(1,715)</u>	<u>(1,715)</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ (1,715)</u>	<u>\$ 7,635</u>	<u>\$ 30,151</u>	<u>\$ 22,516</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, 2008**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 340,000	\$ 378,000	\$ 386,360	\$ 8,360
EXPENDITURES				
General government	10,100	10,100	10,000	100
Total expenditures	10,100	10,100	10,000	100
Excess of revenues over expenditures	329,900	367,900	376,360	8,460
OTHER FINANCING USES				
Transfers out	(330,000)	(350,000)	(350,000)	-
Net change in fund balances	(100)	17,900	26,360	8,460
FUND BALANCES, beginning of year	56,634	56,634	56,634	-
FUND BALANCES, end of year	<u>\$ 56,534</u>	<u>\$ 74,534</u>	<u>\$ 82,994</u>	<u>\$ 8,460</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, 2008

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,660,000	\$ 1,660,000	\$ 1,664,431	\$ 4,431
Interest	10,000	25,000	29,799	4,799
Total revenues	<u>1,670,000</u>	<u>1,685,000</u>	<u>1,694,230</u>	<u>9,230</u>
EXPENDITURES				
Interest	<u>1,353,670</u>	<u>1,353,670</u>	<u>1,353,801</u>	<u>(131)</u>
Total expenditures	<u>1,353,670</u>	<u>1,353,670</u>	<u>1,353,801</u>	<u>(131)</u>
Excess of revenues over expenditures	316,330	331,330	340,429	9,361
OTHER FINANCING USES				
Transfers out	<u>(550,000)</u>	<u>(530,000)</u>	<u>(530,000)</u>	<u>-</u>
Net change in fund balances	(233,670)	(198,670)	(189,571)	9,361
FUND BALANCES, beginning of year	<u>1,830,543</u>	<u>1,830,543</u>	<u>1,830,543</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 1,596,873</u></u>	<u><u>\$ 1,631,873</u></u>	<u><u>\$ 1,640,972</u></u>	<u><u>\$ 9,361</u></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, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ 6,000	\$ 156,550	\$ 156,153	\$ (397)
Total revenues	6,000	156,550	156,153	(397)
EXPENDITURES				
General government	31,000	20,000	-	20,000
Total expenditures	31,000	20,000	-	20,000
Net change in fund balances	(25,000)	136,550	156,153	19,603
FUND BALANCES, beginning of year	84,839	84,839	84,839	-
FUND BALANCES, end of year	<u>\$ 59,839</u>	<u>\$ 221,389</u>	<u>\$ 240,992</u>	<u>\$ 19,603</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, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,061,570	\$ 1,061,570	\$ 1,079,962	\$ 18,392
Intergovernmental	150,950	150,950	1,486,519	1,335,569
Interest	715,000	715,000	741,186	26,186
Miscellaneous	25,000	25,000	47,796	22,796
Total revenues	<u>1,952,520</u>	<u>1,952,520</u>	<u>3,355,463</u>	<u>1,402,943</u>
EXPENDITURES				
General government	215,800	215,800	215,421	379
Capital outlay	2,984,950	2,984,950	4,023,207	(1,038,257)
Debt service				
Principal retirements	519,000	519,000	311,441	207,559
Interest and fiscal charges	152,000	152,000	118,436	33,564
Total expenditures	<u>3,871,750</u>	<u>3,871,750</u>	<u>4,668,505</u>	<u>(796,755)</u>
Deficiency of revenues under expenditures	<u>(1,919,230)</u>	<u>(1,919,230)</u>	<u>(1,313,042)</u>	<u>606,188</u>
OTHER FINANCING SOURCES				
Issuance of long-term debt	473,640	473,640	234,843	(238,797)
Transfers out	-	-	(116,624)	(116,624)
Total other financing sources	<u>473,640</u>	<u>473,640</u>	<u>118,219</u>	<u>(355,421)</u>
Net change in fund balances	(1,445,590)	(1,445,590)	(1,194,823)	250,767
FUND BALANCES, beginning of year	<u>17,736,286</u>	<u>17,736,286</u>	<u>17,736,286</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 16,290,696</u>	<u>\$ 16,290,696</u>	<u>\$ 16,541,463</u>	<u>\$ 250,767</u>

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, 2008**

ASSETS	Municipal Court Fund	Board of Education Fund	Downtown Development Authority Fund	Totals
Cash	\$ 48,650	\$ 8,694,259	\$ 167,667	\$ 8,910,576
 LIABILITIES				
Due to others	\$ 48,650	\$ -	\$ -	\$ 48,650
Due to component unit	-	8,694,259	167,667	8,861,926
Total liabilities	\$ 48,650	\$ 8,694,259	\$ 167,667	\$ 8,910,576

CITY OF DECATUR, GEORGIA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<u>MUNICIPAL COURT</u>				
Assets - cash	\$ 28,941	\$ 828,055	\$ 808,346	\$ 48,650
Liabilities:				
Due to others	\$ 28,941	\$ 828,055	\$ 808,346	\$ 48,650
<u>BOARD OF EDUCATION</u>				
Assets - cash	\$ 5,001,481	\$ 21,096,708	\$ 17,403,930	\$ 8,694,259
Liabilities - due to component unit	\$ 5,001,481	\$ 21,096,708	\$ 17,403,930	\$ 8,694,259
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
Assets - cash	\$ 92,590	\$ 401,823	\$ 326,746	\$ 167,667
Liabilities - due to component unit	\$ 92,590	\$ 401,823	\$ 326,746	\$ 167,667
<u>TOTAL AGENCY FUNDS</u>				
Assets - cash	\$ 5,123,012	\$ 22,326,586	\$ 18,539,022	\$ 8,910,576
Liabilities:				
Due to others	\$ 28,941	\$ 828,055	\$ 808,346	\$ 48,650
Due to component unit	5,094,071	21,498,531	17,730,676	8,861,926
Total liabilities	\$ 5,123,012	\$ 22,326,586	\$ 18,539,022	\$ 8,910,576

**COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY**

CITY OF DECATUR, GEORGIA

BALANCE SHEET COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY JUNE 30, 2008

ASSETS	
Cash	\$ 48,207
Taxes receivable	32,984
Other receivables	16,203
Due from primary government	<u>192,667</u>
Total assets	<u>\$ 290,061</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 8,118
Deferred revenue	<u>23,593</u>
Total liabilities	<u>31,711</u>
FUND BALANCE	
Unreserved	<u>258,350</u>
Total liabilities and fund balance	<u>\$ 290,061</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, 2008

REVENUES	
Taxes	\$ 415,722
Miscellaneous	<u>276,597</u>
Total revenues	<u>692,319</u>
EXPENDITURES	
Downtown development	<u>691,766</u>
Total expenditures	<u>691,766</u>
Net change in fund balance	<u>553</u>
FUND BALANCE, beginning of year	<u>257,797</u>
FUND BALANCE, end of year	<u><u>\$ 258,350</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	77
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	83
These schedules contain information to help the reader assess the City’s most significant local revenue source, property tax.	
Debt Capacity	88
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	91
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	92
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.

CITY OF DECATUR, GEORGIA

**NET ASSETS BY COMPONENT
LAST SIX YEARS**

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

	2008	2007	2006	2005	2004	2003
Governmental activities						
Invested in capital assets, net of related debt	\$ 33,445	\$ 28,897 (1)	\$ 46,046	\$ 42,667	\$ 42,074	\$ 43,864
Restricted	1,044	823	595	-	-	-
Unrestricted	12,270	8,875	7,517	8,822	10,051	9,997
Total governmental activities net assets	\$ 46,759	\$ 38,595	\$ 54,158	\$ 51,489	\$ 52,125	\$ 53,861
Business-type activities						
Invested in capital assets, net of related debt	\$ 4,661	\$ 4,154	\$ 3,387	\$ 3,021	\$ 2,658	\$ 2,444
Unrestricted	1,054	895	929	618	585	656
Total business-type activities net assets	\$ 5,715	\$ 5,049	\$ 4,316	\$ 3,639	\$ 3,243	\$ 3,100
Primary government						
Invested in capital assets, net of related debt	\$ 38,106	\$ 33,051	\$ 49,433	\$ 45,688	\$ 44,732	\$ 46,308
Restricted	1,044	823	595	-	-	-
Unrestricted	13,324	9,770	8,446	9,440	10,636	10,653
Total primary government net assets	\$ 52,474	\$ 43,644	\$ 58,474	\$ 55,128	\$ 55,368	\$ 56,961

NOTE: (1) The decrease in 2007 is due to the issuance of \$33,245,000 in general obligation bonds, with \$16,500,000 paid to the City Schools of Decatur rather than to capital assets of the City.

CITY OF DECATUR, GEORGIA

CHANGES IN NET ASSETS LAST SIX YEARS

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

	2008	2007	2006	2005	2004	2003
Expenses						
Governmental activities:						
General government	\$ 5,406 (6)	\$ 8,589	\$ 8,729 (1)	\$ 5,233	\$ 4,118	\$ 4,030
Education	1,945	2,007	1,845	1,926	1,914	1,499
Public safety	8,331	8,043	8,414	7,659	7,133	6,340
Public works	3,508	3,310	3,544	3,380	3,163	2,758
Recreation	2,152	1,865	1,873	1,605	1,818	1,649
Community & economic development	-	-	-	-	-	318
Interest on long-term debt	1,632 (7)	804	106	99	24	35
Total governmental activities expenses	<u>22,974</u>	<u>24,618</u>	<u>24,511</u>	<u>19,902</u>	<u>18,170</u>	<u>16,629</u>
Business-type activities:						
Conference center	516	516	561	595	611	671
Stormwater	662	552	793	1,588	670	648
Solid Waste	2,085	2,076	1,945	1,796	1,830	1,857
Total business-type activities expenses	<u>3,263</u>	<u>3,144</u>	<u>3,299</u>	<u>3,979</u>	<u>3,111</u>	<u>3,176</u>
Total primary government expenses	<u>\$ 26,237</u>	<u>\$ 27,762</u>	<u>\$ 27,810</u>	<u>\$ 23,881</u>	<u>\$ 21,281</u>	<u>\$ 19,805</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 1,229	\$ 905	\$ 773	\$ 433	\$ 588	\$ 414
Education	249	230 (2)	-	-	-	-
Public safety	1,672	1,500	1,214	1,241	1,257	1,246
Public works	103	88	379	84	117	149
Recreation	776	639	618	524	677	712
Community & economic development	-	-	261	197	214	-
Operating grants and contributions	657	790	997	1,065	479	435
Capital grants and contributions	7,582 (8)	3,362	8,153 (1)	1,786	1,949	7,493
Total governmental activities program revenues	<u>12,268</u>	<u>7,514</u>	<u>12,395</u>	<u>5,330</u>	<u>5,281</u>	<u>10,449</u>
Business-type activities:						
Charges for services:						
Solid Waste	84	79	76	106	66	74
Stormwater	984	1,000	973	889	780	924
Conference Center	2,377	2,342	2,332	2,154	2,043	2,039
Capital grants and contributions	-	-	-	-	-	47
Total business-type activities program revenues	<u>3,445</u>	<u>3,421</u>	<u>3,381</u>	<u>3,149</u>	<u>2,889</u>	<u>3,084</u>
Total primary government program revenues	<u>\$ 15,713</u>	<u>\$ 10,935</u>	<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 SIX YEARS

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

	2008	2007	2006	2005	2004	2003
Net (expense)/revenue						
Governmental activities	\$ (10,706)	\$ (17,104)	\$ (12,116)	\$ (14,572)	\$ (12,889)	\$ (6,180)
Business-type activities	182	277	82	(830)	(222)	(92)
Total primary government net expense	\$ (10,524)	\$ (16,827)	\$ (12,034)	\$ (15,402)	\$ (13,111)	\$ (6,272)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	\$ 14,852	\$ 14,456 (3)	\$ 11,847	\$ 11,287	\$ 9,848	\$ 10,322
Franchise taxes	1,354	1,227	1,254	1,067	1,034	1,047
Sales taxes	662	608	579	250	261	219
Other taxes	1,397	1,495	1,363	1,252	1,220	1,125
Unrestricted investment earnings	1,081	710 (4)	312	188	40	35
Gain on sale of capital assets	7	1	24	8	16	11
Transfers	(483)	(456)	(595)	(116)	(110)	(50)
Special item	-	(16,500) (5)	-	-	-	-
Total governmental activities	18,870	1,541	14,784	13,936	12,309	12,709
Business-type activities:						
Other taxes	-	-	-	275	254	259
Gain on sale of capital assets	-	-	-	835	-	-
Transfers	483	456	595	116	110	50
Total business-type activities	483	456	595	1,226	364	309
Total primary government	\$ 19,353	\$ 1,997	\$ 15,379	\$ 15,162	\$ 12,673	\$ 13,018
Change in Net Assets						
Governmental activities	\$ 8,165	\$ (15,563)	\$ 2,668	\$ (636)	\$ (580)	\$ 6,529
Business-type activities	665	733	677	396	142	217
Total primary government	\$ 8,829	\$ (14,830)	\$ 3,345	\$ (240)	\$ (438)	\$ 6,746

- NOTES:**
- (1) 2006 capital grant revenues and general government expenses include grants received from the U.S. Department of Transportation for MARTA transit station improvements.
 - (2) This amount was reclassified from other categories in 2007 to more accurately report the activity.
 - (3) The increase in 2007 is the result of an increase in the debt service millage rate associated with the issuance of the 2007 general obligation bonds, as well as an increase in the assessed value of taxable property due to growth in the City.
 - (4) Interest income increased due to the increase in cash and investments resulting from the general obligation bond proceeds to be used for construction.
 - (5) The special item is the payment of bond proceeds to the City Schools of Decatur.
 - (6) General governmental expenditures no longer include Marta Station improvements; this project was ongoing during the 2006 and 2007 fiscal years, but was completed in the 2007 fiscal year.
 - (7) Interest expenses increased, as the interest payments on the 2007 bonds began during January 2008.
 - (8) City Schools of Decatur contributed nearly \$6 million of construction on City owned assets. The contributions vary year to year primarily due to the projects being undertaken by the City's school system.

CITY OF DECATUR, GEORGIA

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST SIX YEARS**

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

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Insurance Tax	Other Taxes	Total
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
2007	14,456 (1)	1,227	608	951	544	17,786
2008	14,852	1,354	662	992	405	18,265

NOTE: (1) The increase in 2007 is the result of an increase in the debt service millage rate associated with the issuance of the 2007 general obligation bonds, as well as an increase in the assessed value of taxable property due to growth in the City.

CITY OF DECATUR, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS

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

	2008	2007	2006	2005
General fund				
Reserved	\$ 11	\$ 64	\$ 10	\$ -
Unreserved	<u>7,203</u>	<u>6,224</u>	<u>5,524</u>	<u>5,689</u>
Total general fund	<u><u>\$ 7,214</u></u>	<u><u>\$ 6,288</u></u>	<u><u>\$ 5,534</u></u>	<u><u>\$ 5,689</u></u>
All other governmental funds				
Reserved	\$ 17,131	\$ 19,952 (1)	\$ 1,193	\$ 1,425
Unreserved, reported in:				
Special revenue funds	623	482	347	(1)
Capital projects funds	<u>2,356</u>	<u>542</u>	<u>1,578</u>	<u>1,314</u>
Total all other governmental funds	<u><u>\$ 20,110</u></u>	<u><u>\$ 20,976</u></u>	<u><u>\$ 3,118</u></u>	<u><u>\$ 2,738</u></u>

NOTE: (1) The increase in 2007 is the result of fund balance reserved for capital projects to be funded by the 2007 general obligation bonds.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,144	6,476	4,923	3,379	3,789	3,591
<u>\$ 6,144</u>	<u>\$ 6,476</u>	<u>\$ 4,923</u>	<u>\$ 3,379</u>	<u>\$ 3,789</u>	<u>\$ 3,591</u>
\$ 922	\$ 539	\$ 725	\$ 685	\$ 462	\$ 195
-	-	-	-	-	-
545	450	327	333	204	291
<u>\$ 1,467</u>	<u>\$ 989</u>	<u>\$ 1,052</u>	<u>\$ 1,018</u>	<u>\$ 666</u>	<u>\$ 486</u>

CITY OF DECATUR, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS

(modified accrual basis of accounting)

(amounts expressed in thousands)

	2008	2007	2006	2005
Revenues				
Taxes	\$ 17,789	\$ 17,796 (2)	\$ 15,133	\$ 13,845
Licenses and permits	758	603	721	354
Intergovernmental	2,323	3,179	3,693 (1)	1,701
Fines and forfeitures	485	575	653	523
Charges for services	2,264	1,867	1,542	1,321
Interest income	1,081	710	312	188
Other revenues	391	287	1,155	190
Total revenues	25,091	25,017	23,209	18,122
Expenditures				
General government	5,327 (5)	8,353	8,518 (1)	4,733
Education	561	751	693	777
Public safety	8,074	7,793	7,736	7,585
Public works	2,976	2,663	2,839	2,821
Recreation	2,035	1,752	1,656	1,525
General services	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	4,023 (6)	1,373	3,597	692
Debt service				
Principal retirements	323	316	262	189
Interest and fiscal charges	1,472 (7)	543	108	101
Total expenditures	24,791	23,544	25,409	18,423
Excess of revenues over (under) expenditures	300	1,473	(2,200)	(301)
Other financing sources (uses)				
Proceeds from capital leases	235	596 (3)	186	210
Issuance of long-term debt	-	33,245 (3)	2,810	-
Premium on bond issuance	-	253	-	-
Proceeds from sale of capital assets	7	1	24	8
Transfers in	830	722	1,338	1,018
Transfers out	(1,314)	(1,178)	(1,933)	(1,135)
Total other financing sources (uses)	(242)	33,639	2,425	101
Special item	-	(16,500) (4)	-	-
Net change in fund balances	\$ 58	\$ 18,612	\$ 225	\$ (200)
Debt service as a percentage of noncapital expenditures	8.72%	3.88%	1.70%	1.64%

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

(2) The increase in 2007 is due to additional property taxes resulting from an increase in the debt service millage rate associated with the issuance of the 2007 general obligation bonds, as well as an increase in the assessed value of taxable property due to growth in the City.

(3) The City entered into additional capital leases and issued general obligation bonds during fiscal year 2007.

	2004	2003	2002	2001	2000	1999
\$	12,477	\$ 12,281	\$ 11,474	\$ 9,465	\$ 8,998	\$ 8,603
	517	398	410	471	984	965
	1,105	1,855	1,966	1,127	1,289	615
	530	821	736	845	863	905
	1,473	1,404	1,260	1,686	2,393	2,423
	40	35	66	225	226	157
	554	350	293	339	479	257
	<u>16,696</u>	<u>17,144</u>	<u>16,205</u>	<u>14,158</u>	<u>15,232</u>	<u>13,925</u>
	4,085	3,175	1,903	1,858	1,922	1,153
	458	545	445	-	487	-
	6,948	6,545	5,636	5,723	5,512	5,027
	2,592	2,290	1,874	1,761	3,458	3,161
	1,777	1,683	1,705	1,610	1,417	1,369
	-	-	307	656	634	633
	-	883	760	903	766	867
	401	385	2,260	802	833	545
	309	415	404	360	259	295
	25	36	31	25	24	24
	<u>16,595</u>	<u>15,957</u>	<u>15,325</u>	<u>13,698</u>	<u>15,312</u>	<u>13,074</u>
	101	1,187	880	460	(80)	851
	123	167	750	517	470	183
	-	-	-	-	-	-
	-	-	-	-	-	-
	32	11	1	12	4	9
	1,012	535	499	480	325	20
	(1,122)	(903)	(552)	(970)	(500)	(520)
	<u>45</u>	<u>(190)</u>	<u>698</u>	<u>39</u>	<u>299</u>	<u>(308)</u>
	-	-	-	-	-	-
\$	<u>146</u>	<u>997</u>	<u>1,578</u>	<u>499</u>	<u>219</u>	<u>543</u>
	2.06%	2.90%	3.33%	2.99%	1.95%	2.55%

(4) The special item is the payment of bond proceeds to the City Schools of Decatur.

(5) General governmental expenditures no longer include Marta Station improvements; this project was ongoing during the 2006 and 2007 fiscal years, but was completed in the 2007 fiscal year.

(6) The increase is due to the City expending more of the 2007 bond proceeds for capital improvements.

(7) Interest expenses increased, as the interest payments on the 2007 bonds began during January 2008.

CITY OF DECATUR, GEORGIA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE LAST TEN YEARS

(modified accrual basis of accounting)

(amounts expressed in thousands)

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Insurance Tax	Other Taxes	Total
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	579	909	454	15,133
2007	14,466 (1)	1,227	608	951	544	17,796
2008	14,376	1,354	662	992	405	17,789

NOTE: (1) The increase in 2007 is the result of an increase in the debt service millage rate associated with the issuance of the 2007 general obligation bonds, as well as an increase in the assessed value of taxable property due to growth in the City.

CITY OF DECATUR, GEORGIA

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

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>		<u>Personal Property</u>	<u>Public Utility</u>
	<u>Residential</u>	<u>Commercial</u>		
1999	\$ 414,109	\$ 197,257	\$ 20,642	\$ 18,487
2000	513,136	229,244	22,039	19,951
2001	612,295	423,643	30,700	20,111
2002	673,048	562,535	27,168	18,873
2003	712,820	560,003	26,680	20,539
2004	747,556	590,609	21,952	18,617
2005	793,006	603,435	18,082	19,869
2006	874,604	650,039	18,630	19,348
2007	924,649	659,387	19,132	18,632
2008	964,371	601,018	18,438	17,462

Source: DeKalb County, Georgia Board of Tax Assessors

Source: City of Decatur Revenue Division

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	
\$ 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	1,057,580	1.264	2,115,160		50.00%
515,016	1,106,784	1.266	2,213,568		50.00%
442,559	1,158,730	1.266	2,317,460		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			DeKalb County	School District	Downtown Development Authority	State	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage		Operating Millage	Operating Millage		
1999	1.070	0.085	1.155	37.66	2.050	0.045	0.25	41.160
2000	0.914	0.073	0.987	37.91	1.850	0.038	0.25	41.035
2001	1.047	0.067	1.114	37.16	1.850	0.038	0.25	40.412
2002	1.057	0.057	1.114	37.26	1.961	0.038	0.25	40.623
2003	1.030	0.057	1.087	37.81	2.024	0.038	0.25	41.209
2004	1.109	0.057	1.166	38.81	1.965	0.038	0.25	42.229
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
2007	1.122	0.144	1.266	39.30	1.890	0.038	0.25	42.744
2008	1.122	0.144	1.266	39.30	1.990	0.038	0.25	42.594

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	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Decatur Plaza, LLC	\$ 13,232	1	1.14 %			
Bell South Communications	12,695	2	1.10	\$ 13,605	1	2.71 %
Decatur Towncenter Association	9,854	3	0.85	7,047	2	1.40
DCP Renaissance Investors	8,106	4	0.70	-		-
Ackerman Decatur, LP	6,676	5	0.58	3,612	8	0.72
Lexington Decatur, LLC	6,640	6	0.57	-		-
Deck-Decatur Court, LLC	5,400	7	0.47	-		-
Georgia Power	4,581	8	0.40	3,571	9	0.71
Ashton Park Trace, LLC	4,428	9	0.38	-		-
Bask Decatur Hotel	4,300	10	0.37	-		-
First Union National Bank	-		-	5,048	3	1.01
Sony Creek LTD	-		-	4,230	4	0.84
Leper CQ Corporate Income Fund, LP	-		-	4,222	5	0.84
Prime Bank	-		-	3,832	6	0.76
Avery Properties	-		-	3,640	7	0.73
Park Trace Properties, LTD	-		-	3,561	10	0.71
	<u>\$ 75,912</u>		<u>6.56 %</u>	<u>\$ 52,368</u>		<u>10.43 %</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
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%	13,641	24,733	99.95%
2004	25,960	11,732	45.2%	14,228	25,960	100.00%
2005	26,397	12,335	46.7%	13,906	26,241	99.41%
2006	30,568	12,185	39.9%	18,023	30,208	98.82%
2007	31,135	11,274	36.2%	19,358	30,632	98.38%

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)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Notes Payable	Capital Leases			
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
2007	33,245 (2)	3,995	682	-	1,484	39,406	7.40%	2,171
2008	33,245 (2)	3,900	690	-	892	38,727	7.27%	2,134

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

(2) The City issued general obligation bonds in fiscal year 2007.

CITY OF DECATUR, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT JUNE 30, 2008

(amounts expressed in thousands)

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Decatur (1)	Amount Applicable to City of Decatur
Overlapping General Obligation Debt:			
DeKalb County	\$ 400,874	4.554%	\$ 18,256
Fulton Dekalb Hospital Authority	235,870	4.554%	10,742
Total overlapping debt	636,744		28,998
 City direct debt	 33,245	 100.000%	 33,245
Total direct and overlapping debt	\$ 669,989		\$ 62,242

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

LEGAL DEBT MARGIN INFORMATION

JUNE 30, 2008

(amounts expressed in thousands)

Assessed Value	\$ 1,158,730
Add back: exempt real property	<u>442,559</u>
Total assessed value	1,601,289
Debt limit (10% of total assessed value)	160,129
Debt applicable to limit:	
General obligation bonds	33,245
Less: Amount set aside for repayment of general obligation debt	<u>(1,641)</u>
Total net debt applicable to limit	<u>31,604</u>
Legal debt margin	<u><u>\$ 128,525</u></u>
Total net debt applicable to the limit as a percentage of debt limit	19.74%

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

The City did not have any general obligation debt outstanding prior to fiscal year 2007.

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)
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%
2007	18,147	532,850	29,363	36	75%	2,484	4.1%
2008	18,147	532,850	29,363	36	75%	2,484	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 AND TWO YEARS AGO**

Employer	2008			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Dekalb County Government	1,688	1	N/A %	1,100	1	N/A %
The City Schools of Decatur (education)	467	2	N/A	481	2	N/A
Agnes Scott College (education)	395	3	N/A	400	3	N/A
Emory University (satellite offices)	365	4	N/A	239	4	N/A
City of Decatur	206	5	N/A	206	5	N/A
Decatur Hospital	175	6	N/A	178	6	N/A
McCurdy & Calendar	126	7	N/A	74	9	N/A
Columbia Theological Sem	98	8	N/A	116	8	N/A
Third Millennium	50	9	N/A	50	10	N/A
Decatur First Bank	27	10	N/A	-	-	-
Allied Systems	-	-	N/A	175	7	N/A
	<u>3,597</u>		<u>N/A %</u>	<u>3,019</u>		<u>N/A %</u>

Source: Various City departments

Note: Information for principal employers prior to 2006 is currently not available.

N/A - Information not available

CITY OF DECATUR, GEORGIA

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

Function	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	28	29	28	25	25
Public safety					
Police					
Officers	33	34 (2)	53	50	51
Civilians	18	15 (2)	27	29	28
Fire					
Firefighters and officers	39	39	39	40	40
Highways and streets					
Engineering	13	13 (2)	20	20	19
Maintenance	28	27 (2)	39	34	36
Sanitation	13	17	17	17	15
Culture and recreation	19	16	18	17	18
Total	<u>191</u>	<u>190</u>	<u>241</u>	<u>232</u>	<u>232</u>

Source: City of Decatur department records

Notes: (1) In 2002, engineering personnel were moved to maintenance.

(2) The decrease in 2007 represents position vacancies which occurred during fiscal year 2007, but were not filled until after year end.

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
21	22	22	23	23
52	53	54	52	49
27	29	28	28	27
39	39	39	39	41
19	20 (1)	45	47	47
36	34 (1)	6	6	6
15	16	16	16	17
14	17	21	13	23
<u>223</u>	<u>230</u>	<u>231</u>	<u>224</u>	<u>233</u>

CITY OF DECATUR, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	2008	2007	2006	2005	2004
Police					
Physical arrests	1,179	1,308	1,874	1,655	1,758
Parking violations	11,411	4,230	5,699	4,126	N/A
Traffic violations	5,563	8,454	8,011	8,195	9,129
Fire					
Number of calls answered	2,927	2,552	2,430	2,353	2,200
Inspections	971	884	370	427	278
Highways and streets					
Street resurfacing (miles)	-	-	-	0.65	0.75
Potholes repaired	35	40	48	24	31
Sanitation					
Refuse collected (tons/day)	36.70	42.28	46.43	46.91	49.93
Recyclables collected (tons/day)	13.67	10.58	11.92	10.40	10.98
Culture and recreation					
Athletic field permits issued	209	542	608	642	513 *
Community center admissions	14,409	5,081	6,135	6,268	4,143 *

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 these 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.

Note: Parking violations increased due to the City hiring four additional PAL employees in the 2008 fiscal year, as well as the implementation of new electronic ticketing equipment.

Note: Community center admissions increased due to increased number of classes/programs being offered and increased citizen participation

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

2003	2002	2001	2000	1999
1,869	1,455	1,969	2,583	1,507
N/A	N/A	N/A	N/A	N/A
6,991	4,154	5,673	7,632	4,526
2,551	2,216	2,077	2,226	2,303
213	N/A	N/A	N/A	N/A
1.65	1.65	0.08	1.43	0.67
34	30	15	26	20
51.64	52.48	56.58	53.00	50.00
10.89	8.95	9.35	8.39	5.87
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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Public safety					
Police					
Stations	1	1	1	1	1
Patrol units	37	35	35	40	42
Fire stations	1 A	2	2	2	2
Sanitation					
Collection trucks	9	8	7	7	7
Highways and streets					
Streets (miles)	62	62	62	62	62
Culture and recreation					
Parks acreage	64.7	56.5	56.5	56.5	56.5
Parks	13	13	13	13	13
Swimming pools	3	3	3	3	3
Tennis courts	9	11	11	11	11
Community centers	3	2	2	2	2

Source: Various City departments

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

A: Fire Station #2 is under construction during 2008

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
1	1	1	1	1
40	36	42	40	43
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