



Alpha, Georgia

A City Committed to Excellence

Comprehensive Annual Financial Report
For the Year Ended June 30, 2004

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October 22, 2004

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To the Honorable Mayor, Members of the Council, Citizens,
Businesses, and Stakeholders of the City of Alpharetta

A City Committed to Excellence



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 generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the City of Alpharetta (City) for the fiscal year ended June 30, 2004.

This report consists of management’s representations concerning the finances of the City. 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 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 reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’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’s financial statements have been audited by Grant Thornton LLP, a nationwide firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test

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

Profile of the Government

The City of Alpharetta, incorporated in 1858, is located in the northern part of Georgia, which is considered to be the top growth area in the state. Originally chartered as the county seat of Milton County, it was named from the Greek words “alpha” meaning first and “retta” meaning town. In 1932, Milton County was merged with Fulton County, and Alpharetta remains one of ten local governments within Fulton County. The City currently occupies a land area of 22 square miles and serves a population of 37,124.

Alpharetta is governed by a Mayor and six Council members. The Mayor is chosen by popular vote. Council members run for a specific post, but are elected by a city-wide vote. City of Alpharetta elected officials serve for terms of four (4) years and until their respective successors are elected and qualified. Terms of office begin on January 2nd immediately following the date of election into office. No council member elected and qualified for three (3) consecutive terms shall be eligible for the succeeding term. No mayor elected and qualified for two (2) consecutive terms shall be eligible for the succeeding term. Elections are held every two years and are conducted by the Fulton County Board of Elections. The council is elected on a non-partisan basis.

basis, evidence supporting the amounts and disclosures in the basic 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’s financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

Policy-making and legislative authority are vested with the governing council and mayor. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the government’s administrator and city clerk. The government’s administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Sanitation and water services are provided through relationships with other governments and private carriers. The City created a legally separate entity, the Development Authority of Alpharetta, to assist with, among other things, capital funding. Financial information for the authority has been included within this document. Additional information on this entity can be found in Note I.A in the notes to the financial statements.

The annual budget serves as the foundation for the City’s financial plan and assists in the control of the financial well-being of the government. All departments of the

City are required to submit requests for appropriation to the government’s Department of Finance in early-March. The Department of Finance, in conjunction with the government’s mayor and administrator use these requests as the starting point for updating previous projections and developing a proposed budget encompassing the City’s strategic and operational plans. The government presents the proposed budget to the council for review during publicly held workshops in May and June. The council is required to adopt a final budget no later than June 30, the close of the City’s fiscal year. The appropriated budget is prepared by fund, and department (e.g., General Fund, Fire Department).

Department heads may make transfers of appropriations within a department. A transfer of an appropriation between departments, however, requires the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and all major governmental funds, these comparisons are presented beginning on page 57 as part of the required supplementary information. For non-major governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 61. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e., the 1998 Bond Funds).

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 operates.

Local Economy. The City currently enjoys a favorable economic environment and indicators point to continued stability and growth. Businesses located within the Georgia 400 corridor (Georgia 400 highway connects the City of Atlanta north through Roswell to Alpharetta and continues into Forsyth County) have continued to prosper, with recent announcements by major employers about the potential relocation of corporate headquarters to Alpharetta. Already home to many large computer software, telecommunication, financial, and professional service companies such as

McKesson HBOC, Mapics, Radiant Systems, MCI, AT & T, Lucent, E*Trade, and Equifax, Alpharetta continues to be the ideal location for companies on the forefront of the modern economy, in the heart of one of the largest fiber-linked networks in the United States.

Catapulted into the national spotlight by publications such as *USA Today* and *Yahoo! Internet*, Alpharetta’s unemployment rate continued to be well below the national average at 2.1 effective July 2004. Further, an estimated 3,037 new jobs were created during the fiscal year with building permits for new construction valued at \$118,111,213. Although the effects of the economic downturn which began in late 2001 have been apparent with higher than average repossession rates on luxury homes and vacancy rates of class A office space, the City continues to maintain a 99% collection rate on property taxes. Retail sales in the area remain strong with same store retail sales averages at North Point Mall up 18% over last year and several national retailers expanding their presence in Alpharetta.

The government continues to attract and host a considerable number of special events, such as the 2004 Dannon Duathlon ITU World Championships and the finishing leg of the Tour de Georgia, a world-class cycling event featuring competitors such as Lance Armstrong. The government sponsored Taste of Alpharetta continues to be a favorite of the locals and is enjoyed by nearly 50,000 people annually. Alpharetta’s population is comprised of 40% of our citizens in the 25-44 year old classification, with earnings averaging \$93,575 per household for those ages 35-44 (as of 2000 Census). Thus, sporting, recreation, and special event opportunities promote the City’s livability.

Long-term financial planning. During the year the Finance Department administered the governing council approved Financial Management Program (FMP) which outlines policy within which the government’s finances maintain sustainability. These policies address fund balance reserves, the use of one-time revenues, issuance of debt, procurement, cash and investment management, and accounting practices, formulating the core criteria for which internal evaluations occur. These evaluations are performed on an annual basis upon the conclusion of the external audit.

Detailed within the following financial statements, the City maintains a General Fund balance reserve equal to 18% of operating expenditures. An increase to fund balance in fiscal year 2004 of \$4,657,492 marks the sixth consecutive

year a positive change in fund balance has occurred. Although not by chance, these increases came about through careful planning including the analysis of costs associated with governmental services, contingency planning, and the use of one-time revenue for non-recurring expenditures. Excess fund balances over reserve requirements are used in subsequent periods for pay-as-you-go capital projects and one-time non-recurring expenditures. For fiscal year 2005, \$5,019,981 in available fund balance was budgeted for these purposes.

General obligation bonds have been used since 1987 to fund capital projects in order to keep pace with the rapidly growing commercial and residential components of the City. The statistical section of this document provides historic reference to the growth in the City through the 10-year history of the property tax digest value as well as construction activity. All of the City's existing general obligation bonds will be retired within the next eight years. Amortization schedules for previously issued bonds escalated principal payments throughout the life of the bond, requiring the City to plan for the accumulation and use of fund balance in the Debt Service Fund in order to "smooth" the impact of such effects on operations. The goal is to mitigate any volatility in the ad valorem tax millage rate.

Subsequent to the fiscal year ending, the City Council approved a bond ordinance calling for a November 2004 referendum. If approved, the voters will provide the authority for the City to issue up to \$25,730,000 in general obligation bonds. The ballot will consist of four questions, including Public Safety (\$3,150,000), Parks and Recreation (\$4,900,000), Greenspace (\$2,000,000), and Roads/Traffic/Transportation Improvements (\$15,680,000).

An updated annexation plan was approved in 2002 within the 2020 Comprehensive Land Use Plan. One of the goals set forth within the plan is to accomplish infill annexations so that the City is complete within its borders and property owners receive the best available service without questioning whether they are or are not within the City limits. Infill annexations begin during fiscal year 2004 and are scheduled to be completed at the beginning of fiscal year 2005. The total estimated assessed value of these parcels is \$104,680,671, equating to a gross revenue of \$732,764. In addition to the infill annexations, several properties bordering the City have also chosen to be annexed into Alpharetta during the fiscal year. The largest of these areas is a subdivi-

sion comprising 384 homes, generating \$322,560 in yearly gross revenue.

Fiscal year 2004 was the first complete year the grants procurement and administration team was operational. A previously untapped economic resource, grants are becoming an integral part of the City's annual funding plans. A total of thirty grant applications were prepared during the year with twelve being awarded. These grants contributed a total of \$1,076,907 towards previously identified needs of the City. During fiscal year 2005, the total award of grants is anticipated at \$1.5 million. Two new funds have been added as a result of this grant activity, a Capital Grant Fund and an Operating Grant Fund, which are detailed later in this document.

A business service plan was submitted by the Department of Finance to the governing body, addressing the services received by constituents within the City's jurisdiction. The goal of the service plan was to compare the City's service delivery strategies with industry standards, whereby efficiencies and effectiveness could be improved. In a multi-staged action program, the City council has begun to evaluate changes outlined within the report. Such changes may result in operational/organizational improvements which may come as early as fiscal year 2005. The financial impact of the program enhancements should result in the elimination of subsidies to enterprise funds.

Cash management policies and practices. Cash temporarily idle during the year was invested in obligations of the U.S. Treasury and repurchase agreements. Two fixed income investment accounts are maintained by the City based upon liquidity requirements. The City's primary investment account had maturities ranging from 30 to 90 days, with an average maturity of .05 years. Longer term investments held in the second account had maturities ranging from 30 days to 56 months, with an average maturity of 1.58 years. The yield on investments was 1.37% to 2.58% for the government. The higher rate of return is attributable to the long-term character of some investment holdings. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that can be held to maturity.

Risk management. During 2004, the government continued to maintain a self-insurance status on workers' compensation, and migrated from a partially self-insured plan to a fully-insured plan for our employee health insurance program. As part of these programs, resources have been accumulated in the general fund to meet potential losses. Additional information on the City of Alpharetta's risk management activity can be found in Note V.A of the notes to the financial statements.

Pension benefits. The City sponsors a defined benefit pension plan for its employees. Each year an independent actuary engaged by the pension administrator, Georgia Municipal Association, calculates the amount of the annual contribution that the City 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 fully funds each year's annual required contribution to the pension plan as determined by the actuary. Nonetheless, based upon a tremendous growth in the government coupled with significant salary increases, the City's contributions have funded only 82.2% of the present value of the projected benefits earned by employees as of January 1, 2004. As a result, the City made a non-scheduled \$1,500,000 contribution to the pension plan during fiscal year 2003, with an additional \$500,000 budgeted in fiscal year 2005, in an attempt to raise the funding level. Any remaining unfunded amounts will be systematically funded as a part of the annual required contribution calculated by the actuary.

Additional information on the City of Alpharetta's pension arrangements can be found in Notes V.E in the notes to the financial statements.

Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Alpharetta for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the fifteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements

and we are submitting it to the GFOA to determine its eligibility for another certificate.

The government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated June 30, 2004. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. We believe our current budget continues to meet the Distinguished Budget Presentation Program's requirements and have submitted it to GFOA to determine its eligibility for another certificate.

Further, the government also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its annual citizen's report dated June 30, 2003. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

In 1995, the National Purchasing Institute established a program designed to recognize the achievement of organizational excellence in public procurement. The award is achieved by those organizations that demonstrate excellence in procurement by obtaining a high score on a rating of standardized criteria. The criteria is designed to measure innovation, professionalism, productivity and leadership attributes of the procurement organization. The City of Alpharetta Finance Department, Purchasing Division was recognized with this award for 2004.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Department of Finance. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Aaron J. Bovos, CGFM Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Alpharetta,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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.

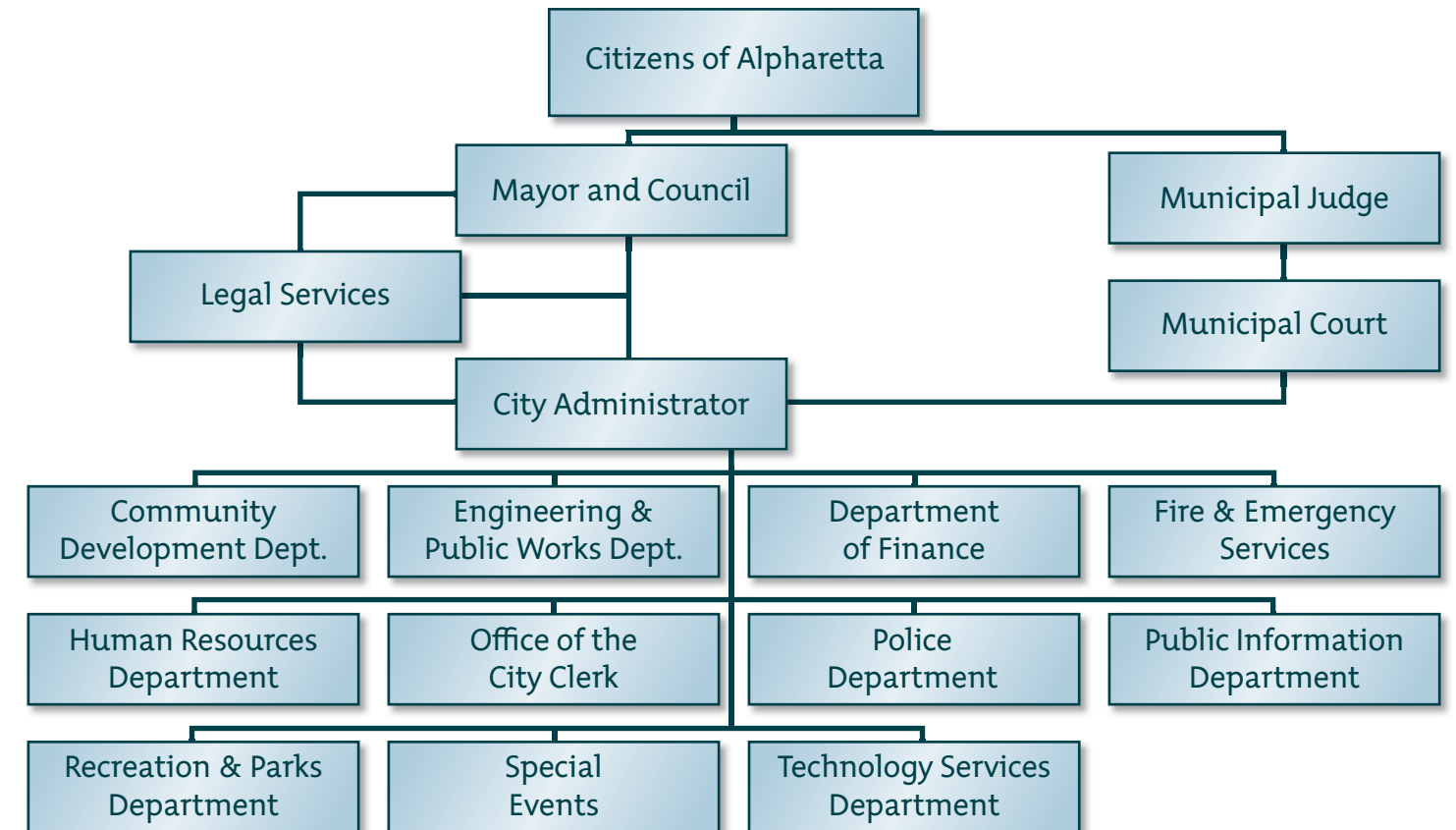


Edward Haney
President

Jeffrey R. Emen
Executive Director

City of Alpharetta Organizational Chart

June 30, 2004



Elected and Appointed Officials

Elected Officials

Mayor Arthur Letchas
Council Member – Post 1..... Doug DeRito
Council Member – Post 2..... Jim Paine
Council Member – Post 3..... Jim Matoney
Council Member – Post 4..... Debbie Gibson
Council Member – Post 5..... R.J. Kurey
Council Member – Post 6..... D. C. Aiken
Municipal Judge..... Scott N.G. Childress

Appointed Officials

City Administrator..... Robert J. Regus
City Attorney..... Sam Thomas
City Clerk Sue Rainwater
Fire Chief..... William Bates
Director of Finance Aaron J. Bovos
Human Resources Director Shannon Forester
Engineering & Public Works Director John Moskaluk
Director of Technology Services..... Robert Mullis
Recreation & Parks Director Mike Perry
Court Clerk Elizabeth Sahlin
Police Chief Gary George
Community Development Director Diana Wheeler
Director of Public Information..... Kelly Collins
Director of Special Events Janet Rodgers



Administration and Office of the City Administrator

Alpharetta's Administration Department oversees the operations of 12 city departments as well as serving as a conduit between the Mayor, City Council and the city's 381 full-time employees. Under the direction of City Administrator Robert J. Regus, the department ensures that city government is responsive to the needs of the citizens and that all applicable ordinances, resolutions and regulations are fairly implemented. Contact Mr. Regus at 678-297-6010 or email rregus@alpharetta.ga.us.

Fiscal year 2004 marked Alpharetta's first year with a full-time grants administrator in place and it paid handsome dividends for the city. The grants administrator filed 30 grant applications in a variety of disciplines, ranging from the arts to special populations and from law enforcement to community development. Twelve grants valued at \$1,076,907 were awarded to the city. Among them were a \$280,415 Georgia Homeland Security Grant, a \$200,000 Community Development Block Grant, and an Assistance to Firefighters' Grant for \$128,772.

The City's special events coordinator created or oversaw the staging of 38 city-sponsored or approved events/activities. Best-known of the events is the Taste of Alpharetta, attracting approximately 60,000 persons to downtown Alpharetta annually. In the summer of 2004, Alpharetta hosted for the first time the final leg of Tour de Georgia, a high profile bicycle race that drew an international cast of competitors, including its winner Lance Armstrong. Approximately 70,000 spectators lined the streets of Alpharetta to cheer on the cyclists racing toward the finish line. Other special events included: Main Street Market, Old Soldier's Day Parade, Independence Day Fireworks Display at Wills Park and the annual Holiday Tree Lighting across from City Hall.

Formerly a part of the Administration Department, the City Clerk's office is charged with keeping many of the official records of the city as well as serving as recording secretary of City Council meetings. Responsibilities include the enforcement of the City's alcohol beverage ordinances, the holding of public hearings for new licenses and annual license renewals. In addition, the City Clerk's office is responsible for the daily operations of the Mayor's office. All city elections are coordinated through the Clerk's office and Fulton County as well. Contact Ms. Rainwater, City Clerk, at 678-297-6001 or email srainwater@alpharetta.ga.us.

Although independent from the Administration and City Clerk Departments, the Public Information Office is responsible for engaging the public in the local government process through communications efforts. To facilitate this process, the office created a media relations program, produced 196 news releases and mailed 44,000 newsletters to citizens. The website had 73,500 visits and has been redesigned to improve communications with the public. Contact Ms. Collins, Director of Public Information, at 678-297-6016 or email kcollins@alpharetta.ga.us.

Community Development

Alpharetta's Community Development Department, more than any other segment of government, is responsible for creating a virtual window through which residents and visitors view the city. By overseeing issues related to zoning, building codes/plans/permits and economic development, the department helps to guide Alpharetta's growth. Contact Diana Wheeler, Director of Community Development, 678-297-6070 or email dwheeler@alpharetta.ga.us.

At the end of fiscal 2004, Alpharetta's population was estimated at more than 37,000, an increase of about 1,000 over the previous year. Its citizens reside in nearly 9,900 single family homes and almost 4,900 multi-family units.

While recent population growth does not compare with that experienced in the mid and late 1990s, a total of 3,855 new building permits were issued, an increase of 61 over the previous year. The department conducted a total of 16,815 building inspections, up slightly from the 16,609 in 2003. In addition, the department conducted 4,190 code enforcement inspections during 2004.

Special projects that were coordinated by the Community Development Department include the development of a new, long range plan for Alpharetta's downtown historic district; retail and parking enhancements to property at the corner of North Main Street and Church Street; and the adaptive reuse of the old grain silos in Crabapple into a passive park. Special projects in the coming year will include the potential redevelopment of land around City Hall and updating Alpharetta's Comprehensive Plan.

The department's economic development unit continued its aggressive pursuit of new business for the city, increasing the number of existing business contacts from 180 to 210. Seven major business prospects were recruited for Alpharetta during 2004.

The city experienced substantial geographical growth through annexation during 2004. A total of 352 parcels were annexed, compared with 91 parcels annexed in 2003.

The department also facilitates the operation of the Development Authority, Board of Appeals, the Code Enforcement Board, the Design Review Board and the Planning Commission.





Engineering & Public Works

The Engineering and Public Works Department is perhaps the city's most far-reaching department, since it is responsible for maintaining and improving Alpharetta's infrastructure, as well as many other strategic services on a day-to-day basis. One of its major responsibilities is ensuring that the transportation system operates as efficiently as possible. In addition, the department oversees erosion control, stormwater management, flood damage control, tree protection, environmental education and other programs. Contact John Moskaluk, Ph.D., Director, 678-297-6200 or email jmoskaluk@alpharetta.ga.us.

During fiscal year 2004 the city placed in operation its technologically advanced Transportation Control Center. The center, based in the department's Hembree Road facility, in its final configuration will utilize cameras placed along roadways and intersections that allow center personnel to monitor traffic flow and identify problems at "hot spots" throughout the city. Information gathered by the center is playing a major role in managing Alpharetta's growing traffic concerns.

There were 43 requests for information regarding traffic calming along neighborhood streets. Traffic calming is an engineering technique of installing speed humps to help reduce vehicle speed.

Department personnel managed a total of 80 capital contracts, an increase of 20 over the previous year. Ninety-two percent of these contracts were completed within 10 percent of the original budget. The contracts involved traffic, stormwater, sidewalks, maintenance of the infrastructure, community development and facilities projects.

Ensuring that Alpharetta's water supply remains safe is an important aspect of the department's work. A total of 3,950 water meters were maintained and the department responded to 104 water main breaks during the year.

Personnel analyzed 80 water quality samples, conducted eight drainage pipe inspections and issued 32 stormwater violation citations in 2004.

In the area of environmental protection, there were 2,500 land disturbance inspections and 132 permits were issued for residential erosion and sediment control or tree removal. Fifteen environmental inspections were conducted. The department coordinated 13 conservation-related events and reached 1,627 students through the department's programs. A total of 31 miles are included in the department's highly successful Adopt-a-Mile program.

The department also continued to provide technical assistance to other city departments throughout the year.

Finance Department

The Finance Department is charged with efficiently and effectively managing the fiscal affairs of Alpharetta, a city that has seen tremendous growth in the past decade. The department is responsible for developing a sound financial plan, adjusting that plan as economic conditions dictate and ensuring that the plan is carried out in the best interests of the citizens of Alpharetta. Contact Aaron Bovos, CGFM, Director of Finance, 678-297-6065 or email financecst@alpharetta.ga.us.

The department presides over a city with an annual budget of \$55.5 million and fixed assets that totaled \$73.8 million in fiscal year 2004.

A city's financial well-being is directly tied to the way it is viewed by the financial community and Alpharetta is well positioned in this regard. The city maintains a bond rating of Aa1 and AA+, allowing it to sell bonds at the most favorable rates.

Adequate cash flow is essential to the financial good health of the city. The department has taken an aggressive position in collecting bills owed the city, reducing the delinquent personal property accounts from two percent to one percent in fiscal 2004. Delinquent real estate accounts remained at one percent. Both delinquent water and sanitation accounts were reduced to less than one percent in 2004. The previous year, both had been at 10 percent and 6 percent, respectively.

The department continues to be recognized for its efforts to maintain professionalism. For the 15th consecutive year the department received the Certificate of Achievement for Excellence in Financial Reporting as well as the third award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA). In addition, GFOA recognized the excellence of the annual budget document by awarding the city the Distinguished Budget Award.

Improving customer service is an on-going objective of the department. Electronic billing and online payment as well as new POS systems are designed to make it easier and more convenient for citizens to pay bills. Through the city's website, citizens are able to access information concerning tax accounts, assessment information, ownership records and homestead/senior exemptions. As additional technological advancements become available, the department will utilize them to provide assistance in managing the fiscal affairs of the city.





Fire and Emergency Services

The Alpharetta Fire and Emergency Services Department operates a headquarters facility and five stations strategically located throughout the city to respond quickly to a wide range of emergency and public safety calls on an around-the-clock basis. While most citizens think first of fire suppression, the department is also responsible for emergency medical services, fire safety inspection and permits, hazardous materials control, technical rescue, emergency warning systems and disaster control. Contact William S. Bates, Chief, 678-297-6270 or email bbates@alpharetta.ga.us.

Understanding the difference between life and death can be as little as a few seconds. The department reduced its average emergency response time to 4.01 minutes in fiscal year 2004, responding 30 seconds faster than the previous year, and demonstrating one of the fastest times recorded in the metro Atlanta area.

The department responded to a total of 4,962 incidents during the year, an increase over the 4,471 recorded in fiscal 2003. Of this total, 2,602 were for emergency medical care, up 9.3% from 2003. Despite the increase in the number of responses, firefighter injuries during this same period were reduced from seven in 2003 to three in 2004.

For the third straight year, there were no deaths attributed to fire in Alpharetta. Of the 151 fire reports, 33 were for residential fires, 42 for other structure fires, and the remaining 76 were other/non-structural fires. While the average loss per dwelling fire was \$5,366, the amount of property saved was 99.62 percent. In the area of fire prevention, the department was involved in 5,397 activities, including the 4,600 inspections and the review of nearly 600 building/construction plans.

The department held a total of 346 public education activities, nearly double the 182 staged in 2003. Among them were 219 car seat inspection events, 47 station tours and 37 public education presentations. A total of eight fire warden classes were held for 251 attendees.

The department also continued to utilize the Roswell/Alpharetta Public Training Center, providing hands-on training in a controlled environment.

Municipal Court

The City of Alpharetta's Municipal Court, presided over by Municipal Court Judge Scott Childress, hears and adjudicates cases involving alleged violations of city ordinances and a number of state laws. The Violations Bureau is responsible for traffic and state court, handles cash bonds and manages all court records. Contact Elizabeth Sahlin, Director/Clerk of Courts, 678-297-6250 or email esahlin@alpharetta.ga.us.

During fiscal year 2004 Municipal Court received 20,785 citations to process, an increase of more than 6,400 over the number processed the previous year. This is a direct result of the increased emphasis by the Alpharetta Police Department on traffic safety. The court disposed of 17,274 cases, compared with 11,733 cases in fiscal 2003. A total of 12,342 cases were actually heard in a court session.

To accommodate the increased case load, court sessions were increased from 189 in fiscal 2003 to 210 during fiscal 2004. As a result of these cases, the city received direct revenue in fines and forfeitures of \$2,299,327, an increase over the \$2,058,852 collected the previous fiscal year, representing an 89.5% increase.





Police Services

The Alpharetta Police Department is a fully certified law enforcement agency dedicated to making Alpharetta a safe and pleasant place to live and work. Its officers are trained to enforce city ordinances and state laws within Alpharetta's city limits. In addition, the department carries out an aggressive crime prevention program, works to reduce crimes and responds to calls for assistance throughout the year. Contact Chief Gary George, 678-297-6302 or email ggeorge@alpharetta.ga.us.

Overall calls for assistance during fiscal 2004 fell for the third straight year to 52,056. Of that number, crimes that pose an immediate threat of harm to a person present at the time of occurrence totaled 1,727. Other major crime categories recorded the following statistics: larcenies investigated, 1,100; burglaries investigated, 182; auto thefts investigated, 112; and robberies investigated, 18. The clearance rate for Part I crimes (designated as major crimes by the FBI) was 38 percent, which met or exceeded the state and national averages.

The department continued to emphasize citizen education and awareness as ways to combat crime in the community. The department held Neighborhood Watch meetings attended by 1,200 citizens. In addition, representatives of the department conducted 700 youth prevention programs, 50 youth education programs, 40 adult education programs and 53 business education programs.

During fiscal year 2004 the department instituted its Crime Suppression Unit, which was instrumental in combating a number of crime activities, including the sale of illegal drugs in the community.

While citizens are most familiar with the department's uniform patrol and traffic enforcement functions, police officers perform a number of other duties in the community. The department's activities are augmented by six highly trained K-9s used in the detection of illegal drugs. The SWAT team continues to train and stands ready to quickly respond in times of need to a number of potential dangers. Department personnel are supplemented from time to time by the Citizens Auxiliary Patrol Unit, a group of specially trained citizens dedicated to assisting the police.

For many years the department has understood the importance of forming a strong bond with the youth of our community. Alpharetta's Police Athletic/Activities League (PAL) has been one of the most active in the state, fielding competitive teams in basketball and boxing. PAL's day camp during the summer and other holiday periods provides wholesome activities for potentially at-risk youth. Alpharetta is an active participant in the Police Explorer program, a joint venture with the Boy Scouts of America.

The department is accredited by both the State of Georgia Law Enforcement Certification Agency and the National Commission on Accreditation of Law Enforcement Agencies. Its officers undergo training and various certification courses throughout the year in order to remain up-to-date on the latest crime suppression and prevention techniques.

Recreation and Parks

Alpharetta's Recreation and Parks Department is an award-winning, nationally accredited department responsible for developing and maintaining one of the most comprehensive groups of facilities and innovative programs in the state. Programs are designed to provide a wide range of activities for everyone from pre-schoolers to senior citizens. The department is also responsible for the Wills Park Equestrian Center, the unique six mile-plus Greenway system and the city's cultural arts program. Contact Mike Perry, CPRP, Director of Recreation and Parks, 678-297-6100 or email mperry@alpharetta.ga.us.

To keep pace with the city's growing population, the department served a record number of citizens during fiscal year 2004. Estimated participation in organized department activities, including youth athletic associations, totaled 63,000, an increase of 1,500 over the previous year. Other participation was broken down as follows: special events, 33,000; athletic leagues, 11,200; and instructional programs, 9,900.

Added to the department's offerings during 2004 were the STAR Fitness program, Art in the Park, Happy Hearts Art, Movies under the Stars, pre-lifeguard training and expanded programs for instructional sports.

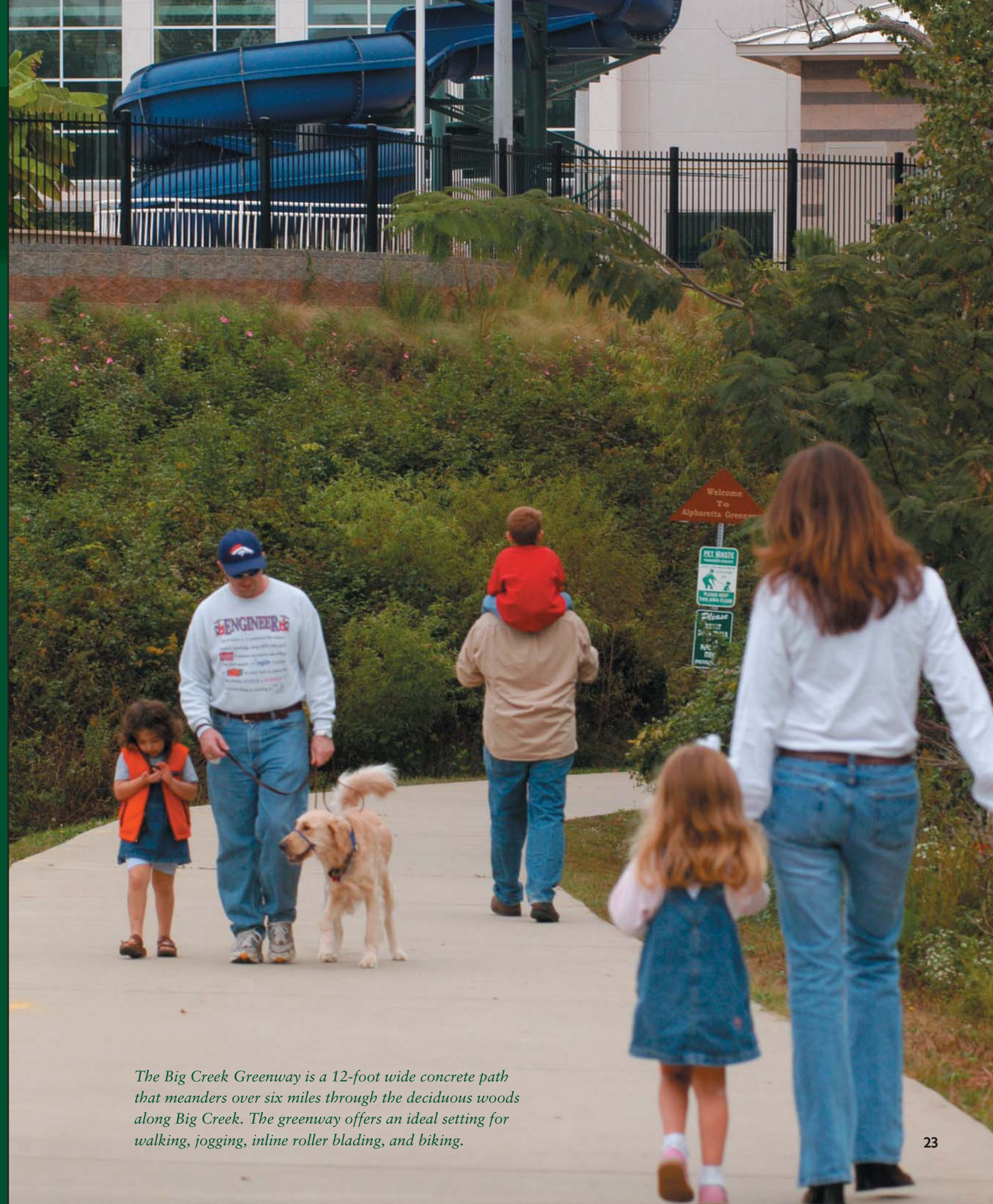
In the athletic division, the department was named Junior NBA Program of the Year and hosted the GRPA district baseball tournaments for ages 11-12, and 13-14. Teams based at the department's facilities competed successfully in regional and state tournaments in soccer, baseball and swimming.

In order to make the programs more accessible to all citizens, the department continues to make use of the city's modern technology system. Approximately 22 percent of first-day resident registration for fall/winter programs was completed online, an increase of eight percent from the previous season.

A number of facilities were improved during fiscal 2004. Some examples of facility improvements include: upgrades of Wills Park Equestrian Center's covered arena and stalls, completion of the computer lab at North Park's Senior Activity Center, replacement/repair of the turf at all of the city's athletic fields and completion of North Park's Adaptive Sports Complex. Additionally, construction began on the installation of the lights at Webb Bridge Park's upper soccer field.

The department continues to be recognized on both the regional and national levels for its programs and personnel. The department became the first agency in Georgia to be re-accredited by the Commission for Accreditation of Park and Recreation Agencies. In addition, the city was named one of the 10 Most Playful Cities in America by Nick Jr. Magazine. Several employees were honored during the fiscal year for exceptional service or professionalism in their particular area of expertise.

The department continues to work toward the following goals: to provide recreation programs, facilities and services to citizens in a professional, effective manner, to increase resident participation in recreation programs by five percent annually, to inform city residents of the available programs, facilities and services and to maintain safe parks and facilities.



The Big Creek Greenway is a 12-foot wide concrete path that meanders over six miles through the deciduous woods along Big Creek. The greenway offers an ideal setting for walking, jogging, inline roller blading, and biking.



Other Services

While the Human Resources Department and the Technology Services Department do not regularly deal with the city's residents, they play key roles in the efficient operation of city government.

With more than 381 employees, Human Resources' primary responsibilities are employment, benefits, employee relations, training and development, compensation, legal compliance, fleet and risk management. The City maintains an impressive turnover rate of less than 1%. Comprehensive educational degree seeking programs, expansion of workplace Spanish and introduction of E-Learning earned Human Resources the prestigious Georgia Local Government Personnel Association Award for outstanding contributions to employee training and development. Efficiencies will increase with the implementation of an automated human resource system, which includes job applicant tracking and 24- hour employee self- service. An access/entry security system was installed at City Hall and will expand to other facilities. Contact Shannon Forester, Director of Human Resources, 678-297-6040 or email sforester@alpharetta.ga.us.

Each year the city of Alpharetta relies more and more on technology to provide a wide range of services to its citizens. In order to do this efficiently, it is critical that these highly sophisticated pieces of equipment are maintained around the clock. During fiscal 2004 the Technology Services Department reported that the computer server was in operation 99.89 percent of the time. The department supported 369 workstations and supported some 60 major computer applications. In addition, the department kept employees up-to-date through 48 training classes. Fiscal year 2004 finished with the completion of a five year Information Technology plan which will be the roadmap for Alpharetta's technology initiatives. The technology plan will be updated yearly to prioritize and budget for the most critical technology initiatives required to sustain and advance the City's growing technology needs. Contact Robert Mullis, Director of Technology Services, 678-297-6030 or email rmullis@alpharetta.ga.us.



All About Alpharetta

Today’s Alpharetta is a far cry from its beginnings nearly a century and a half ago. From the North Georgia mountains to the Chattahoochee River along a Cherokee Indian trail, a tiny village named New Prospect Camp Ground was formed. This village of tents and a log school became a trading post where Indians and settlers exchanged their goods. The surrounding countryside provided excellent farming land, especially for cotton.

On December 11, 1857, the town was chartered and became the county seat of Milton County. The town was renamed Alpharetta from the Greek words “alpha” meaning first and “retta” meaning town. In 1932 Milton County was merged into Fulton County.

According to the 2000 census, Alpharetta has grown to a population of nearly 35,000. The demographic breakdown shows a median age of 32.6 for Alpharetta residents with 11.8% over the age of 55. The City’s average household size is 2.5. The median household income is estimated at \$71,207 and more than one third of Alpharetta adults are college graduates.

City of Alpharetta Key Contacts At A Glance

Department	Director	Address	Phone Number	Email Address
Administration/Office of City Administrator	Robert J. Regus	City Hall: Two South Main Street Alpharetta GA 30004	678-297-6010	bregus@alpharetta.ga.us
City Clerk	Sue Rainwater	City Hall: Two South Main Street Alpharetta GA 30004	678-297-6003	srainwater@alpharetta.ga.us
Community Development	Diana Wheeler	287 South Main Street Alpharetta GA 30004	678-297-6070	dwheeler@alpharetta.ga.us
Engineering/ Public Works	John Muskaluk, Ph.D.	1790 Hembree Road Roswell GA 30004	678-297-6200	jmoskaluk@alpharetta.ga.us
Finance	Aaron Bovos, CGFM	2400 Lakeview Parkway, Suite 175 Alpharetta GA 30004	678-297-6065	financecst@alpharetta.ga.us
Fire & Emergency Services	William S. Bates, Chief	2970 Webb Bridge Road Alpharetta GA 30004	678-297-6270	bbates@alpharetta.ga.us
Human Resources	Shannon Forester	City Hall: Two South Main Street Alpharetta GA 30004	678-297-6040	sforester@alpharetta.ga.us
Municipal Court	Elizabeth Sahlin	Crabapple Government Center 12624 Broadwell Road Alpharetta GA 30004	678-297-6250	eshalin@alpharetta.ga.us
Police Services	Gary George, Chief	2565 Old Milton Parkway Alpharetta GA 30004	678-297-6302	ggeorge@alpharetta.ga.us
Public Information	Kelly Collins	City Hall: Two South Main Street Alpharetta GA 30004	678-297-6016	kcollins@alpharetta.ga.us
Recreation & Parks	Mike Perry, CPRP	1825 Old Milton Parkway Alpharetta GA 30004	678-297-6100	mperry@alpharetta.ga.us
Technology Services	Robert Mullis	City Hall: Two South Main Street Alpharetta GA 30004	678-297-6030	rmullis@alpharetta.ga.us

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Independent Auditor’s Report

Independent Auditor’s Report

Accountants and Business Advisors



Report of Independent Certified Public Accountants

Honorable Mayor and
Members of City Council
City of Alpharetta, Georgia

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004 on our consideration of the City’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The accompanying management’s discussion and analysis on pages 30 through 40 and the actuarial and budgetary comparison information on pages 65 and 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alpharetta, Georgia’s basic financial statements. The accompanying supplemental information on pages 67 to 77, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. These 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, City of Alpharetta services, and statistical sections, as listed in the table of contents, 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.

Grant Thornton LLP

Atlanta, Georgia
October 22, 2004

Management's Discussion & Analysis



Management's Discussion and Analysis

As management of the City of Alpharetta (City), we offer readers of the City's financial statements this narrative, overview, and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$48,455,143 (*total net assets*), an increase of \$6,109,661 from the prior fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31,899,973, an increase of \$93,076 from the prior year.
- At the end of the current fiscal year, the unreserved fund balance designated for operations in the general fund was \$12,189,664, or 42.45% of total general fund expenditures, up \$2,230,993 from the prior year.
- General Fund revenues exceeded expenditures and other financing uses by \$4,657,492 marking the sixth consecutive year an increase in fund balance has occurred.
- The City's total debt (including notes) decreased by \$3,980,950 during the current fiscal year due to regularly scheduled principal payments being made.
- Exposure to financial risk relating to a partially-self insured health insurance program was eliminated through the change in health insurance plans and providers. The City now maintains a fully-insured program for employees as a part of the benefits package.
- The implementation of a new grants management program led to grants being awarded in the amount of \$1,076,907 during the fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes 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, public safety, public works, community development, and culture and recreation. The business-type activities include a water distribution system and a solid waste collection operation.

The government-wide financial statements can be found on pages 42-43 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 a government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, capital project, and bond III (1998 general obligation bond issue) funds, all of which are considered to be major funds. Data from the other six 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* later in this document.

The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules are included to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 44-46 of this report.

Proprietary funds. The City maintains one of two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water distribution system and solid waste collection operation. *Internal service funds* are not used by the City, but are an accounting device used to accumulate and allocate costs internally among various governmental functions. Since the City of Alpharetta does not use internal service funds, budgetary appropriations and expenses are maintained within the function of each fund where these services would otherwise be performed.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. These fund financial statements separate information for the water and solid waste activities, both of which are presented as major funds of the City. The water distribution system, however, is the only major fund but the solid waste operation is the only other proprietary fund the City maintains.

The proprietary fund financial statements can be found on pages 47-49 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 City of Alpharetta does not maintain or use any fiduciary funds.

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 fund on pages 50-68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 65-66 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 67-69 of this report.

Government-wide Financial Analysis

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 Alpharetta, assets exceeded liabilities by \$48,455,143 at the close of the most recent fiscal year. Although significant, this number is expected to incrementally increase each year until the capitalization of infrastructure (capital) assets is complete.

The largest portion of the City’s net assets (42.69 percent) reflects its investment in capital assets (e.g., land, buildings, 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 to citizens; consequently, these assets are not 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.

By a narrow margin, the second largest portion of the City’s net assets (29.29 percent) reflects restricted net assets. Restricted net assets are subject to external restrictions on how they may be used, and are therefore not available for general purposes. At the close of fiscal year 2004 the

City’s restricted net assets were \$14,189,835, representing \$9,616,542 obligated for capital projects and \$4,573,293 restricted for the repayment of general obligation bond debt.

The remaining balance is *unrestricted net assets* (\$13,576,939) which may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the government is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

As noted earlier, total net assets increased by \$6,109,661 during the current fiscal year. Although made up of several components, total liabilities decreased by \$5,616,979 for the year which played a major role in the improved financial condition of the government. The decrease in liabilities was due primarily to the repayment of principal relating to notes and bonds. These payments totaled \$3,980,950. Additionally decreases in liabilities were realized from a reduction in accrued salaries, benefits and compensated absences, as well as a reduction in accrued interest relating to bond debt. The remainder of this growth largely reflects increases in capital assets of \$1,676,742.

City of Alpharetta's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$35,190,113	\$36,865,353	\$3,475,366	\$2,984,186	\$38,665,479	\$39,849,539
Capital assets	58,049,823	56,193,808	4,243,670	4,422,943	62,293,493	60,616,751
Total assets	93,239,936	93,059,161	7,719,036	7,407,129	100,958,972	100,466,290
Current liabilities	7,442,983	3,397,427	1,196,552	928,951	8,639,535	4,326,378
Non-current liabilities outstanding	42,050,165	51,829,011	1,814,129	1,965,419	43,864,294	53,794,430
Total liabilities	49,493,148	55,226,438	3,010,681	2,894,370	52,503,829	58,120,808
Net assets:						
Invested in capital assets, net of related debt	18,081,075	15,452,957	2,598,670	2,597,943	20,679,745	18,050,900
Restricted	12,540,493	16,990,626	1,649,342	1,645,519	14,189,835	18,636,145
Unrestricted	13,125,220	5,389,140	460,343	269,297	13,585,563	5,658,437
Total net assets	\$43,746,788	\$37,832,723	\$4,708,355	\$4,512,759	\$48,455,143	\$42,345,482

Governmental activities. Governmental activities increased the City of Alpharetta’s net assets by \$5,914,065 thereby accounting for almost all of the total growth in the net assets of the City (business-type activities had an increase in net assets of \$195,596). Key elements of this increase are as follows:

- Total revenue increased by \$1,820,898 (4.13 percent) over fiscal year 2003.
- Increases in capital assets were \$1,856,015, primarily from the addition of infrastructure assets.
- Total liabilities were reduced by \$5,733,290 from long-term debt payments and a reduction in compensated absences.

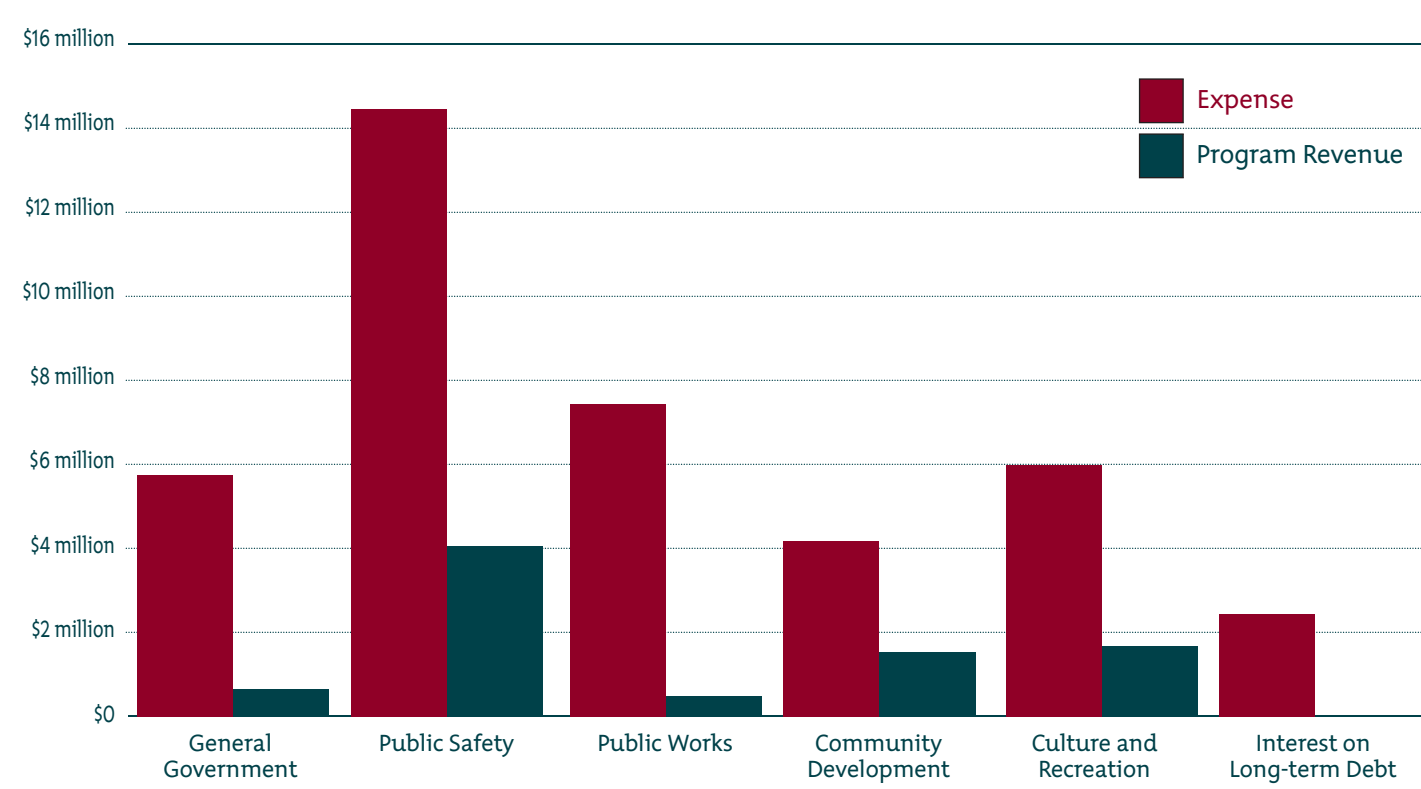
Increases in expenses rose significantly between fiscal year 2003 and 2004 for governmental activities. The \$2,876,565 net increase was as a result of operational expenses decreasing and a significant increase in capital outlay of \$3,025,929 over the prior year.

Business-type activities. Business-type activities increased the City of Alpharetta’s net assets by \$195,596, as stated earlier. The primary element of this increase is in revenue. Specifically, charges for services for business-type activities increased \$327,784, or 6.34 percent as a result of an increase in water rates. Expenses also decreased \$138,048 from the prior year.

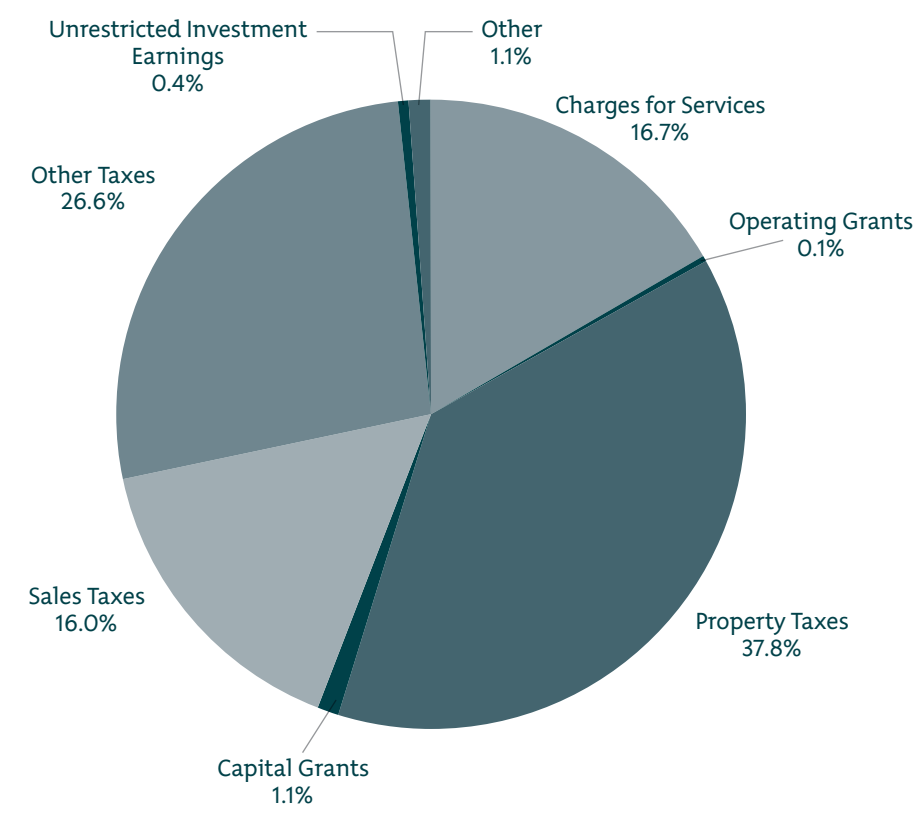
City of Alpharetta's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
<i>Revenues</i>			
<i>Program revenues:</i>			
Charges for services	\$7,672,037	\$5,492,978	\$13,165,015
Operating grants and contributions	68,360	—	68,360
Capital grants and contributions	514,766	—	514,766
<i>General revenues:</i>			
Property taxes	17,327,608	—	17,327,608
Local option sales tax	7,353,813	—	7,353,813
Other taxes	12,223,068	—	12,223,068
Unrestricted investment earnings	204,192	10,643	214,835
Other revenues	515,253	10,189	525,442
Total revenues	45,879,097	5,513,810	51,392,907
<i>Expenses</i>			
General government	5,736,222	—	5,736,222
Public safety	14,391,972	—	14,391,972
Public works	7,375,964	—	7,375,964
Community development	4,111,451	—	4,111,451
Culture and recreation	5,958,248	—	5,958,248
Interest on long-term debt	2,391,175	—	2,391,175
Water	—	3,495,165	3,495,165
Solid waste	—	1,823,049	1,823,049
Total expenses	39,965,032	5,318,214	45,283,246
Increase in net assets	5,914,065	195,596	6,109,661
Net assets - 7/1/03	37,832,723	4,512,759	42,345,482
Net assets - 6/30/04	\$43,746,788	\$4,708,355	\$48,455,143

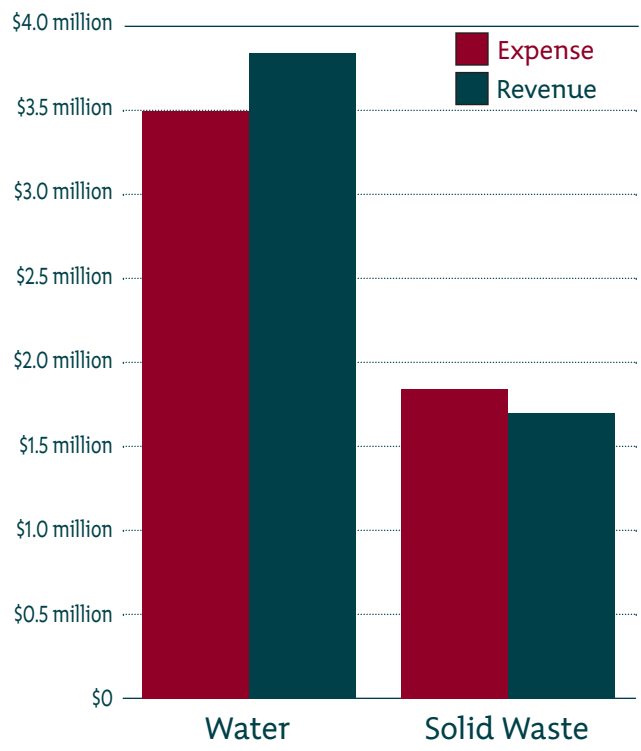
Expenses and Program Revenues – Governmental Activities



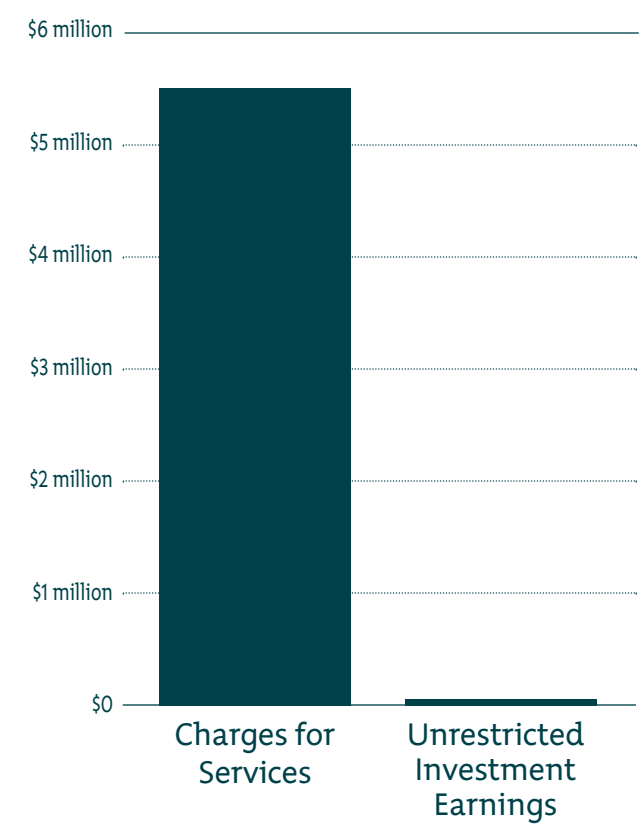
Revenues by Source – Governmental Activities



Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government’s Funds

As noted earlier, the City of Alpharetta 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.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balance of \$31,899,973, an increase of \$93,076 in comparison to the prior year. Over half of this total amount (\$17.6 million) constitutes *unreserved fund balance*, all of which has been designated for specific purposes. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: 1) capital projects which have been approved, but not yet expensed, (\$9,616,542), 2) future debt expenditures (\$2,923,951), or 3) for a variety of other restricted purposes (\$1,672,822).

General Fund

The general fund is the chief operating fund of the City. This fund accounts for nearly all services provided by the government with the exception of water and solid waste. Financial condition indicators for this fund are discussed below.

In order to analyze the ability of the City to meet current obligations, the City deploys a measure of cash and cash equivalents as a percentage of current liabilities. As of the end of the fiscal year, the City is able to meet all of the current obligations with existing cash on hand. This ratio has improved over the prior fiscal year, with only 65% of the liabilities being met with current cash and cash equivalents as of June 30, 2003. This change is as a result of adjustments made to the cash management program throughout the year. The City matches cash flow needs with investment maturities in order to maximize investment yields, thus increasing revenue. As of the close of the fiscal year, the City has substantial investments held in the general fund (\$11,193,117).

Additionally, aggressive collection of receivables allows for increased cash liquidity. Although total receivables increased \$313,175 from the same period last year, the collection rate for billed accounts paid within the year remained within the 90 percentile. The statistical section includes analysis on the collection rate of property tax, the largest source of revenue for the general fund.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$17,675,936 while total fund balance reached \$18,586,124. As a measure of the general fund’s liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 61.6 percent of total general fund expenditures, while total fund balance represents 64.7 percent of that same amount.

The City’s general fund balance increased by \$4,657,492 during the current fiscal year, marking the sixth consecutive year where revenues, expenditures, and other financing sources (uses) provided for improved financial stability. Key factors in this growth are as follows:

- An increase in total revenues of \$2,151,926 from the prior year. This increase is due primarily from an increase in local option sales tax of \$1,715,195 over the prior fiscal year. Fiscal year 2004 marked the first full year of collection of this tax from a renegotiated distribution agreement executed in December 2002. Additionally, Fine and Forfeiture income rose \$207,314 accompanied by a \$491,666 increase in other taxes.
- Total expenditures increased only \$561,224 while Other Financing Uses decreased \$1,253,871 from the prior year.

Debt Service Fund

Used to accumulate resources for the repayment of debt (general obligation bonds), the debt service fund closed the fiscal year with a total fund balance of \$2,923,951, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year of \$226,229 is primarily attributable to the current year collection of property tax revenue surpassing the anticipated amount by \$98,610, and the collection of \$135,013 in delinquent tax accounts and penalties.

The statistical section includes analysis on the City’s current obligations for long-term debt. Included within this section is the computation of the City’s legal debt margin, the ratio of net general obligation bonded debt to assessed

value, net general obligation bond debt per capita, and the ratio of annual debt service expenditures to total general governmental expenditures.

Proprietary funds. The City of Alpharetta’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unreserved net assets of the proprietary funds at the end of the year amounted to \$460,343, \$318,573 in the solid waste fund, and \$141,770 in the water fund. The total change in net assets for the water and solid waste funds was \$330,340 and (\$134,744), respectively. Cash and cash equivalents as a percentage of current liabilities were 40.3 percent in the water fund and 67.2 percent in the solid waste fund. Both measurements indicate a substantially higher amount of current liabilities than cash to cover. Further, the measure of current liabilities to total revenues (operating and non-operating), resulted in water and solid waste operations utilizing 18.2 and 18 percent, respectively, of future year cash derived from revenue to meet current liabilities.

Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Alpharetta’s business-type activities.

General Fund Budgetary Highlights

The City employs an annual mid-year budget process in order to re-align appropriations made during the annual budget process with significant unexpected trends. This ensures adjustments facilitating appropriations to be in-alignment with expected resources. Differences between the original budget and final amended budget are summarized as follows:

Revenue estimates in the General Fund were raised from \$31,309,655 to \$31,426,813 for the year, representing an \$117,158 increase. Due primarily to receipts from one-time revenues which exceeded anticipations, the increased revenue estimates were still under actual amounts by \$4,320,195.

Total expenditure appropriation increases of \$105,600 also occurred during the mid-year budget process. These increases were all as a result of unforeseen events that occurred during the first six months of the fiscal year, with the exception of the creation of the City Clerk’s department. Previously these expenditures were included under City Administrator.

Capital Asset and Debt Administration

Capital assets. The City of Alpharetta’s investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$62,293,493 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City’s investment in capital assets for the current fiscal year was 2.7 percent, or \$1,676,742.

Although the operations of the business-type activities did not result in the acquisition of significant capital assets, major events during the current fiscal for governmental activities included the following:

- \$19.8 million in acquisitions throughout the governmental funds. Of this amount, 34.7 percent was in the area of public works projects which were completed and capitalized during the year.
- A variety of Public Works projects continued during FY04, including the traffic control center construction, intersection improvements, and multiple sidewalk improvement projects. At year end, there was construction in progress in the amount of \$967,017.
- A few of the major projects completed during FY04 include: City’s Senior Arts Center Addition for \$127,739 and Academy Street Pedestrian project for \$807,670.

City of Alpharetta’s Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$22,777,095	\$20,356,799	\$ —	\$ —	\$22,777,095	\$20,356,799
Buildings and system	22,071,743	22,563,101	4,197,502	4,238,459	26,269,245	26,801,560
Improvements other than buildings	4,419,240	3,682,450	—	—	4,419,240	3,682,450
Machinery and equipment	5,011,522	4,909,151	46,168	184,484	5,057,690	5,093,635
Infrastructure	2,803,206	407,311	—	—	2,803,206	407,311
Construction in progress	967,017	4,274,996	—	—	967,017	4,274,996
Total	\$58,049,823	\$56,193,808	\$4,243,670	\$4,422,943	\$62,293,493	\$60,616,751

Additional information on the City of Alpharetta’s capital assets can be found in note IV.D on pages 58-59 of this report.

Long-term debt. At the end of the current fiscal year, the City of Alpharetta had total bonded debt outstanding of \$48,282,325. Of this amount, \$45,135,000 represented general obligation bonds, outstanding notes totaled \$1,502,325,

and revenue bonds equaled \$1,645,000. This entire amount comprises debt backed by the full faith and credit of the government.

City of Alpharetta’s Outstanding Debt (General Obligation, Notes and Revenue Bonds)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$45,135,000	\$48,865,000	\$ —	\$ —	\$45,135,000	\$48,865,000
Notes payable	1,502,325	1,573,275	—	—	1,502,325	1,573,275
Revenue bonds	—	—	1,645,000	1,825,000	1,645,000	1,825,000
Total	\$46,637,325	\$50,438,275	\$1,645,000	\$1,825,000	\$48,282,325	\$52,263,275

The City’s total debt decreased by \$3,980,950 (7.6 percent) during the fiscal year (includes bond debt and notes). The decrease occurred as a result of the repayment of principal. The government previously took advantage of the current financial markets and has refunded all callable bonds in order to decrease funds necessary in the current and future years to retire debt.

The City of Alpharetta maintains a “AA+” rating from Standard & Poor’s and “Aa1” rating from Moody’s for general obligation debt. The revenue bonds of the water distribution system were private placed bonds.

Economic Factors and Next Year’s Budgets and Rates

- All of these factors were considered in preparing the City of Alpharetta budget for the 2005 fiscal year:
- The City’s chose not to provide property tax relief, ending a five-year streak of reducing the tax burden on property owners through the roll back of the millage rate. Previously, the millage rate rollback was equal to the annual increase from re-assessed properties, thereby creating a revenue neutral digest. The fiscal year 2005 millage represents the same figure adopted for fiscal year 2004 (7.00 mills).
 - Increasing demands will continue to grow on the debt service. Specifically, payments for general obligation bonds issued from 1992 through 1998, were back-loaded creating an escalating debt payment structure.
 - The consideration of several new revenue sources and the revision of current revenue source rates/charges. New revenue sources include the review of a levy of a rental motor vehicle tax, administrative fee for court processing, and the addition of a red light camera enforcement program. Additionally, modifications to building permit fees, business license fee structure, false alarm billing, alcohol beverage licensing fees, and a review of exchange transaction fees were brought forth for discussion.
 - Anticipation of a 15% increase in health insurance costs and the resulting impact of personal services expenditures. This increase is anticipated to cost the City approximately \$425,000.
 - The reduction in the average merit increase from 4.5% to 3.0%, bringing the City’s merit increase more in line with the national average of 3.0-3.5%. This reduction is anticipated to save the city approximately \$260,000 in salary & benefit costs.

State statues limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation, less current debt issued. The legal debt limitation for the City is \$292,126,793 which is significantly in excess of the City’s outstanding obligation debt. Additional information on the City of Alpharetta’s long-term debt can be found in note IV.G on pages 61-62 of this report.

- The need to improve the delivery of emergency services by constructing, equipping, and staffing a sixth fire station. Other public safety considerations discussed were the need to enhance crime suppression efforts through staffing and investment in technology.
- A reduction in fleet expenditures by reducing vehicle repair and maintenance costs was brought forth for discussion and will be an issue for research and improvement during fiscal year 2005.
- Both the water distribution system and the solid waste collection programs continue to be reviewed during fiscal year 2005 in order to address the continued economic downturn of the water and solid waste services. Water rates were increased during fiscal year 2004 and as a result, the Water Fund will be in a position to provide an operating subsidy to the Solid Waste fund in the amount of \$174,571.
- The General Fund ended fiscal year 2003 with \$5,019,981 in fund balance in excess of legally required reserves and designations. As a result, \$276,482 of current fiscal year 2005 revenue was coupled with the fund balance excess, resulting in the following uses totaling \$5,296,463 for fiscal year 2005:

Debt Service Fund – \$500,000 The City will utilize these funds beginning in fiscal year 2006 to minimize the impact the increase in bond payments will have on operations. It is anticipated that \$298,142 will be used in FY 2006, \$537,076 in FY 2007, and \$650,816 in FY 2008.

Emergency 911 Fund – \$499,215 As a result of decreased revenues within the fund due to technological advances in wired telecommunications, the City will budget an operating subsidy to the fund for the first time. Internal

processes are underway to maximize revenue due to us under current law and an examination of the change in state laws in future years will be considered.

Pension - \$500,000 Beginning in fiscal year 2003, the City saw a need to increase the current funding level of the defined benefit pension. With the current actuarial accrued liability of \$2.1 million, an additional contribution will be made in addition to the regularly monthly payments as noted in the January 2004 Actuarial Report.

Reserve - \$384,474 As the City faces budget constraints in the next few fiscal years which have not been experienced in the past due to the debt repayment schedule, this amount will be used to increase the reserve in the General Fund by 1%, bringing the total to 18% of the operating expenses.

Operating Transfers – \$3,412,774 In order to fund pay-as-you-go capital projects along with operating and capital grants, three transfers will be made from the General Fund in fiscal year 2005. The Capital Projects Fund will receive \$2,494,274, with the grant funds receiving \$918,500.

The City restricts the use of one-time revenues to operations, and limits the growth in expenditures from operations to those performance indicators which are designated as inadequate by City Council.

Requests for Information

This financial report is designed to provide a general overview of the City of Alpharetta’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 Department of Finance, City of Alpharetta, Two South Main Street, City of Alpharetta, Georgia, 30004, or by calling 678-297-6065.

Basic Financial Statements



<div>City of Alpharetta</div> <div>Statement of Net Assets</div> <div>June 30, 2004</div>				
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
Assets				
Cash and cash equivalents	\$7,156,108	\$485,616	\$7,641,724	\$ —
Investments	18,959,217	352,558	19,311,775	—
Receivables (net of allowance for uncollectibles)	3,058,105	891,443	3,949,548	—
Direct financing lease receivable	—	—	—	7,602,675
Inventories	269,246	96,407	365,653	—
Prepays	17,590	—	17,590	—
Restricted assets:				
Cash and cash equivalents	5,670,096	1,649,342	7,319,438	—
Receivables	59,751	—	59,751	—
Capital assets (net of accumulated depreciation):				
Land	22,777,095	—	22,777,095	—
Buildings and system	22,071,743	4,197,502	26,269,245	—
Improvements other than buildings	4,419,240	—	4,419,240	—
Machinery and equipment	5,011,522	46,168	5,057,690	—
Infrastructure	2,803,206	—	2,803,206	—
Construction in progress	967,017	—	967,017	—
Total assets	93,239,936	7,719,036	100,958,972	7,602,675
Liabilities				
Accounts payable and other current liabilities	1,974,338	979,586	2,953,924	—
Unearned revenue	234,099	—	234,099	—
Bonds and notes payable:				
Matured bonds and interest payable	367,439	12,159	379,598	—
Due within one year	4,239,285	190,000	4,429,285	—
Due in more than one year	41,399,559	1,455,000	42,854,559	—
Noncurrent liabilities:				
Due within one year	627,822	14,807	642,629	375,750
Due in more than one year	650,606	359,129	1,009,735	7,226,925
Total liabilities	49,493,148	3,010,681	52,503,829	7,602,675
Net Assets				
Invested in capital assets net of related debt	18,081,075	2,598,670	20,679,745	—
Restricted for:				
Capital projects	9,616,542	—	9,616,542	—
Debt service	2,923,951	1,649,342	4,573,293	—
Unrestricted	13,125,220	460,343	13,585,563	—
Total net assets	\$43,746,788	\$4,708,355	\$48,455,143	\$ —

The accompanying notes to the financial statements are an integral part of this statement.

City of Alpharetta								
Statement of Activities								
June 30, 2004								
					Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Units
		Program Revenues						
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Development Authority
Primary government								
Governmental activities:								
General government	\$5,736,222	\$560,148	\$30,325	\$ —	\$(5,145,749)	\$ —	\$(5,145,749)	\$ —
Public safety	14,391,972	3,831,618	13,035	205,209	(10,342,110)	—	(10,342,110)	—
Public works	7,375,964	134,418	—	204,565	(7,036,981)	—	(7,036,981)	—
Community development	4,111,451	1,491,721	—	—	(2,619,730)	—	(2,619,730)	—
Culture and recreation	5,958,248	1,654,132	25,000	104,992	(4,174,124)	—	(4,174,124)	—
Interest on long-term debt	2,391,175	—	—	—	(2,391,175)	—	(2,391,175)	—
Total governmental activities	39,965,032	7,672,037	68,360	514,766	(31,709,869)	—	(31,709,869)	—
Business-type activities:								
Water	3,495,165	3,806,501	—	—	—	311,336	311,336	—
Solid waste	1,823,049	1,686,477	—	—	—	(136,572)	(136,572)	—
Total business-type activities:	5,318,214	5,492,978	—	—	—	174,764	174,764	—
Total primary government	\$45,283,246	\$13,165,015	\$68,360	\$514,766	(31,709,869)	174,764	(31,535,105)	—
Component units								
Development Authority	412,858	—	—	—	—	—	—	412,858
Total component units	\$412,858	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$412,858
General revenues:								
Property taxes					17,327,608	—	17,327,608	—
Local option sales tax					7,353,813	—	7,353,813	—
Other taxes					12,223,068	—	12,223,068	—
Unrestricted investment earnings					204,192	10,643	214,835	412,858
Gain on sale of capital assets					14,095	—	14,095	—
Miscellaneous revenue					501,158	10,189	511,347	—
Total general revenues and transfers					37,623,934	20,832	37,644,766	412,858
Change in net assets					5,914,065	195,596	6,109,661	—
Net assets-beginning					37,832,723	4,512,759	42,345,482	—
Net assets-ending					\$43,746,788	\$4,708,355	\$48,455,143	\$ —

The accompanying notes to the financial statements are an integral part of this statement.

City of Alpharetta
Balance Sheet
Governmental Funds
June 30, 2004

	Major Governmental Funds			Bond III	Nonmajor Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Project			
<i>Assets</i>						
Cash and cash equivalents	\$6,429,896	\$275,735	\$236,184	\$ —	\$214,293	\$7,156,108
Investments	11,193,117	2,643,197	4,047,784	—	1,075,119	18,959,217
Receivables (net of allowance for uncollectibles):						
Property taxes	251,320	101,397	—	—	—	352,717
Other taxes	2,150,961	—	—	—	221,185	2,372,146
Accounts	248,178	79	68	—	84,917	333,242
Due from other funds	98,220	—	—	—	—	98,220
Inventories	269,246	—	—	—	—	269,246
Prepaid items	11,064	—	—	—	6,526	17,590
Cash - restricted	—	—	—	5,670,096	—	5,670,096
Intergovernmental receivable:						
Restricted	43,148	—	941	—	15,662	59,751
Total assets	\$20,695,150	\$3,020,408	\$4,284,977	\$5,670,096	\$1,617,702	\$35,288,333
<i>Liabilities and Fund Balances</i>						
Liabilities:						
Current:						
Accounts payable	598,886	397	135,670	18,293	150,935	904,181
Retainage payable	—	—	186,914	19,479	—	206,393
Arbitrage payable	—	—	—	291,846	—	291,846
Accrued salaries	540,336	—	—	—	23,515	563,851
Claims payable	8,067	—	—	—	—	8,067
Due to other funds	—	—	—	—	98,220	98,220
Deferred revenue	346,205	96,060	3,798	—	7,818	453,881
Unearned revenue	6,969	—	171,616	—	55,514	234,099
Compensated absences	608,563	—	—	—	19,259	627,822
Total liabilities	2,109,026	96,457	497,998	329,618	355,261	3,388,360
Fund balances:						
Reserved for:						
Inventory	269,243	—	—	—	—	269,243
Pre-paid items	11,064	—	—	—	—	11,064
Tree bank	229,881	—	—	—	—	229,881
Detention facility	400,000	—	—	—	—	400,000
Public safety	—	—	22,378	—	740,256	762,634
Debt service	—	2,923,951	—	—	—	2,923,951
Capital projects	—	—	3,764,601	5,340,478	511,463	9,616,542
Unreserved for:						
Designated for operations	12,189,664	—	—	—	—	12,189,664
General fund	5,486,272	—	—	—	—	5,486,272
Special revenue funds	—	—	—	—	10,722	10,722
Total fund balances	18,586,124	2,923,951	3,786,979	5,340,478	1,262,441	31,899,973
Total liabilities and Fund balances	\$20,695,150	\$3,020,408	\$4,284,977	\$5,670,096	\$1,617,702	

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	58,049,823
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	453,881
Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the funds	(46,656,889)
Total Net Assets - Governmental Activities	\$43,746,788

The accompanying notes to the financial statements are an integral part of this statement.

City of Alpharetta
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	Major Governmental Funds			Bond III	Nonmajor Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Project			
<i>Revenues</i>						
Taxes:						
Property tax	\$11,687,893	\$5,543,026	—	—	—	\$17,230,919
Local option sales tax	7,353,813	—	—	—	—	7,353,813
Other taxes	9,548,752	—	—	—	2,562,480	12,111,232
Licenses and permits	1,321,281	—	—	—	—	1,321,281
Intergovernmental	632,229	—	309,556	—	—	941,785
Charges for services	2,346,698	—	—	—	964,427	3,311,125
Impact fees	—	—	—	—	425,190	425,190
Fines and forfeitures	2,266,367	—	—	—	91,967	2,358,334
Intergovernmental	—	—	—	—	229,341	229,341
Investment earnings	139,091	45,534	14,578	—	4,989	204,192
Other	450,884	38,539	—	—	1,022	490,445
Total revenues	35,747,008	5,627,099	324,134	—	4,279,416	45,977,657
<i>Expenditures</i>						
Current:						
General government	7,199,013	5,999	—	32	1,037,748	8,242,792
Public safety	11,970,176	—	—	—	1,379,817	13,349,993
Public works	2,970,839	—	—	—	30,326	3,001,165
Economic and community development	1,549,660	—	—	—	1,110,323	2,659,983
Culture and recreation	5,024,002	—	—	—	428,187	5,452,189
Debt service:						
Principal	—	3,800,950	—	—	—	3,800,950
Interest	—	2,378,921	—	—	—	2,378,921
Capital outlay	—	—	4,007,607	3,023,243	—	7,030,850
Total expenditures	28,713,690	6,185,870	4,007,607	3,023,275	3,986,401	45,916,843
Excess (deficiency) of revenues over (under) expenditures	7,033,318	(558,771)	(3,683,473)	(3,023,275)	293,015	60,814
<i>Other Financing Sources (Uses)</i>						
Transfers in	—	785,000	2,408,088	—	—	3,193,088
Transfers out	(2,408,088)	—	—	—	(785,000)	(3,193,088)
Sale of capital assets	14,095	—	—	—	—	14,095
Insurance proceeds	18,167	—	—	—	—	18,167
Total other financing sources (uses)	(2,375,826)	785,000	2,408,088	—	(785,000)	32,262
Net change in fund balances	4,657,492	226,229	(1,275,385)	(3,023,275)	(491,985)	93,076
Fund balances - beginning	13,928,632	2,697,722	5,062,364	8,363,753	1,754,426	31,806,897
Fund balances - ending	\$18,586,124	\$2,923,951	\$3,786,979	\$5,340,478	\$1,262,441	\$31,899,973

The accompanying notes to the financial statements are an integral part of this statement.

City of Alpharetta

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds To the Statement of Activities

Year Ended June 30, 2004

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

Net change in fund balances-total governmental funds \$93,076

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 outlays exceeded depreciation in the current period1,983,632

The net effect of various miscellaneous transactions involving capital assets is to decrease net assets. (127,617)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (130,822)

The issuance of long-term debt (e.g. bonds, leases) 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 of these trasactions, however, has any effect on net assets. This amount is the effect of these differences in the treatment of long-term debt and related items. 3,800,950

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. 294,846

Change in net assets of governmental activities\$5,914,065

The accompanying notes to the financial statements are an integral part of this statement.

City of Alpharetta

Statement of Net Assets

Proprietary Funds

June 30, 2004

<i>Assets</i>	Water	Solid Waste	Total
Current assets:			
Cash and cash equivalents	\$281,554	\$204,062	\$485,616
Investments	194,605	157,953	352,558
Accounts receivables (net of allowance for uncollectibles)	631,043	260,400	891,443
Restricted cash, cash equivalents, and investments	190,000	—	190,000
Inventories, at cost	96,407	—	96,407
Total current assets	1,393,609	622,415	2,016,024
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:	1,459,342	—	1,459,342
Total restricted assets	1,459,342	—	1,459,342
Capital assets			
Buildings and system	6,223,602	—	6,223,602
Machinery and equipment	409,067	—	409,067
Less accumulated depreciation	(2,388,999)	—	(2,388,999)
Total capital assets (net of accumulated depreciation)	4,243,670	—	4,243,670
Total noncurrent assets	5,703,012	—	5,703,012
Total assets	7,096,621	622,415	7,719,036

<i>Liabilities</i>			
Current liabilities:			
Accounts payable	665,020	300,717	965,737
Accrued salaries	12,169	1,680	13,849
Accrued interest payable	12,159	—	12,159
Compensated absences payable	8,766	1,244	10,010
Total current liabilities	698,114	303,641	1,001,755
Current liabilities payable from restricted assets:			
Revenue bonds payable	190,000	—	190,000
Total current liabilities payable from restricted assets	190,000	—	190,000
Noncurrent liabilities:			
Customer deposits	359,129	—	359,129
Compensated absences less current portion	4,596	201	4,797
Revenue bonds payable	1,455,000	—	1,455,000
Total noncurrent liabilities	1,818,725	201	1,818,926
Total liabilities	2,706,839	303,842	3,010,681

<i>Net Assets</i>			
Invested in capital assets, net of related debt	2,598,670	—	2,598,670
Reserved for debt service	1,649,342	—	1,649,342
Unreserved	141,770	318,573	460,343
Total net assets	\$4,389,782	\$318,573	\$4,708,355

The accompanying notes to the financial statements are an integral part of this statement.

City of Alpharetta Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds For the Year Ended June 30, 2004			
	Water	Solid Waste	Total
Operating revenues:			
Charges for sales and services:			
Water sales	\$1,897,164	\$ —	\$1,897,164
Sewer sales	1,909,337	—	1,909,337
Refuse collection charges	—	1,686,427	1,686,427
Licenses and permits	—	50	50
Miscellaneous revenue	10,148	41	10,189
Total operating revenues	3,816,649	1,686,518	5,503,167
Operating expenses:			
Administration	290,124	1,823,049	2,113,173
Operations	2,915,095	—	2,915,095
Depreciation	206,157	—	206,157
Total operating expenses	3,411,376	1,823,049	5,234,425
Operating gain (loss)	405,273	(136,531)	268,742
Nonoperating revenues (expenses):			
Investment earnings	8,856	1,787	10,643
Interest expense	(77,402)	—	(77,402)
Sale of capital assets	(6,387)	—	(6,387)
Total nonoperating revenue (expenses)	(74,933)	1,787	(73,146)
Change in net assets	330,340	(134,744)	195,596
Total net assets-beginning	4,059,442	453,317	4,512,759
Total net assets-ending	\$4,389,782	\$318,573	\$4,708,355

The accompanying notes to the financial statements are an integral part of this statement.

City of Alpharetta Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2004			
	Water	Solid Waste	Total
<i>Cash Flows from Operating Activities</i>			
Receipts from customers and users	\$3,949,255	\$1,709,371	\$5,658,626
Payments to employees	(442,875)	(63,571)	(506,446)
Payments to vendors	(2,969,802)	(1,719,323)	(4,689,125)
Net cash provided (used) by operating activities	536,578	(73,523)	463,055
<i>Cash Flows from Non-Capital and Related Financing Activities</i>			
Acquisition and construction of capital assets	(49,984)	—	(49,984)
Principal paid on capital debt	(180,000)	—	(180,000)
Interest paid on capital debt	(77,402)	—	(77,402)
Net cash used by capital and related financing activities	(307,386)	—	(307,386)
<i>Cash Flows from Investing Activities</i>			
Proceeds from sales and maturities of investments	24,216	252,754	276,970
Purchase of investments	(237,547)	—	(237,547)
Interest and dividends received	8,856	1,787	10,643
Net cash provided (used) by investing activities	(204,475)	254,541	50,066
Net increase in cash and cash equivalents	24,717	181,018	205,735
Cash and cash equivalents, July 1	1,906,179	23,044	1,929,223
Cash and cash equivalents, June 30	\$1,930,896	\$204,062	\$2,134,958
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating gain (loss)	405,273	(136,531)	268,742
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	206,157	—	206,157
Increase in accounts receivable	70,163	22,853	93,016
Increase in inventories	37,829	—	37,829
Increase in customer deposits	62,443	—	62,443
Increase in accounts payable	232,505	37,030	269,535
Increase (decrease) in compensated absences payable	(34,418)	1,445	(32,973)
Increase (decrease) in other accrued liabilities	(184,374)	1,680	(182,694)
Decrease in due to other funds	(259,000)	—	(259,000)
Total adjustments	131,305	63,008	194,313
Net cash provided (used) by operating activities	\$536,578	\$(73,523)	\$463,055

The accompanying notes to the financial statements are an integral part of this statement.

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Alpharetta (government), which was founded in 1858, operates under a charter adopted July 1, 1981, as a municipal corporation governed by an elected mayor and a six-member council. The City provides such services as police protection, fire and rescue services, parks and recreation amenities, water and sewer services, and public works. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statement (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit. The Development Authority of Alpharetta is included in the City’s reporting entity because of the significance of its financial relationship with the City. The Authority promotes the industrial and economic development of the City of Alpharetta. The Authority is legally separate from the City; however, the City appoints all of the Authority’s Board members and has a financial obligation to the Authority. The City does not control the operations of the Authority. Separate financial statements for the Authority are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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. Governmental activities, which normally are supported by taxes, 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 certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received up to sixty days after year end, local option sales tax, franchise taxes, and other various taxes coupled with licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 government.

The government reports the following major governmental funds:

- The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The capital project fund accounts for the acquisition of capital expenditures greater than \$25,000 funded by sources other than general obligation bond proceeds from governmental funds.
- The bond III fund is used to account for capital projects funded from the proceeds of the 1998 general obligation bond.

The government reports the following major proprietary funds:

- The water fund accounts for the activities associated with the operation and distribution of the water system, a self-supporting activity which renders services on a user charge basis to many residents and businesses located in Alpharetta.
- The solid waste fund accounts for the activities associated with the collection of residential garbage, including recyclables, non-recyclables, and yard waste. Activity is rendered on a user charge basis.

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 government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are assets transferred between the governmental and proprietary funds to assist in the operations of each fund. Elimination of these transfers would distort the assets and liabilities of the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for enterprise funds include the cost of sales 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 government’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term highly-liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

The City invests idle cash from operating accounts for the purpose of increasing income through investment activities. State statutes authorize the government to invest in obligations of the U.S. Treasury, repurchase agreements, and commercial paper.

Investments for the government, as well as for its component units, are reported at market value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, 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.

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 1.5 percent of outstanding property taxes at June 30, 2004.

Property taxes are levied as of January 1 on property values assessed as of the same date. Tax notices are mailed on or about October 1 of each year and are due 60 days from the billing date. The billings are considered past due if the payment is not rendered within the 60 day period after the respective tax billing date, at which time penalties and interest are assessed. Delinquent tax payments subject the property to lien. The City bills and collects its own property taxes.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

4. Restricted Assets

Proceeds of the 1998 General Obligation Bond Issue are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use

is limited by applicable bond covenants. The “bond construction” account is used to track the use of bond proceeds for projects approved during the voter referendum.

Certain resources set aside for the repayment of the water revenue bonds are also classified as restricted assets. These funds are maintained in a separate bank account and their use is limited by applicable bond covenants. The “water sinking fund” account is used to segregate resources accumulated for debt service payments over the life of the bond. As of June 30, 2004, the balance in the account equaled the total liability of future principal payments.

5. 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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of three 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. As provided for by GASB 34, the City has not included infrastructure assets acquired prior to July 1, 2002. The City intends to identify and report infrastructure assets acquired prior to July 1, 2002 in a later year, but no later than June 30, 2007.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water fund during the current fiscal year was \$77,402. None of the interest expense was included as part of the cost of capital assets under construction, as the construction phase of the water distribution system attributable to the revenue bond is completed.

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

Assets	Years
Buildings	5–50
Improvements other than buildings	7–45
Public domain infrastructure	5–100
System infrastructure	37–40
Moveable equipment	5–20

The public safety program expense includes an impairment loss of \$163,333 due to mold contamination at a fire station. The fire station has been abandoned by the City and will be replaced during fiscal year 2005.

6. Compensated Absences

It is the government’s policy to permit employees to accumulate earned but unused paid time off benefits. All paid time off pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or if they are expected to be paid within the following twelve months.

7. 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 or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. 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.

II. Reconciliation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

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 gov-

ernment-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$46,656,889 difference are as follows:

Bonds payable	\$45,135,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(998,481)
Notes Payable	1,502,325
Accrued interest payable	367,439
Compensated absences	650,606
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$46,656,889

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance 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

Capital outlay	\$4,496,746
Depreciation expense	(2,513,114)
Net adjustment to increase <i>net changes in fund balances–total governmental fund</i> to arrive at <i>changes in net assetsof governmental activities</i>	\$1,983,632

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to in-

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 estimated useful lives and reported as depreciation expense.” The details of this \$1,983,632 difference are as follows:

The statement of activities reports losses arising from the impairment of assets. Conversely, governmental funds do not report any loss associated with assets which are no longer ableto be used.	\$(163,333)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	35,716
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>	\$(127,617)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the

crease net assets.” The details of this \$127,617 difference are as follows:

current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$3,800,950 difference are as follows:

Principal repayments:	
General obligation debt	\$3,730,000
Notes	70,950
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>	\$3,800,950

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are

Compensated absences	\$276,470
Accrued interest	30,630
Amortization of deferred charge on refunding	(12,254)
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>	\$294,846

not reported as expenditures in governmental funds.” The details of this \$294,846 difference are as follows:

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Capital Project and Bond III funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

Beginning in January of each year, departments begin the budget process by updating functional statements of purpose and service indicators/performance measures. In early March, all departments of the government submit requests for appropriations to the government’s Department of Finance so that a budget may be prepared. During May the proposed budget is presented to the government’s council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30 each year.

The appropriated budget is prepared by fund, department, and function. The government’s department heads may make transfers of appropriations within departmental accounts of a specific fund. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

The council made supplemental budgetary appropriations during a mid-year review process, including an \$105,600 increase in expenditure appropriations in the General Fund

supported by an \$117,158 increase in revenue anticipations; \$115,000 increase in expenditure and revenue appropriations in the hotel/motel fund budget; \$72,600 increase in expenditure and revenue appropriations in the Drug Enforcement Agency Fund; the reallocation of \$433,086 to new or existing projects in the Capital Projects Fund; \$7,940,421 increase in expenditure and revenue appropriations in the Grant Capital Project Fund; and \$437,030 increase in expenditure and revenue appropriations in the Grant Operating Fund.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are not reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year from newly appropriated funds during the budget process.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2004, expenditures exceeded appropriations in the Impact Fee Fund by \$96. The general government expenditure in this fund is equal to three percent of revenues to cover administrative costs associated with this program. Revenues exceeded appropriations by \$3,390 providing the necessary resources to cover the administrative fee expense.

IV. Detailed Notes on All Funds

A. Deposits and Investments

At year end, the government’s carrying amount of operating cash and cash equivalent deposits was \$7,352,637 and the bank balance was \$7,927,021. The bank balances differ from the carrying amounts due to outstanding checks and deposits, and reconciling items. The City’s deposits are covered by Federal Depository Insurance or by collateral held by the City or it’s agent in the City’s name.

B. Credit Risk, Custodial Credit Risk, Interest Rate Risk, Concentration Risk and Foreign Currency Risk

As of June 30, 2004, the City had the following investments in its internal investment pool.

Investment	Maturity	Fair Value
Repurchase Agreements	July 2005	\$2,811,775
U.S. Agency	August - December 2004	1,350,000
U.S. Agency	February - March 2005	1,100,000
U.S. Agency	April - June 2005	1,050,000
U.S. Agency	August 2005	425,000
U.S. Agency	December 2005	150,000
U.S. Agency	January - March 2006	875,000
U.S. Agency	April - June 2006	1,100,000
U.S. Agency	August 2006	550,000
U.S. Agency	November 2006	500,000
U.S. Agency	January - February 2007	150,000
U.S. Agency	February 2007	850,000
U.S. Agency	February 2009	400,000
U.S. Treasury	May 2006	50,000
U.S. Treasury	August 2006	150,000
U.S. Treasury	November 2006	300,000
Certificate of Deposit	April 2005	4,000,000
Certificate of Deposit	May 2005	1,500,000
Certificate of Deposit	June 2005	2,000,000
Total		\$19,311,775

In accordance with the City’s Cash and Investment Management Policies, safety of principal is the foremost objective of the investment program. As a result, credit risk and investment rate risk are aggressively mitigated. To the extent possible, the City shall attempt to match investments

with anticipated cash flow requirements. Any investment exceeding a five (5) year maturity must be disclosed to the City Council in writing. The City’s maturity schedule is as follows:

Maturity	Fair Value	Percent of Total Investments
Ninety days or less	\$3,855,306	20%
Three to six months	350,000	2%
Six to twelve months	9,650,000	50%
One to three years	5,100,000	26%
Three to five years	400,000	2%

As a means of limiting exposure to credit risk, the risk of loss due to the failure of the security issuer or backer, the City limits investments to obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and those deposit-type items which can be collateralized at 110% of the face value. Additionally, investments must have a credit rating issued by a nationally recognized statistical rating organization (NRSROs) which is in the top category, i.e. “A3” or better from Moody’s and “A-“ or better from Standard & Poor’s. All investments met these requirements.

Custodial risk, that is the risk associated with uninsured deposits, uninsured securities, or securities not registered in the City’s name is managed in accordance with the City’s policy through a safekeeping agreement with an external party. All investments as of June 30, 2004 were held in the City’s name by the contracted custodial agent, with the exception of the certificates of deposits which were held by the City in the City’s name.

Through the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing

operations, the City reduces exposure to interest rate risk. Interest rate risk, the risk that the market value of securities in the portfolio will fall due to changes in general interest rates is also managed through the City’s objective to hold investments until maturity. Meaning, the yield received on the life of the security for invested funds is greater than funds that are not invested due to an anticipated improvement to economic conditions.

The City’s investment policy limits investments from any one issuer to no more than 5% of the total investment portfolio, excluding investments explicitly guaranteed by the U.S. government. Thus, the City’s concentration of investments into any single issuer is managed by expanding the exposure of the investment portfolio to multiple issuers.

C. Receivables

Receivables as of year end for the government’s individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Project	Water	Nonmajor & Other Funds	Total
Receivables:						
Taxes						
Property	\$254,971	\$102,941	\$ —	\$ —	\$ —	\$ 357,912
Other	2,150,961	—	—	—	221,185	2,372,146
Accounts	248,178	79	68	641,270	360,197	1,249,792
Intergovernmental	43,148	—	941	—	15,662	59,751
Gross receivables	2,697,258	103,020	1,009	641,270	597,044	4,039,601
Less: Allowance for Uncollectibles	(3,651)	(1,544)	—	(10,227)	(14,880)	(30,302)
Net total receivables	\$2,693,607	\$101,476	\$1,009	\$631,043	\$582,164	\$4,009,299

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in con-

nection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as shown in Table 25.

	Unavailable	Unearned
<i>General Fund:</i>		
Delinquent property taxes receivable	\$234,369	\$ —
Accounts receivable billing	111,836	—
Payments for projects and programs not yet started	—	6,969
<i>Debt Service Fund:</i>		
Delinquent property taxes receivable	96,060	—
<i>Capital Project Fund:</i>		
Capital project assessments not yet due	3,798	—
Payments for projects not yet started	—	171,616
<i>Hotel/Motel Fund:</i>		
Payments for taxes not yet incurred	—	738
<i>Operating Grant Fund:</i>		
Grant receipts prior to meeting eligibility requirements	—	6,978
<i>Grant Capital Fund:</i>		
Eligible incurred expenses billed but not yet paid	7,818	—
Grant receipts prior to meeting eligibility requirements	—	47,798
Total deferred/unearned revenue for governmental funds	\$453,881	\$234,099

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities:</i>				
Capital assets, not being depreciated:				
Land	\$20,118,295	\$13,702,400	\$(11,043,600)	\$22,777,095
Construction in progress	4,274,996	462,729	(3,770,708)	967,017
Total capital assets, not being depreciated	24,393,291	14,165,129	(14,814,308)	23,744,112
Capital assets, being depreciated:				
Buildings	27,521,291	272,691	(290,950)	27,503,032
Improvements other than buildings	5,115,086	1,195,620	(144,783)	6,165,923
Machinery and equipment	12,559,573	1,387,455	(476,093)	13,470,935
Infrastructure	455,187	2,838,255	(288,836)	3,004,606
Total capital assets, being depreciated	45,651,137	5,694,021	(1,200,662)	50,144,496
Less accumulated depreciation for:				
Buildings	(4,719,686)	(839,220)	127,617	(5,431,289)
Improvements other than buildings	(1,432,636)	(314,047)	—	(1,746,683)
Machinery and equipment	(7,650,422)	(1,206,322)	397,331	(8,459,413)
Infrastructure	(47,876)	(153,524)	—	(201,400)
Total accumulated depreciation	(13,850,620)	(2,513,113)	524,948	(15,838,785)
Total capital assets, being depreciated, net	31,800,517	3,180,908	(675,714)	34,305,711
Governmental activities capital assets, net	\$56,193,808	\$17,346,037	\$(15,490,022)	\$58,049,823

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type activities:</i>				
Capital assets, being depreciated:				
Buildings and system	\$6,221,752	\$1,850	\$ —	\$6,223,602
Machinery and equipment	439,858	23,290	(54,081)	409,067
Total capital assets, being depreciated	6,661,610	25,140	(54,081)	6,632,669
Less accumulated depreciation for:				
Buildings and system	(1,855,818)	(170,282)	—	(2,026,100)
Machinery and equipment	(371,911)	(35,873)	44,885	(362,899)
Total accumulated depreciation	(2,227,729)	(206,155)	44,885	(2,388,999)
Total capital assets, being depreciated, net	4,433,881	(181,015)	(9,196)	4,243,670
Business-type activities capital assets, net	\$4,433,881	\$(181,015)	\$(9,196)	\$4,243,670

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

<i>Governmental activities:</i>		
General government		\$191,413
Public safety		1,114,396
Highways and streets, including depreciation of general infrastructure assets		482,745
Economic and community development		49,138
Culture and recreation		675,422
Total depreciation expense – governmental activities		\$2,513,114
<i>Business-type activities:</i>		
Water		\$206,157
Total depreciation expense – business-type activities		\$206,157

Construction Commitments. The government has active construction projects as of June 30, 2004. The projects include street construction in areas with high congestion and commute times, sidewalks and pedestrian pathways in areas previously void of such amenities, and traffic projects including signal interconnect systems and a transportation control system. At year end the government’s commitments with contractors are shown here in the table to the right.

The projects here are being financed primarily through the Capital Project Fund, using pay-as-you-go funding sources. Proceeds from the 1998 General Obligation Bond issue have been utilized to fund major thoroughfare constructions.

Project	Spent-to-Date	Remaining Commitment
Park improvements	\$ —	\$146,190
Sidewalk and pedestrian projects	223,547	201,391
Street improvements	186,230	2,980,136
Traffic projects	337,015	406,547
Total	\$746,792	\$3,734,264

E. Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
General	Hotel Motel	\$88,220
General	Operating Grant	10,000
Total		\$98,220

Interfund balances represent amounts owed/due between funds of the government. The amount owed from the Hotel Motel Fund represents the portion of occupancy tax used by the government for the promotion of tourism which was received in July 2004 for taxes collected in June 2004. The General Fund advanced cash to the Operating Grant Fund in order to cover expenditures that had not been reimbursed as of June 30, 2004.

Due to/from primary government and component units:

Transfers out:	Transfers in		
	Debt Service Fund	Capital Project Fund	Total
General fund	\$ —	\$2,408,088	\$2,408,088
Non-major governmental funds	785,000	—	785,000
Total transfers out	\$785,000	\$2,408,088	\$3,193,088

In the fund financial statements, total transfers in of \$3,193,088 are equal to total transfers out. During the year no existing capital assets were transferred to other funds. The transfer to the Capital Project Fund represents excess fund balance which is used on an annual basis to finance pay-as-you-go capital projects. As a supplement to property tax revenue, the Debt Service Fund receives on an annual basis a transfer from the Impact Fee Fund. These funds are applied to the repayment of previously financed bond projects.

F. Leases

Operating Leases. The government leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were \$169,327 for the fiscal year ended June 30, 2004. The future minimum lease payments for these leases are shown below.

Fiscal Year Ending June 30	Amount
2005	\$205,590
2006	212,560
2007	219,648
2008	213,129
2009	37,713
Total	\$888,640

G. Long-term Debt

General Obligation Bonds. The governmental issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$64,400,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 25-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are shown here in the upper table to the right.

Annual debt service requirements to maturity for general obligation bonds are shown here in the second table to the right.

Revenue Bonds. The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$2,470,000. Revenue bonds outstanding at year end are shown here in the third table to the right.

Revenue bond debt service requirements to maturity are shown here in the bottom table to the right.

Advance and Current Refundings. The government issued \$13,000,000 of general obligation bonds to refunding bonds during fiscal year 2003. As a result, the refunded bonds which were originally issued in 1995 are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,027,732. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next nine years and resulted in an economic gain and a present value cash flow of \$615,644.

Purpose	Interest Rates	Amount
Governmental activities	3.5 - 6.5%	\$32,505,000
Governmental activities - refunding	2.0 - 4.375%	12,630,000
Total		\$45,135,000

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$4,235,000	\$2,129,571
2006	4,780,000	1,945,217
2007	5,325,000	1,744,806
2008	5,965,000	1,479,556
2009	6,280,000	1,177,681
2010-2012	18,550,000	1,561,719
Total	\$45,135,000	\$10,038,550

Purpose	Interest Rates	Amount
Water	4.435%	\$1,645,000

Fiscal Year Ending June 30	Principal	Interest
2005	\$190,000	\$70,849
2006	195,000	62,423
2007	205,000	53,664
2008	215,000	44,461
2009	225,000	34,815
2010	185,000	20,058
2011	430,000	17,074
Total	\$1,645,000	\$303,344

Development Authority of Alpharetta Revenue Bonds.

During fiscal year 1999, the Development Authority of Alpharetta entered into an agreement with Georgia State University Foundation to construct and finance an education facility. As a result, 20-year revenue bonds were issued by the Authority. The City has a contract with the Development Authority in which it is obligated to pay 16.5% of the total principal and interest payments on the bonds. In conjunction with this agreement, the Foundation entered into a direct financing lease in which the Foundation’s lease payments cover the remaining 83.5% of the annual principal and interest payments on the bonds. The bonds are payable on May 1 and November 1, serially to fiscal year 2019.

The annual requirements to amortize the Development Authority’s portion (83.5%) of the revenue bonds outstanding as of June 30, 2004 are shown in the upper table to the right.

Notes Payable. The annual requirements to amortize the note payable to the Development Authority for the City’s share (16.5%) of the bonds as of June 30, 2004 are shown in the lower table to the right.

Changes in Long-term Liabilities. Longer-term liability activity for the fiscal year ended June 30, 2004, are shown below.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable:					
General obligation bonds	\$48,865,000	\$ —	\$(3,730,000)	\$45,135,000	\$4,235,000
Less deferred amounts on refunding	(1,010,735)	—	12,254	(998,481)	(69,965)
Total bonds payable	47,854,265	—	(3,717,746)	44,136,519	4,165,035
Notes payable	1,573,275	—	(70,950)	1,502,325	74,250
Claims	494,827	—	(494,827)	—	—
Compensated absences	1,559,237	72,546	(353,355)	1,278,428	627,822
Governmental activity Long-term liabilities	\$51,481,604	\$72,546	\$(4,636,878)	\$46,917,272	\$4,867,107
<i>Business-type activities:</i>					
Bonds payable:					
Revenue bonds	\$1,825,000	\$ —	\$(180,000)	\$1,645,000	\$190,000
Total bonds payable	1,825,000	—	(180,000)	1,645,000	190,000
Customer deposits	296,686	167,876	(105,433)	359,129	—
Compensated absences	47,780	1,445	(34,418)	14,807	4,797
Business-type activity Long-term liabilities	\$2,169,466	\$169,321	\$(319,851)	\$2,018,936	\$194,797

For governmental activities claims and compensated absences are predominately liquidated by the general fund.

Fiscal Year Ending June 30	Principal	Interest
2005	\$375,750	\$330,681
2006	388,275	315,876
2007	404,975	300,307
2008	421,675	283,875
2009	438,375	266,455
2010-2014	2,475,775	1,027,365
2015-2019	3,097,850	385,046
Total	\$7,602,675	\$2,909,605

Fiscal Year Ending June 30	Principal	Interest
2005	\$74,250	\$65,344
2006	76,725	62,419
2007	80,025	59,342
2008	83,325	56,095
2009	86,625	52,653
2010-2014	489,225	203,011
2015-2019	612,150	76,088
Total	\$1,502,325	\$574,952

The Emergency 9-1-1 fund has also liquidated claims and compensated absences in the past three years.

H. Restricted Assets

The balances of the restricted asset accounts in the governmental funds are as follows:

1998 General Obligation Proceeds\$5,670,096

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omission; and natural disasters for which the government carries commercial insurance. The government established a limited risk management program for workers’ compensation. Premiums are paid into the general fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditure reported in the general fund. As of June 30, 2004, such interfund premiums did not exceed reimbursable expenditures.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage award. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. During fiscal year 2004, the City changed from a partially self-insured health insurance program to a fully-insured program. Workers’ compensation claims exceeding \$200,000 per incident are insured through a private insurance carrier, where as liability claims below the \$10,000 are paid directly by the government. It is the City’s intention to maintain an equity balance of \$500,000 to cover catastrophic claims of workers’ compensation. Settlements have not exceeded coverages for each of the past three fiscal years.

The balances of the restricted asset accounts in the proprietary funds are as follows:

Revenue Bond Debt Service Account \$1,649,342

Changes in the balances of claims liabilities during the past two years are as follows.

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003
Unpaid claims, beginning of fiscal year	\$494,797	\$879,815
Incurred claims (including IBNRs)	—	2,657,736
Claim payments	(494,797)	(3,042,754)
Unpaid claims, end of fiscal year	\$ —	\$494,797

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government’s counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

The City has contracted with Browning-Ferris Industries, Inc. for refuse collection, including recycling, until March 31, 2005.

In conjunction with the issuance of the revenue bonds by the Development Authority of Alpharetta (“Authority”) for the purpose of benefiting the Georgia State University Foundation (“Foundation”), the City is liable for the repayments of the revenue bonds in the event of default by either the Authority or the Foundation.

C. Joint Venture

Under Georgia law, the government, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 200 North Creed, Suite 300, 3715 Northside Parkway, Atlanta, Georgia 30327.

D. Employee Retirement Systems and Pension Plans

Pension plans – primary government. The government maintains a defined benefit pension plan that covers all of its employees known as the City of Alpharetta Retirement Plan (the “Plan”). The City’s plan is affiliated with the Georgia Municipal Employees Benefit System (“System”), an agent multiple-employer public retirement system that acts as a common investment and administrative agent for the cities in the State of Georgia.

Plan description. All full-time City employees, City officials and the judge of the Municipal court are eligible to participate in the system. Benefits vest after five years of service. City employees who retire at or after age 65 (55 for the police and firemen) with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a split percent 1% to 2% of their highest five year average salary during employment. Elected city officials and the municipal court judge receive a lifetime benefit at age 65 of \$25 per month for each year of service to the City. There is no waiting period to become eligible to participate in the plan for elected officials and the municipal court judge. These benefit provisions and all other requirements are established by the City Council. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may

be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Funding policy. Participants are not required to contribute to the Plan. The City’s policy is to contribute 100% of the amount necessary to fund the Plan according to the annual actuarial calculations. The City currently contributes 8.5% of covered payroll.

Annual pension cost. For 2004, the government’s annual pension cost of \$1,141,610 was equal to the government’s required and actual contributions. The required contribution was determined as part of the January 1, 2004, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 4.0 percent a year for inflation compounded annually plus a graduated increase for merit or seniority ranging from 0.0 percent to 3.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. This plan does not provide for post retirement benefit increases. The plan’s period for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982. Current changes in the unfunded actuarial accrued liability are amortized over 15 years for actuarial gains and losses, 20 years for plan provision changes and 30 years for actuarial assumptions and cost methods as a percentage of payroll. Amortization periods are closed for the current year.

Annual Pension Percentage of APC

Fiscal Year Ending	Cost (APC)	Contributed	Net Pension Obligation
2004	\$1,141,610	100%	—
2003	931,642	100%	—
2002	801,437	100%	—
2001	647,319	100%	—
2000	531,861	100%	—
1999	300,634	100%	—

E. Changes in Accounting Principles and Fund Consolidation

Effective July 1, 2002, the City implemented the provisions of Government Accounting Standards Board Statement No. 34, *Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments – Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these new accounting statements significantly changed the reporting model and reporting requirements for the City.

As provided for by GASBS 34, the City has not included infrastructure assets acquired prior to June 1, 2002. The City intends to identify and report infrastructure assets acquired prior to July 1, 2002 in a later year, but no later than June 30, 2007.

Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. The implementation of this new accounting statement has changed the disclosures made in Note IV.

Required Supplementary Information
City of Alpharetta Retirement Plan
Schedule of Funding Progress

Actuarial Valuation Date	ActuarialLiability Value of Assets (a)	Actuarial Accrued Unfunded (AAL)- Entry Age (b)	AAL (U A A L) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
2004	\$9,947,926	\$12,096,568	\$2,148,642	82.2%	\$13,961,803	15.4%
2003	7,122,434	10,369,057	3,246,623	68.7%	12,311,080	26.4%
2002	6,502,639	8,385,510	1,882,871	77.5%	10,423,331	18.1%
2001	5,462,900	7,050,281	1,587,381	77.5%	9,113,462	17.4%
2000	4,688,370	5,513,888	825,518	85.0%	7,134,366	11.6%
1999	4,056,546	4,402,166	345,620	92.1%	6,274,597	5.5%
1998	3,142,858	3,459,228	316,370	90.9%	4,796,176	6.6%

City of Alpharetta
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property tax	\$10,150,696	\$10,150,696	\$11,687,893	\$1,537,197
Local option sales tax	6,959,405	6,959,405	7,353,813	394,408
Other taxes	8,587,703	8,704,861	9,548,752	843,891
Licenses and permits	849,250	849,250	1,321,281	472,031
Intergovernmental	613,000	613,000	632,229	19,229
Charges for service	2,296,651	2,296,651	2,346,698	50,047
Fines and forfeitures	1,450,500	1,450,500	2,266,367	815,867
Investment earnings	315,000	315,000	139,091	(175,909)
Other	87,450	87,450	450,884	363,434
Total revenues	31,309,655	31,426,813	35,747,008	4,320,195
Expenditures				
Current:				
General government				
Elections	44,000	44,000	42,080	1,920
City clerk	—	123,081	116,052	7,029
Contingency	200,000	200,000	—	200,000
Mayor and council	163,975	184,585	152,618	31,967
Municipal court	546,761	563,761	521,007	42,754
Legal	350,000	350,000	350,000	—
City administrator	1,056,513	933,432	888,660	44,772
Finance	1,646,824	1,656,824	1,571,362	85,462
Human resources	794,890	794,890	705,703	89,187
Risk management	478,000	478,000	337,840	140,160
Technology services	1,036,797	1,036,797	1,012,413	24,384
Public information	249,223	249,223	226,256	22,967
Engineering	1,344,528	1,358,468	1,240,022	118,446
Non-departmental	35,000	35,000	35,000	—
Total general government	7,946,511	8,008,061	7,199,013	809,048
Pubic safety:				
Police	6,228,776	6,267,186	6,243,866	23,320
Fire	6,104,755	6,110,125	5,726,310	383,815
Total public safety	12,333,531	12,377,311	11,970,176	407,135
Public works	3,506,264	3,492,324	2,970,839	521,485
Economic and community development	1,650,334	1,656,544	1,549,660	106,884
Culture and recreation	5,464,927	5,472,927	5,024,002	448,925
Total expenditures	30,901,567	31,007,167	28,713,690	2,293,477
Excess of revenues over expenditures	408,088	419,646	7,033,318	6,613,672
Other Financing Sources (Uses)				
Transfers out	(2,408,088)	(2,408,088)	(2,408,088)	—
Sale of capital assets	—	—	14,095	14,095
Insurance proceeds	—	—	18,167	18,167
Total other financing sources and uses	(2,408,088)	(2,408,088)	(2,375,826)	32,262
Net change in fund balances	(2,000,000)	(1,988,442)	4,657,492	6,645,934
Fund balances - beginning	13,928,632	13,928,632	13,928,632	-
Fund balances - ending	\$11,928,632	\$11,940,190	\$18,586,124	\$6,645,934

Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Hotel/Motel Fund – This fund is used to account for the occupancy tax collected by the City from area hotels and motels, and distributed based upon state statute. The City is currently collecting this tax at a rate of 6%.

Emergency 911 Fund - This fund is used to account for funds received from users, or potential users, of the Emergency 911 System. Revenues received by the City are paid directly from wired or wireless telecommunication providers, with expenditures occurring to maintain and run the system within the City.

Impact Fee Fund – Established to account for fees assessed upon development activity, these fees are collected to pay for system improvements (recreation/parks, streets, and public safety) as detailed within the government’s impact fee ordinance.

Drug Enforcement Agency Fund – Established to account for funds received from the enforcement of drug laws, shared revenues resulting from the confiscation of property from drug offender’s arrests can be used by law enforcement to aid in that activity. Funds cannot be used to supplant the normal operating budget of the Police Department.

Operating Grants Fund – This fund is used to account for the funds received from external sources as they relate to grants awarded to the City. Matching funds, which are the City’s responsibility, are also recorded within this fund. This fund only tracks and accounts those items relating to the operation of the government.

Capital Project Funds

Capital Project Funds are used to account for the acquisition and construction of major items, such as buildings, infrastructure, parks, streets, and other major capital facilities.

Capital Project Grant Fund – Established to track capital projects as they relate to proceeds from grants awarded to the City. Matching funds, which are the City’s responsibility, are also recorded within this fund.

Required Supplementary Information							
City of Alpharetta							
Combining Balance Sheet							
Nonmajor Governmental Funds							
June 30, 2004							
	Special Revenue					Capital Project	Total Nonmajor Governmental Funds
	Hotel Motel	Emergency 911	Impact Fee	Drug Enforcement	Grant Operating	Grant Capital	
Assets							
Cash and cash equivalents	\$10,782	\$441	\$18,427	\$135,529	\$9,134	\$39,980	\$214,293
Investments	42	574,228	500,849	—	—	—	1,075,119
Taxes receivable	221,185	—	—	—	—	—	221,185
Accounts receivable	—	84,912	5	—	—	—	84,917
Intergovernmental receivable	—	—	—	—	7,844	7,818	15,662
Prepaid expenditures	—	6,526	—	—	—	—	6,526
Total assets	\$232,009	\$666,107	\$519,281	\$135,529	\$16,978	\$47,798	\$1,617,702
Liabilities							
Accounts payable	\$132,329	\$18,606	\$ —	\$ —	\$ —	\$ —	\$150,935
Accrued salaries	—	23,515	—	—	—	—	23,515
Compensated absences	—	19,259	—	—	—	—	19,259
Due to other funds	88,220	—	—	—	10,000	—	98,220
Deferred revenue	—	—	—	—	—	7,818	7,818
Unearned revenue	738	—	—	—	6,978	47,798	55,514
Total liabilities	221,287	61,380	—	—	16,978	55,616	355,261
Fund Balances							
Reserved							
Reserved for capital projects	—	—	519,281	—	—	(7,818)	511,463
Reserved for public safety	—	604,727	—	135,529	—	—	740,256
Unreserved							
Designated for operations	10,722	—	—	—	—	—	10,722
Total fund balances	10,722	604,727	519,281	135,529	—	(7,818)	1,262,441
Total liabilities & fund balances	\$232,009	\$666,107	\$519,281	\$135,529	\$16,978	\$47,798	\$1,617,702

City of Alpharetta							
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances							
Nonmajor Governmental Funds							
For the Year Ended June 30, 2004							
	Special Revenue					Capital Project	Total Nonmajor Governmental Funds
	Hotel Motel	Emergency 911	Impact Fee	Drug Enforcement	Grant Operating	Grant Capital	
Revenues							
Hotel motel tax	\$2,562,480	\$ —	\$ —	\$ —	\$ —	\$ —	\$2,562,480
Charges for service	—	964,427	—	—	—	—	964,427
Impact fees	—	—	425,190	—	—	—	425,190
Forfeiture income	—	—	—	91,967	—	—	91,967
Intergovernmental	—	—	—	—	30,326	199,015	229,341
Contributions and donations	—	—	—	—	1,022	—	1,022
Investment earnings	—	2,190	2,682	117	—	—	4,989
Total revenues	2,562,480	966,617	427,872	92,084	31,348	199,015	4,279,416
Expenditures							
Tourism	1,110,323	—	—	—	—	—	1,110,323
Culture and recreation	427,165	—	—	—	1,022	—	428,187
Public safety	—	1,164,921	—	8,063	—	206,833	1,379,817
Engineering	—	—	—	—	30,326	—	30,326
General government	1,024,992	—	12,756	—	—	—	1,037,748
Total expenditures	2,562,480	1,164,921	12,756	8,063	31,348	206,833	3,986,401
Excess (deficiency) of revenues over (under) expenditures	—	(198,304)	415,116	84,021	—	(7,818)	293,015
Other Financing Uses							
Transfers out:							
Debt service fund	—	—	(785,000)	—	—	—	(785,000)
Total other financing uses	—	—	(785,000)	—	—	—	(785,000)
Net change in fund balances	—	(198,304)	(369,884)	84,021	—	(7,818)	(491,985)
Fund balances - beginning	10,722	803,031	889,165	51,508	—	—	1,754,426
Fund balances - ending	\$10,722	\$604,727	\$519,281	\$135,529	\$ —	\$(7,818)	\$1,262,441

City of Alpharetta Budgetary Comparison Schedule Debt Service Fund For the Year Ended June 30, 2004			
	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Property tax	\$5,347,941	\$5,543,026	\$195,085
Investment earnings	62,200	45,534	(16,666)
Miscellaneous revenue	—	38,539	38,539
Total revenues	5,410,141	5,627,099	216,958
Expenditures			
Current:			
General government			
Finance	15,000	5,999	9,001
Total general government	15,000	5,999	9,001
Debt Service:			
Principal	3,800,950	3,800,950	—
Interest	2,379,191	2,378,921	270
Total debt service	6,180,141	6,179,871	270
Total expenditures	6,195,141	6,185,870	9,271
Excess of revenues over expenditures	(785,000)	(558,771)	226,229
Other Financing Sources (Uses)			
Transfers in	785,000	785,000	—
Total other financing sources and uses	785,000	785,000	—
Net change in fund balances	—	226,229	226,229
Fund balances - beginning	2,697,722	2,697,722	—
Fund balances - ending	\$2,697,722	\$2,923,951	\$226,229

City of Alpharetta Budgetary Comparison Schedule Capital Project Fund For the Year Ended June 30, 2004				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ —	\$ —	\$309,556	\$309,556
Investment earnings	195,000	195,000	14,578	(180,422)
Total revenues	195,000	195,000	324,134	129,134
Expenditures				
Capital outlay				
Unallocated:	—	165,123	—	165,123
General government:				
City administrator	55,664	158,279	124,663	33,616
Finance	32,361	32,631	32,631	—
Human resources	—	14,943	14,943	—
Technology services	99,701	103,756	83,249	20,507
Public information	51,600	51,600	48,981	2,619
Total general government	239,326	361,209	304,467	56,742
Public safety:				
Police	518,096	595,055	579,041	16,014
Fire	288,571	288,394	231,821	56,573
Total public safety	806,667	883,449	810,862	72,587
Engineering & public works	3,974,668	3,920,335	1,222,115	2,698,220
Economic and community development	1,705,780	1,710,271	1,560,757	149,514
Culture and recreation	744,300	863,440	109,406	754,034
Total Capital Outlay	7,470,741	7,903,827	4,007,607	3,896,220
Excess of revenues over expenditures	(7,275,741)	(7,708,827)	(3,683,473)	4,025,354
Other Financing Sources				
Transfers in	2,408,088	2,408,088	2,408,088	—
Total other financing sources	2,408,088	2,408,088	2,408,088	—
Net change in fund balances	(4,867,653)	(5,300,739)	(1,275,385)	4,025,354
Fund balances - beginning	5,062,364	5,062,364	5,062,364	—
Fund balances - ending	\$194,711	\$(238,375)	\$3,786,979	\$4,025,354

City of Alpharetta Budgetary Comparison Schedule Bond III Fund For the Year Ended June 30, 2004				
	Prior Years	Current Year	Total to Date	Project Authorization
<i>Revenues</i>				
Investment earnings	\$3,754,612	\$ ———	\$3,754,612	\$1,245,000
Discounts	13	———	13	———
Total revenues	3,754,625	———	3,754,625	1,245,000
<i>Expenditures</i>				
General government:				
Cost of bond issuance	330,369	———	330,369	498,000
Non-departmental	509	32	541	———
Total general government	330,878	32	330,910	498,000
Engineering and public works	15,089,251	2,979,405	18,068,656	19,775,000
Culture and recreation	5,029,751	43,838	5,073,589	5,125,000
Total expenditures	20,449,880	3,023,275	23,473,155	25,398,000
Excess (Deficiency) of revenues over (under) expenditures	(16,695,255)	(3,023,275)	(19,718,530)	(24,153,000)
<i>Other Financing Sources</i>				
General obligation bond proceeds	25,449,972	———	25,449,972	24,900,000
Operating transfers out	(95,936)	———	(95,936)	———
Total other financing sources	25,354,036	———	25,354,036	24,900,000
Net change in fund balances	\$8,658,781	(3,023,275)	\$5,635,506	\$747,000
Fund balances - beginning	8,363,753			
Fund balances - ending	\$5,340,478			

City of Alpharetta Budgetary Comparison Schedule Hotel Motel Special Revenue Fund For the Year Ended June 30, 2004				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<i>Revenues</i>				
Hotel motel tax	\$2,301,000	\$2,416,000	\$2,562,480	\$146,480
Total revenues	2,301,000	2,416,000	2,562,480	146,480
<i>Expenditures</i>				
Tourism	2,301,000	2,416,000	2,562,480	146,480
Total expendiutres	2,301,000	2,416,000	2,562,480	146,480
Excess of revenues over expenditures	———	———	———	———
Fund balances - beginning	10,722	10,722	10,722	———
Fund balances - ending	\$10,722	\$10,722	\$10,722	\$ ———

City of Alpharetta Budgetary Comparison Schedule Emergency 911 Special Revenue Fund For the Year Ended June 30, 2004			
	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<i>Revenues</i>			
Charges for service	\$1,123,732	\$964,427	\$(159,305)
Investment earnings	22,845	2,190	(20,655)
Total revenues	1,146,577	966,617	(179,960)
<i>Expenditures</i>			
Public safety			
Police	1,231,807	1,164,921	66,886
Total expenditures	1,231,807	1,164,921	66,886
Excess (deficiency) of revenues over (under) expenditures	(85,230)	(198,304)	(113,074)
Fund balances - beginning	803,031	803,031	———
Fund balances - ending	\$717,801	\$604,727	\$(113,074)

City of Alpharetta Budgetary Comparison Schedule Impact Fee Special Revenue Fund For the Year Ended June 30, 2004			
	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<i>Revenues</i>			
Impact fees	\$422,000	\$425,190	\$3,190
Investment earnings	18,000	2,682	(15,318)
Total revenues	440,000	427,872	(12,128)
<i>Expenditures</i>			
General government			
Community development	12,660	12,756	(96)
Total expenditures	12,660	12,756	(96)
Excess of revenues over expenditures	427,340	415,116	12,224
Other Financing Sources:			
Transfers out	(785,000)	(785,000)	———
Net change in fund balances	(357,660)	(369,884)	(12,224)
Fund balances - beginning	889,165	889,165	———
Fund balances - ending	\$531,505	\$519,281	\$(12,224)

<div> <div>City of Alpharetta</div> <div>Budgetary Comparison Schedule</div> <div>Drug Enforcement Agency Special Revenue Fund</div> <div>For the Year Ended June 30, 2004</div> </div>				
	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Revenues</i>				
Forfeiture income	\$10,100	\$82,700	\$91,967	\$9,267
Investment earnings	600	600	117	(483)
Total revenues	10,700	83,300	92,084	8,784
<i>Expenditures</i>				
Public safety				
Police	25,700	98,300	8,063	90,237
Total expenditures	25,700	98,300	8,063	90,237
Excess (deficiency) of revenues over (under) expenditures	(15,000)	(15,000)	84,021	(99,021)
Fund balances - beginning	51,508	51,508	51,508	—
Fund balances - ending	\$36,508	\$36,508	\$135,529	\$99,021

<div> <div>City of Alpharetta</div> <div>Budgetary Comparison Schedule</div> <div>Grant Fund - Operating</div> <div>For the Year Ended June 30, 2004</div> </div>				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Revenues</i>				
Intergovernmental	\$ —	\$234,940	\$30,326	\$(204,614)
Contributions and donations	—	8,000	1,022	(6,978)
Contingencies	—	194,090	—	(194,090)
Total revenues	—	437,030	31,348	(405,682)
<i>Expenditures</i>				
Engineering	—	234,940	30,326	204,614
Culture and recreation	—	8,000	1,022	6,978
Contingencies	—	194,090	—	194,090
Total expenditures	—	437,030	31,348	405,682
Excess of revenues over expenditures	—	—	—	—
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
Fund balances - ending	\$ —	\$ —	\$ —	\$ —

<div> <div>City of Alpharetta</div> <div>Budgetary Comparison Schedule</div> <div>Capital Project Grant Fund</div> <div>For the Year Ended June 30, 2004</div> </div>				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Revenues</i>				
Intergovernmental	\$ —	\$998,522	\$199,015	\$(799,507)
Contingencies	—	6,941,899	—	(6,941,899)
Total revenues	—	7,940,421	199,015	(6,742,884)
<i>Expenditures</i>				
Public safety	—	498,522	206,833	291,689
Culture and recreation	—	500,000	—	500,000
Contingencies	—	6,941,899	—	6,941,899
Total expenditures	—	7,940,421	206,833	7,733,588
Deficiency of revenues under expenditures	—	—	(7,818)	7,818
Fund balances (deficit) - beginning	—	—	—	—
Fund balances (deficit) - ending	\$ —	\$ —	\$(7,818)	\$(7,818)

Capital Assets Used in the
Operation of Governmental Funds

City of Alpharetta

Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source

June 30, 2004

	2004	2003
Governmental funds capital assets:		
Land	\$22,777,095	\$20,356,799
Buildings	27,503,032	27,282,787
Improvements other than buildings	6,165,923	5,115,086
Machinery and equipment	13,470,935	12,559,573
Infrastructure	3,004,606	455,187
Construction in progress	967,017	4,274,996
Total governmental funds capital assets	\$73,888,608	\$70,044,428
Investments in governmental funds capital assets by source:		
General fund	\$14,964,852	\$14,927,587
Special revenue fund	1,352,591	1,321,395
Capital projects funds	57,571,165	53,795,446
Total governmental funds capital assets	\$73,888,608	\$70,044,428

City of Alpharetta

Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity

June 30, 2004

	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
<i>Function and Activity</i>							
General government	\$3,438,630	\$3,512,385	\$290,438	\$1,198,008	\$24,112	\$29,660	\$8,493,233
Public safety							
Police	932,383	4,993,222	29,785	4,735,095	—	11,298	10,701,783
Fire	612,938	5,194,437	—	4,044,920	—	—	9,852,295
Total public safety	1,545,321	10,187,659	29,785	8,780,015	—	11,298	20,554,078
Public works	4,676,147	1,327,238	1,270,333	2,258,228	2,912,134	894,782	13,338,862
Culture and recreation	12,373,762	12,475,570	4,535,936	1,167,735	68,360	—	30,621,363
Community development	743,235	180	39,431	66,949	—	31,277	881,072
Total governmental funds							
Capital assets	\$22,777,095	\$27,503,032	\$6,165,923	\$13,470,935	\$3,004,606	\$967,017	\$73,888,608

City of Alpharetta

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity

For the Fiscal Year Ended June 30, 2004

	Governmental Funds Capital Assets July 1, 2003	Additions	Deductions	Governmental Funds Capital Assets June 30, 2004
<i>Function and Activity</i>				
General government	\$8,007,055	\$11,496,845	\$(11,315,891)	\$8,188,009
Public safety:				
Police	10,196,925	616,868	(112,012)	10,701,781
Fire	9,933,154	271,234	(352,093)	9,852,295
Total public safety	20,130,079	888,102	(464,105)	20,554,076
Public works	10,463,568	6,894,468	(4,019,174)	13,338,862
Culture and recreation	30,395,266	430,227	(204,130)	30,621,363
Community development	1,048,460	149,508	(11,670)	1,186,298
Total governmental funds:				
Capital assets	\$70,044,428	\$19,859,150	\$(16,014,970)	\$73,888,608

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79	Government-wide Revenues
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City of Alpharetta

Government-wide Expenses by Function

Current and Previous Fiscal Year

Fiscal Year	General Government	Public Safety	Public Works	Community Development	Culture and Recreation	Interest on Long-term Debt	Water	Solid Waste	Total
2004	\$5,736,222	\$14,391,972	\$7,375,964	\$4,111,451	\$5,958,248	\$2,391,175	\$3,495,165	\$1,823,049	\$45,283,246
2003	7,089,104	14,149,504	1,676,631	4,064,468	7,164,113	2,944,647	3,713,758	1,742,504	42,544,729

City of Alpharetta

Government-wide Revenues

Current and Previous Fiscal Year

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Gain on Sale of Capital Assets	Miscellaneous	
2004	\$13,165,015	\$68,360	\$514,766	\$36,904,489	\$214,835	\$14,095	\$511,347	\$51,392,907
2003	13,065,875	65,818	77,594	34,440,073	686,621	35,303	882,901	49,254,185

City of Alpharetta

General Governmental Expenditures by Function

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Economic and Community Development	Culture and Recreation	Capital Outlay	Debt Service	Total
1995	\$2,063,666	\$3,578,408	\$2,159,273	\$ —	\$777,441	\$11,846,965	\$2,389,844	\$22,815,597
1996	3,635,028	3,919,339	2,633,179	—	1,396,786	12,994,484	4,064,515	28,643,331
1997	4,043,454	4,660,338	2,909,342	—	1,828,203	13,956,389	4,203,158	31,600,884
1998	4,439,433	5,637,308	3,418,931	—	2,417,753	21,402,865	4,849,130	42,165,420
1999	6,294,353	6,475,452	4,341,789	—	2,957,415	10,529,284	5,929,787	36,528,080
2000	7,321,122	7,468,974	4,407,066	—	3,606,710	11,301,944	5,630,379	39,736,195
2001	7,520,584	10,088,217	3,730,234	1,406,785	4,375,821	11,043,110	6,063,095	44,227,846
2002	7,683,489	11,753,268	3,858,352	1,511,275	4,591,862	10,880,338	5,768,217	46,046,801
2003	7,468,563	12,375,049	3,150,609	3,807,186	4,976,514	4,004,921	6,402,679	42,185,521
2004	8,242,792	13,349,993	3,001,165	2,659,983	5,452,189	7,030,850	6,179,871	45,916,843

<div>City of Alpharetta</div> <div>General Governmental Revenues by Source</div> <div>Last Ten Fiscal Years</div>							
Fiscal Year	Taxes	License & Permits	Inter-Governmental Revenues	Charges for Services	Fines & Forfeitures	Other Revenues	Total
1995	\$10,496,376	\$1,784,086	\$3,479,200	\$2,739,723	\$276,492	\$1,110,036	\$19,885,913
1996	12,186,001	2,863,751	1,625,981	2,978,090	386,395	2,281,067	22,321,285
1997	14,096,743	3,517,099	1,536,074	4,259,704	549,031	3,728,079	27,686,730
1998	16,291,593	3,754,742	2,785,768	2,790,772	453,961	7,487,053	33,563,889
1999	19,658,847	2,647,561	3,270,186	3,460,718	522,299	5,005,259	34,564,870
2000	26,714,654	2,587,950	418,308	4,078,572	462,580	5,611,336	39,873,400
2001	29,887,874	2,198,676	958,311	3,422,067	468,886	4,253,193	41,189,007
2002	30,319,250	1,433,757	1,177,823	3,362,948	936,527	1,792,369	39,022,674
2003	34,592,617	1,096,780	470,698	3,292,827	2,084,267	2,289,338	43,826,527
2004	36,695,964	1,321,281	941,785	3,311,125	2,358,334	1,349,168	45,977,657

<div>City of Alpharetta</div> <div>General Governmental Tax Revenues By Source</div> <div>Current and Previous Fiscal Year</div>							
Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax	Motor Vehicle Tax	Alcoholic Beverage Tax	Other Taxes	Total
2004	\$17,230,919	\$7,353,813	\$3,209,350	\$1,273,631	\$1,071,032	\$6,557,219	\$36,695,964
2003	17,594,524	5,638,618	3,072,835	1,208,121	1,018,646	6,059,873	34,592,617
Other Taxes include: Intangible, Real Estate Transfer, Hotel/Motel, Business & Occupation, Insurance Premium, and Financial Institution tax.							

<div>City of Alpharetta</div> <div>Property Tax Levies and Collections</div> <div>Last Ten Fiscal Years</div>								
Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collection	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1995	\$5,873,310	\$5,887,314	100.24%	\$(14,370)	\$5,872,944	99.99	\$315,740	5.38
1996	7,406,512	6,602,693	89.15	165,344	6,768,037	91.38	270,078	3.65
1997	8,328,413	7,651,942	91.88	304,599	7,956,541	95.53	231,402	2.78
1998	10,006,902	8,852,299	88.46	231,402	9,083,701	90.77	—	0.00
1999	13,340,657	10,623,686	79.63	(25,423)	10,598,263	79.44	470,810	3.53
2000	15,331,556	16,238,289	105.91	30,006	16,538,295	107.87	1,380,459	9.00
2001	16,352,307	15,317,961	93.67	1,339,953	16,657,914	101.87	980,964	6.00
2002	16,543,479	15,834,548	95.71	265,891	16,100,439	97.32	386,284	2.33
2003	17,650,605	17,276,259	97.88	318,265	17,594,524	99.68	442,365	2.51
2004	17,141,270	17,079,754	99.64	151,164	17,230,918	100.52	352,717	2.06

<div>City of Alpharetta</div> <div>Assessed and Estimated Actual Value of Property</div> <div>Last Ten Fiscal Years</div>									
Fiscal Year	Tax Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Real Property	Assessed Value	Estimated Actual Value	Ratio of Total Assessed Value to Total Estimated Actual Value
1995	1994	\$594,243,112	\$1,485,607,780	\$234,743,022	\$586,857,555	\$83,642,153	\$828,986,134	\$2,072,465,335	40.00
1996	1995	715,305,065	1,788,262,663	248,625,258	621,563,145	24,017,612	963,930,323	2,409,825,808	40.00
1997	1996	798,336,575	1,995,841,438	272,248,595	680,621,488	28,145,458	1,070,585,170	2,676,462,925	40.00
1998	1997	972,108,546	2,430,271,365	321,107,104	802,767,760	23,304,172	1,293,215,650	3,233,039,125	40.00
1999	1998	1,353,424,667	3,383,561,668	360,259,496	900,648,740	20,707,418	1,713,684,163	4,284,210,408	40.00
2000	1999	1,534,732,027	3,836,830,068	427,756,439	1,069,391,098	25,696,729	1,962,488,466	4,906,221,165	40.00
2001	2000	1,717,069,246	4,292,673,115	507,269,691	1,268,174,228	30,881,921	2,224,338,937	5,560,847,343	40.00
2002	2001	1,957,995,685	4,894,989,213	546,421,712	1,366,054,280	166,905,551	2,504,417,397	6,261,043,493	40.00
2003	2002	2,178,405,312	5,446,013,280	576,344,930	1,440,862,325	27,508,046	2,754,750,242	6,886,875,605	40.00
2004	2003	2,374,459,442	5,936,148,605	546,808,483	1,367,021,208	26,659,439	2,921,267,925	7,303,169,813	40.00

<div>City of Alpharetta</div> <div>Property Tax Rates — Direct and Overlapping Governments</div> <div>Last Ten Fiscal Years</div>								
Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	County Operating and Debt	Special Service District	Schools Operating and Debt	State Operating and Debt	Total
1995	7.88	—	7.88	14.01	4.76	21.26	0.25	48.16
1996	4.24	3.64	7.88	14.01	4.76	21.26	0.25	48.16
1997	3.83	4.05	7.88	14.01	4.76	21.26	0.25	48.16
1998	4.51	3.37	7.88	14.01	4.76	21.26	0.25	48.16
1999	5.56	2.32	7.88	14.01	4.76	21.26	0.25	48.16
2000	5.17	2.71	7.88	13.69	4.76	15.76	0.25	42.34
2001	4.93	2.95	7.88	14.00	4.76	20.15	0.25	47.04
2002	5.06	2.42	7.48	13.34	4.70	19.02	0.25	44.79
2003	4.90	2.33	7.23	12.81	4.47	18.77	0.25	43.53
2004	4.75	2.25	7.00	12.32	4.31	18.06	0.25	41.94

City of Alpharetta
Principal Taxpayers

June 30, 2004

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
GGP North Point Inc.	Real Estate Investment Trust	\$30,456,480	1.04 %
Gardner Drive LLC	Developer	18,943,520	0.65
HBO & Company of Georgia	Cable	18,137,590	0.62
Imperatum Georgia LLC	Developer	17,568,520	0.60
Duke Realty LTD Partnership	Real Estate	14,606,710	0.50
Allianz Life Ins. Co. of N. America	Insurance	14,265,680	0.49
Digital Equipment Corp.	Manufacturer	11,310,720	0.39
C P Venture Two, LLC	Developer	11,166,600	0.38
State Farm Mutual Auto Inc.	Insurance	10,013,800	0.34
Drever Governors LLC		9,937,040	0.34
Totals		\$156,406,660	5.45

Total Assessed Value for All Taxpayers \$2,921,267,925

City of Alpharetta
Computation of Legal Debt Margin

June 30, 2004

Assessed valuations:		
Assessed value		\$2,921,267,925
Total assessed value		\$2,921,267,925
Legal debt margin:		
Debt limitation - 10 percent of total assessed value		\$292,126,793
Debt applicable to limitation:		
Total bonded debt	46,637,325	
Less: Amount available for repayment of general obligation bonds	<u>2,923,951</u>	
Total debt applicable to limitation		43,713,374
Legal debt margin		\$248,413,419

City of Alpharetta
Ratio of Net General Obligation Bonded DebtTo Assessed Value and
Net General Obligation Bonded Debt per Capita
Last Ten Years

Fiscal Year	Population Estimates	Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	20,915	\$586,826,325	\$38,215,000	\$62,326	\$38,152,674	0.07	\$1,824.18
1996	22,504	1,058,719,267	36,845,000	68,361	36,776,639	0.03	1,634.23
1997	23,246	1,276,077,960	35,405,000	311,843	35,093,157	0.03	1,509.64
1998	24,536	1,689,980,294	58,785,000	380,753	58,404,247	0.03	2,380.35
1999	30,000	1,877,138,494	57,190,000	(305,900)	57,495,900	0.03	1,916.53
2000	30,000	2,075,165,895	57,249,000	758,598	56,490,402	0.03	1,883.01
2001	35,112	2,337,989,324	57,036,249	498,095	56,538,154	0.02	1,610.22
2002	36,079	2,504,417,397	54,066,466	2,260,946	51,805,520	0.02	1,435.89
2003	37,090	2,853,079,015	50,438,275	2,697,722	47,740,553	0.02	1,287.15
2004	37,124	2,921,267,925	46,637,325	2,923,951	43,713,374	0.01	1,177.50

Population estimates provided by the Department of Community Development, City of Alpharetta

City of Alpharetta
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
To Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Population Estimates	Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	20,915	\$586,826,325	\$38,215,000	\$62,326	\$38,152,674	0.07	\$1,824.18
1996	22,504	1,058,719,267	36,845,000	68,361	36,776,639	0.03	1,634.23
1997	23,246	1,276,077,960	35,405,000	311,843	35,093,157	0.03	1,509.64
1998	24,536	1,689,980,294	58,785,000	380,753	58,404,247	0.03	2,380.35
1999	30,000	1,877,138,494	57,190,000	(305,900)	57,495,900	0.03	1,916.53
2000	30,000	2,075,165,895	57,249,000	758,598	56,490,402	0.03	1,883.01
2001	35,112	2,337,989,324	57,036,249	498,095	56,538,154	0.02	1,610.22
2002	36,079	2,504,417,397	54,066,466	2,260,946	51,805,520	0.02	1,435.89
2003	37,090	2,853,079,015	50,438,275	2,697,722	47,740,553	0.02	1,287.15
2004	37,124	2,921,267,925	46,637,325	2,923,951	43,713,374	0.01	1,177.50

<div> <div>City of Alpharetta</div> <div>Computation of Direct and Overlapping Bonded Debt</div> <div>General Obligation Bonds</div> <div>June 30, 2004</div> </div>			
Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Fulton County	\$41,468,909	11.17 %	\$4,632,558
Fulton County School District	225,795,000	12.64	28,535,883
City of Alpharetta	45,135,000	100.00	45,135,000
Total			\$78,303,440

<div> <div>City of Alpharetta</div> <div>Revenue Bond Coverage</div> <div>Water Revenue Bonds</div> <div>Last Ten Years</div> </div>							
Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
1995	\$1,664,562	\$1,296,648	\$367,914	\$96,692	\$171,265	\$267,957	73 %
1996	2,046,246	1,584,277	461,969	102,945	165,012	267,957	58
1997	2,634,740	2,178,040	456,700	109,603	158,354	267,957	59
1998	3,450,155	2,603,879	846,276	664,023	675,764	1,339,787	158
1999	3,696,048	3,143,420	552,628	664,023	675,764	1,339,787	242
2000	3,739,984	3,182,742	557,242	150,000	107,881	257,881	46
2001	4,184,851	3,803,682	381,169	160,000	101,118	261,118	69
2002	3,961,816	3,817,215	144,601	165,000	94,022	259,022	179
2003	3,548,462	3,416,913	131,549	170,000	85,337	255,337	194
2004	3,816,649	3,205,219	611,430	180,000	77,402	257,402	42

<div> <div>City of Alpharetta</div> <div>Demographic Statistics</div> <div>Last Ten Years</div> </div>						
Fiscal Year	Population	Per Capita Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
1995	20,915	27,482	32	16	9,245	3.7%
1996	20,915	29,136	32	16	10,405	3.4
1997	23,246	30,889	33	16	13,427	3.1
1998	24,536	32,748	33	16	15,043	2.8
1999	30,000	34,719	34.5	16	16,796	2.6
2000	30,000	39,432	34	16	17,067	2.5
2001	35,406	40,543	33.3	16	18,723	2.9
2002	36,079	40,069	35	16	19,592	4.4
2003	37,090	39,432	33	16	19,154	2.4
2004	37,124	39,432	33.3	16	19,536	2.1

<div> <div>City of Alpharetta</div> <div>Property Value, Construction and Bank Deposits</div> <div>Last Ten Fiscal Years</div> </div>						
Fiscal Year	Property Value			Commercial & Residential Construction		Bank Deposits
	Commercial	Residential	Total	Number of Permits	Value	
1995	\$488,291,128	\$340,695,006.00	\$828,986,134	835	\$172,713,513	\$496,845
1996	573,637,815	390,292,508	963,930,323	981	281,265,077	28,755,463
1997	602,585,800	467,999,370	1,070,585,170	1,210	324,785,863	26,186,350
1998	764,937,171	528,278,479	1,293,215,650	1,449	387,728,080	42,139,143
1999	1,090,170,741	623,513,422	1,713,684,163	1,351	379,236,535	38,553,400
2000	1,283,592,157	578,896,309	1,862,488,466	1,230	390,391,126	42,386,630
2001	1,491,139,667	733,199,270	2,224,338,937	1,184	395,062,028	4,454,441
2002	1,681,297,296	823,120,101	2,504,417,397	654	194,086,854	19,844,796
2003	1,805,118,122	949,632,120	2,754,750,242	853	136,995,004	1,988,504
2004	1,884,560,775	1,036,707,150	2,921,267,925	665	118,111,213	7,352,637

City of Alpharetta
Miscellaneous Statistics
June 30, 2004

Date of Incorporation	1858
Date First Charter Adopted	1858
Date Present Charter Adopted	July 1, 1981
Number of employees (excluding police and fire).	170
Non-exempt	92
Exempt	78
Area in square miles	23
Bond Rating:	
Moody’s Investor Service	Aa1
Standard & Poor’s	AA+
Government facilities and services:	
Mile of streets - Paved	280
Mile of streets - Unpaved.	2
Number of street lights	4,189
Culture and Recreation:	
Athletic Fields	29
Community centers	4
Hockey Rinks	2
Parks	7
Park acreage.	769 (including passive)
Recreation Buildings	11
Swimming pools.	2
Tennis courts	17
Fire Protection:	
Number of stations	5
Number of fire personnel and officers	86
Insurance Services Office (ISO) Fire Classification	3
Number of calls answered	4,909
Number of inspections conducted	5,405
Police Protection:	
Number of stations	1
Number of police personnel and officers	96
Number of patrol units	89
Number of Police Motorcycles.	4
Number of law violations:	25,510
Physical arrests.	1,812
Traffic violations	23,698

City of Alpharetta
Miscellaneous Statistics
June 30, 2004

Sewerage System:	
Miles of sanitary sewers.	147.95
Miles of storm sewers	40 piped & 140 open drainage
Number of treatment plants	Service provided by Fulton County
Number of service connections	395
Daily average treatment in gallons.	Service provided by Fulton County
Water System:	
Miles of water mains	95
Number of Fire Hydrants	563
Number of service connections	3,467
Daily average consumption in gallons	1,722,222 gallons
Maximum daily capacity of plant in gallons	Water Purchased from Fulton County
Municipal Sanitation Service:	
Number of consumers	9,798
Education:	
Elementary	3
Middle School	2
High School.	1
College	2
Elections:	
Number of Registered Voters.	17,642
Number of Votes Cast in last Municipal Election	3,785
Percentage of Registered Voters ParticipationVoting in Last Municipal Election	21.5%

City of Alpharetta
Hotel/Motel Collections and Expenditures
June 30, 2004

Collection Rate	Hotel/Motel Tax Collected	Hotel/Motel Tax Expended	Hotel/Motel Tax Obligated	Hotel/Motel Tax Expended or Obligated	Expended or Obligated as a Percentage of Collected
6%	\$2,562,480	\$2,562,480	—	\$2,562,480	100%

*This page is included as the City’s compliance with the state reporting laws on Hotel/Motel Occupancy tax.
Collection period from July 1, 2003 to June 30, 2004.*





Department of Finance
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