

Alpharetta

G E O R G I A • U S A

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



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INTRODUCTORY SECTION



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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Mauldin & Jenkins, Certified Public Accounts, LLC, have issued an unqualified (“clean”) opinion on the City of Alpharetta’s financial statements for the year ended June 30, 2005. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

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 today Alpharetta remains one of eleven local governments within Fulton County. The City currently occupies a land area of 22 square miles and serves a population of 38,274. The City of Alpharetta is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empow-

ered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City operates under a strong mayor form of government, whereby the mayor possesses all of the executive and administrative powers granted to the government under the constitution and laws of the State of Georgia and the City of Alpharetta charter. Policy making and legislative authority are vested in the governing council, consisting of the mayor and six council members, all elected on a non-partisan basis. 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 Mayor and City Council appoint a City Administrator to carry out the day to day operations of the government.



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 and cultural activities. Sanitation 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 stability and health of the government. The Mayor and Council are required to adopt a final budget no later than the close of the fiscal year. The budget is prepared by fund, function, and department, with performance measures. Department heads may transfer resources within a department (within a fund) as they see fit. Transfers between departments or funds, however, need special approval from the governing council.

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, ADP, Hewlett Packard, Radiant Systems, Cingular, AT & T, Lucent, GE Consumer Finance and ChoicePoint, 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.

During the fiscal year, more than 1,000 building permits were issued for new construction starts valued at \$207,890,813. Nearly 600 new businesses

opened their doors during the same period, creating an estimated 2,467 new jobs within the City.

The commercial real estate market has seen considerable activity over the past year. With average lease rates on the rise, the Alpharetta/North Fulton office submarket has led the Metro Atlanta market with five consecutive quarters of positive absorption, generating a nine point drop in vacancy rates. The retail market continues to be strong with vacancy rates running at 6% and average lease rates standing at just over \$40 per square foot.

City government, together with the Alpharetta Convention and Visitors Bureau, continues to attract and host a considerable number of regional special events, such as the finishing leg of the Tour de Georgia, a world-class cycling event featuring competitors such as Lance Armstrong. The City also sponsors large-scale community events like the Taste of Alpharetta which continues to be a favorite of the locals and is enjoyed by nearly 50,000 people annually.

Alpharetta continues to be the location of choice for the area's affluent population. Median home values have risen to approximately \$259,000, which is 80% above the national average. Nearly 30% of Alpharetta residents currently enjoy ownership of housing valued in excess of \$300,000. Earnings among the 35-44 year old age group averages \$93,575 which is significantly above the national average as well as the Atlanta regions.

Long-term Financial Planning

As detailed within the following financial statements, the City maintains a minimum General Fund balance reserve equal to 18% of operating expenditures, plus \$500,000 as a reserve for workers' compensation. An increase to fund balance in the General Fund during fiscal year 2005 of \$1,751,671 marks the seventh consecutive year a positive change in fund balance has occurred for this fund. Although not by chance, these increases have come 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 peri-

ods for pay-as-you-go capital projects and one-time non-recurring expenditures. For fiscal year 2006, \$5,382,946 in available fund balance was budgeted for these purposes. Fund balance in all other operating funds met or exceeded the 18% policy reserve.

As part of the financial strategic plan, the government has committed to a consistent millage rate for property taxes, from which services can be provided. With an average growth in the taxable digest of 4.56 percent over the last five years, the additional revenue has been used to advance fund future debt service payments associated with non-level repayment schedules. Additionally, the City is evaluating the incorporation of increased contingency budgeting, by fund, to assist in the mitigation of unforeseen or non-planned events which would require financial resources from the government.

During fiscal year 2005, the City Council approved a bond ordinance calling for a November 2004 referendum. Subsequent to voter approval, the City established the “Bond IV” fund (detailed within this document) and plans to issue up to \$25,730,000 in general obligation bonds during fiscal year 2006. The ballot consisted 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).

The City is expected to continue towards the development as an economic hub and preferred location for business investment. Through planned growth and suitable expansion consistent with existing zoning, the governing body approved several distinctive developments during fiscal year 2005. One of the more considerable improvements to our community will be developed by Thomas Enterprises, Inc. This developer will create a 64-acre mixed use development on the northwest corner of Georgia 400 and Old Milton Parkway to be named Prospect Park. The development will offer 750,000 square feet of retail space, including approximately 141 storefronts of retail, restaurants, and a theater. The development will also feature a full service hotel, 40 commercial office condominiums, and 464 residential units.

Further, the reality of bringing art and culture to North Fulton citizens is eminent. The development

and completion of Encore Park for the Arts and its 12,000 seat open-air amphitheater will serve as a catalyst for quality outdoor performing arts and concerts for our citizens and the North Fulton Community. Construction on this facility began in fiscal year 2005 and is anticipated to continue through 2006.

Relevant Financial Policies

Throughout the year, the Finance Department administered the governing council approved Financial Management Program, which outlines policy within which the government’s finances are maintained. These policies address fund balances, the use of one-time revenues, issuance of debt, purchasing and procurement, cash and investment management, and accounting practices. In totality, these policies formulate the core criteria for which internal evaluations occur. On an annual basis the criteria establishing the Financial Management Program are reviewed in order to maintain relativity to the changing financial needs of the government.

Major Initiatives

Included within the upcoming bond issue detailed above are major transportation improvements which will facilitate the flow of traffic in several heavily congested areas. Of utmost interest is the continued networking of traffic signals into the City’s transportation control system, managed and monitored by City staff and the Georgia Department of Transportation. Additionally, the City will continue to construct Westside Parkway, a major thoroughfare named for its location – to the west of Georgia 400. When complete, this parkway will enable the movement of traffic on a divided 4-lane road from the northern part of the City, to our neighboring government to the south, the City of Roswell.

Several public safety improvements began during fiscal year 2005, and are slated for completion in fiscal year 2006, including two fire stations, fire trucks, and a police evidence facility. Fire station 5 is being re-built as a result of impairment to the previous facility from mold contamination. Fire station 6, a new facility located in a highly residential area, will serve an area previously difficult to respond to within the City’s four minute response time.

Recreational and cultural activities will also be expanded, with the development of a City-owned 5 acre site. Amenities will include a passive area playground, shelters, picnic tables, landscaping and walking trails. The site will also feature the development of open space as athletic fields. The City acquired an additional 20 acres of land adjacent to an existing park, which will provide for the expansion of that facility, including many amenities previously listed. Further, the government plans to invest nearly \$3.0 million in the next three years for land acquisition, dedicated to parks and greenspace.

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, 2004. This was the sixteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles 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.

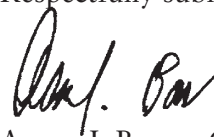
The government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, 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, 2004. 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. We believe our current popular report continues to meet the Award for Outstanding Achievement in Popular Annual Financial Reporting and have submitted it to GFOA to determine its eligibility for another certificate.

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 are 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 2005, marking the second consecutive receipt of this award.

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, governing council, and city administrator 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, CTP
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, 2004

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.



Nancy L. Ziehl

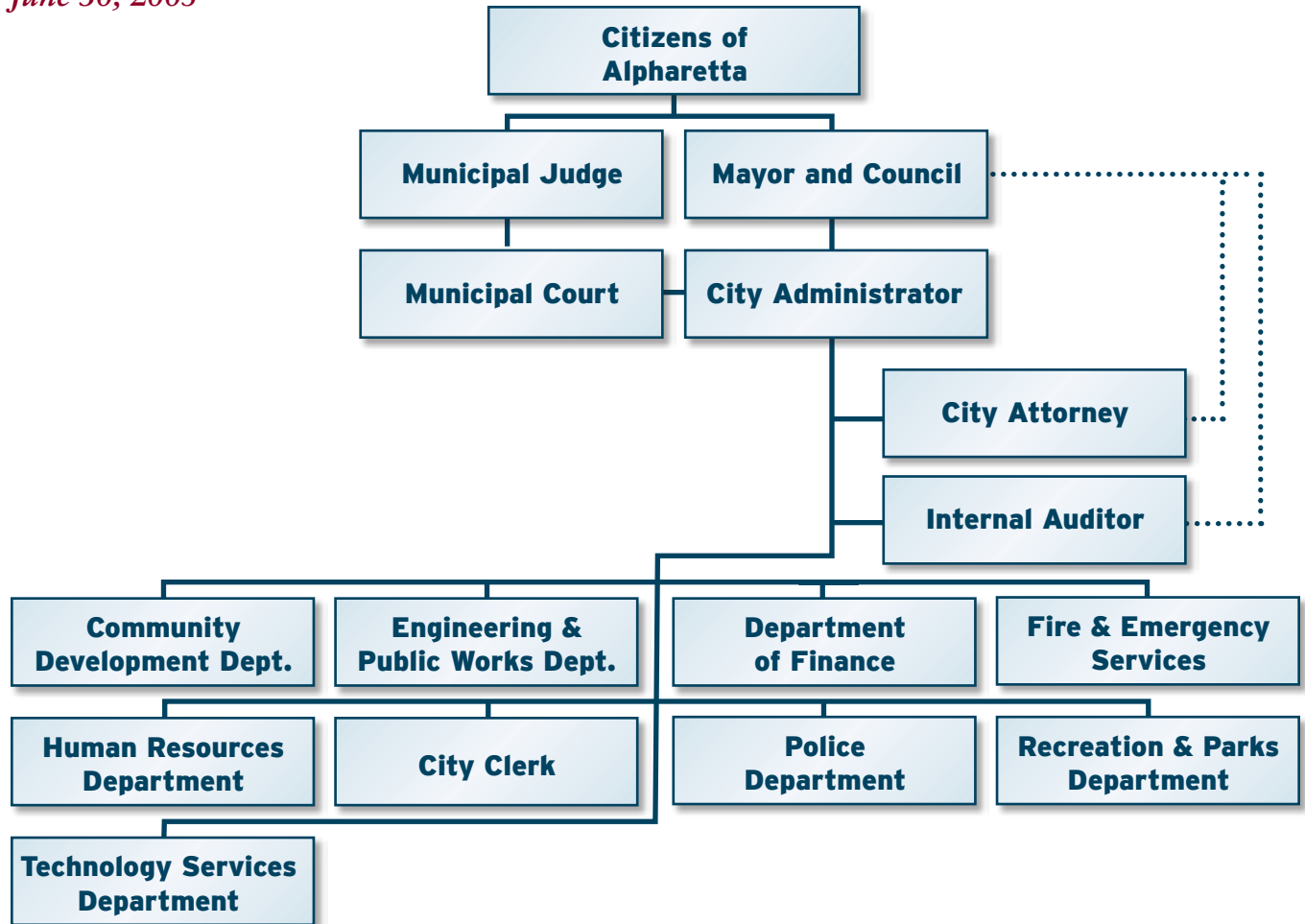
President

Jeffrey R. Enen

Executive Director

City of Alpharetta Organizational Chart

June 30, 2005



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

The 2005 Taste of Alpharetta, the largest city-sponsored event, had

50,000



Throughout fiscal year 2005, there were 60 city-sponsored events with over 72,400 attendees. In addition to the Taste of Alpharetta, city events include: Mayor's Challenge, Old Soldier's Day Parade, Annual Holiday Tree Lighting, Alpharetta Fun Festival, Heritage Festival, and Main Street Markets.

In addition to promoting the city, local businesses, and recreational opportunities, these city-sponsored events help to develop partnerships with businesses, volunteer organizations, and community groups to further improve our community.



The City of Alpharetta is focused on the future. Councilman Jim Matoney reflects on his tenure and notes that the governing body has continued to “use sound business practices and fiscal conservatism to maintain a remarkably reasonable millage rate while improving services to our citizens. Within the next two years, we

The General Government function involves the activities which support our local government, including Administration, Special Events, Grant Administration, City Clerk, Engineering, Finance, Human Resources, Municipal Court, and Technology Services.

attendees, **220** vendors,
and **16** sponsors.



Did You Know?

In 1990, the first Taste of Alpharetta was held in the City Park at Main Street and Milton Avenue around the fountain. From its initial beginnings of approximately 350 attendees and city employees barbecuing for the guests, it has grown to a huge annual event, including cooking demonstrations, two entertainment stages, a mini-parade, and a Kids Korner. Please join us for the 16th Annual Taste of Alpharetta on May 18th, 2006.

expect to complete Westside Parkway, an amphitheatre, a Greenway extension, intersection improvements, more sidewalks, public safety improvements, and the start of a new City Hall complex. Our brightest days are ahead of us."

\$2.67 million



Of the grant applications submitted by the City of Alpharetta, 40% were successful, resulting in \$2,670,022 in additional funding to benefit the citizens and city services. Grant funds, for projects ranging from traffic congestion to land and water conservation, were received for engineering, fire/emergency services, police services, and recreation/parks services. The City of Alpharetta is dedicated to continue seeking additional grant funds to further enhance city services and improve our community.



"The City of Alpharetta actively pursues grant funding in order to stretch our citizens' tax dollars. Grant funds are used to improve intersections to enhance our transportation network, provide bulletproof vests to our police officers, and build new

The General Government function involves the activities which support our local government, including Administration, Special Events, Grant Administration, City Clerk, Engineering, Finance, Human Resources, Municipal Court, and Technology Services.

received through grant funding for city services.



Did You Know?

Thanks to the Department of Natural Resources' Land and Water Conservation Grant Fund, Alpharetta's newest park, Cogburn Road Park, will be constructed in 2005 - 2006.

The park's amenities will include a walking trail and an open playing field. With designs currently in progress, we are looking forward to the completion of the park and providing another great recreational opportunity for the citizens of Alpharetta.

parks for additional recreational opportunities. Each year, we hope to increase the city's grant funding to further Alpharetta's vision, programs, services, and the quality of life in our city without increasing the tax burden on our community," states Councilman R.J. Kurey.

Fire and Emergency Services responded to

5,119 incidents,



Of the 5,119 fire and emergency incidents during fiscal year 2005, there were 2,801 medical emergencies and 37 residential fires. While conducting 299 Fire Safety Programs, Fire and Emergency Services provided 6,662 new and existing building inspections, 39 new reservists were added, and 243 car safety seat checks were completed.



In addition to the life and property saving work of our Public Safety employees, the City of Alpharetta offers a variety of Public Safety programs to the public. From the Officer Friendly Program to Pre-school/Kindergarten Fire Safety Programs, these programs further enhance our public safety and demonstrate our commitment to a safe community. Councilman Doug DeRito is proud to say that "Our Public Safety Departments exhibit

The Public Safety function focuses on the protection of the public's welfare, health, and safety by our Police Services and Fire/Emergency Services departments. Their goals include: to protect the public, to maximize the saving of lives, to minimize the loss of property, and avoid loss whenever possible through prevention and education.

averaging a **4.08** minute response time
and saving **87%** of properties involved.



Did You Know?

Red is the most common color for fire engines. Due to the improved visibility and higher reflectivity at night, the City of Alpharetta has chosen safety over tradition in the selection of white fire department engines and other departmental equipment.

professionalism in every task performed while proactively suppressing crime and responding to every emergency call. These departments are filled with dedicated employees who risk their lives to make our lives better." For more information, please contact Police Services at 678-297-6300 or the Fire and Emergency Services at 678-297-6270.

Police Services responded to

2,804 accidents



Through the development and maintenance of strong partnerships with the community, Police Services is committed to providing a safe city for our families. Throughout fiscal year 2005, there were 45,731 calls to Police Services and 30,000 emergency/86,000 non-emergency calls to our E911 Center. Police Services responded to 2,804 accidents, including 673 accidents with injuries, and issued 15,772 citations. As a result of 12,499 court cases in 196 sessions, \$1,843,348 in fines and forfeitures were collected in fiscal year 2005. These funds were used to support a variety of public safety services, including the drug abuse treatment and education program and the victim assistance programs.



With the dedication and support of our Public Safety officers, we are committed to maintaining the safety of the City of Alpharetta. In addition to the Police Athletic League (PAL) Program, Police Services offers the Citizens Police Academy to educate the public on the missions, goals and operations of our law enforcement department and the Police Explorers

The Public Safety function focuses on the protection of the public's welfare, health, and safety by our Police Services and Fire/Emergency Services departments. Their goals include: to protect the public, to maximize the saving of lives, to minimize the loss of property and avoid loss whenever possible through prevention and education.

and received **30,000** emergency calls during the fiscal year.

Did You Know?

The Alpharetta Police Athletic Activities League (PAL) program brings *Cops, Kids, Corporations, and Communities* together in activities – primarily sports, but others as well – where mutual trust and respect can be built. Through sports, kids learn how to be part of a team, how to fit in, develop specific skills, and compete with each others within a positive, supporting and friendly environment. For more information, please contact Officer Joey Meadows at jmeadows@alpharetta.ga.us, 678-297-6212, or visit the PAL website at www.alphapal.org.



Program to encourage and assist individuals in the pursuit of a law enforcement career. "All of the Police Services programs further enhance the public safety and well-being our community. Thanks to all of the public safety officers who go beyond the call of duty to improve our city and to improve the lives of the our children," said Arthur Letchas, Mayor.

The Recreation and Parks department provided recreational and athletic services to

42,674



During fiscal year 2005, while maintaining 506 acres of park and greenway land, the Recreation and Parks department had 42,674 participants in a variety of recreational activities, ranging from art classes to yoga instruction.

Our Senior Center had 29,390 participants; the City Pool provided 657 swimming lessons; and the Athletic Division had 5,040 participants in programs from Adult Basketball to Youth Travel Soccer. In addition, there were 558 participants in dance programs and 2,190 participants in gymnastic programs. The Wills Park Equestrian Center hosted events for 127 days, including equestrian events, dog shows, concerts, and rodeos.



"With the growing interest in health and fitness, we have an ever increasing demand for recreational services, both active and passive." According to Councilman Paine, "The Alpharetta Recreation and Parks Department is no stranger to fun and is

The Culture and Recreation function provides the highest quality recreational opportunities through the development of active and passive programs and facilities to promote the physical, social, and mental wellness of our community.

participants in **56** programs.



Did You Know?

The North Metro Miracle League (NMML), with the support of the City of Alpharetta and other sponsors, provides adapted sports programs for children and adults with disabilities. Through adapted sports and inclusive social programs, the NMML brings people with and without disabilities together. In addition to improved self-esteem and a sense of belonging for the participants, the community becomes aware of the special needs and gifts of people with disabilities. For more information, please visit the NMML website at www.nmml.net.

second to none when it comes to recreational facilities and programs for our citizens. The City continues to be a leader in meeting the recreational needs of the community."

54 capital construction contracts were successfully managed and



By the successful management of 54 capital construction contracts, Public Works' expenditures for traffic, stormwater, sidewalk, infrastructure, community development and facilities totaled \$2,384,854 in fiscal year 2005. All capital projects were completed within ten percent of the original budget contract. Additionally, Public Work projects for pothole repairs, right of way maintenance, sign replacements, signal light maintenance, and catch basins were completed within an average of 2 days. While maintaining the existing city infrastructure, the Public Works department coordinated and managed 20 clean-up, beautification and conservation programs throughout the year, including the RiversAlive program, Bulk Trash Day, Bring One For the Chipper (Christmas tree recycling program), and Arbor Day.



With the support and dedication of our Public Works/Engineering staff, we are able to maintain the city's existing infrastructure and build a strong foundation for our future. "We are continuing to work closely with our local and Congressional delegations to secure the additional funding that will prove beneficial in enhancing our transportation network

The Public Works function provides for the protection, preservation, and improvement of the city's infrastructure, including roadways, bridges, sidewalks, traffic signals, and stormwater systems.

20 conservation events coordinated throughout fiscal year 2005.



Did You Know?

For the 15th year, Alpharetta has been named Tree City USA by the National Arbor Day Foundation to honor our commitment to our community forest. “The trees in Alpharetta help clean the air, conserve the soil and water, and reduce heating and cooling cost by moderating temperatures. Tree City USA honors the countless men, women, and children in Alpharetta who are working hard to ensure a greener, healthier, tomorrow for all,” said John Rosenow, President of the National Arbor Day Foundation.

and facilitating the flow of traffic through our City” remarks Councilman D.C. Aiken. Future plans include: continued construction of Westside Parkway, expansion of the Traffic Control Center and Interconnect System, intersection improvements, sidewalk construction, and a variety of other capital projects for our city.

Over **21,000** inspections were conducted,
1,000 construction permits were issued, and



Throughout fiscal year 2005, 21,150 building and code enforcement inspections were completed to protect the public health, safety, and welfare of our community, resulting in 2,139 safety warnings and violations. Beyond inspections, 1,082 construction permits were issued during fiscal year 2005 for projects valued over \$207 million. Additionally, 600 new businesses opened within the city during fiscal year 2005, bringing the total number of businesses to 3,595. In addition to managing the quality of growth and safety of our city, Community Development preserved the historic Crabapple Silos, transforming the site into a new public park.

The goals of the City of Alpharetta include preserving our heritage, enhancing the quality growth of our community, and providing a strong, stable economy for our future. "We go to great lengths to strike the right balance of attracting new de-

The Community Development function focuses on protecting the public and promoting a positive, healthy community by ensuring quality growth and development, attractive neighborhoods and a prosperous economy.

600

new businesses opened in the city within the fiscal year.



Did You Know?

The City's Community Development Department is ready to help you gain the Alpharetta Advantage. Our professional economic development staff has the materials and expertise to guide you through the business startup, relocation, or licensing processes. Simply call 678-297-6075 to get started or visit the City of Alpharetta web site at www.alpharetta.ga.us and select Business Assistance/Economic Development.

velopment while preserving the unique character of Alpharetta," says Councilwoman Debbie Gibson. "Thanks to the dedication and commitment of our Community Development team, we are able to accomplish these goals."

2006 City of Alpharetta Calendar of Events

February	3	Father/Daughter Dance	Alpharetta Community Center & Event Lawn	678-297-6150
March	3-5	Baseball Tournament	Webb Bridge Park	678-297-6100
	25	Alpharetta Children's Festival	Alpharetta Community Center & Event Lawn	678-297-6150
April	8	Children's Egg Hunt	North Park	678-297-6100
	15-16	Alpharetta Main Street Market	City Park at Milton Ave & Main Street	678-297-6078
	22	Touch A Truck	North Park	678-297-6100
	TBA	Dodge Tour de Georgia		678-297-6078
May	6	Mother/Daughter/Granddaughter Luncheon	Senior Activity Center	678-297-6140
	6	Spring Student/Staff Art Show	Crabapple Government Center	678-297-6160
	17	Sharks Mock Meet	City Pool	678-297-6107
	18	16th Annual Taste of Alpharetta Over 75 restaurants; cooking demonstrations; 65 arts & crafts vendors, 65 merchants and civic organizations; 2 stages of entertainment; kid's area with inflatables, a variety of fun rides and much more. www.alpharetta-ga/toa	Haynes Bridge Road	678-297-6078
	20	Dance Recital	Stone Creek Church	678-297-6100
	20-21	Alpharetta Main Street Market	City Park at Milton Ave & Main Street	678-297-6078
June	3	Pool Party	City Pool	678-297-6107
	TBA	Sharks Home Swim Meets	City Pool	678-297-6107
July	4	Annual Firework Display	Wills Park	678-297-6130
	4	Children's Activities (5 PM - 8 PM)	Alpharetta Community Center & Event Lawn	678-297-6150
	15-16	Alpharetta Main Street Market	City Park at Milton Ave & Main Street	678-297-6078
	21	Friday Night Drive-In	City Pool	678-297-6107
	29	Fishing Derby	Brookside Office Park	678-297-6100
August	4	Pool Party	City Pool	678-297-6107
	5	Old Soldier Day Race	Wills Park	678-297-6150
	5	54th Old Soldier Day Parade Parade starts immediately following the service. American Legion Post 210 will have free hot dogs, sodas, kids activities, & much more.	Main Street, starts 8:45 AM	678-297-6078
	19-20	Alpharetta Main Street Market	City Park at Milton Ave & Main Street	678-297-6078
	TBA	Atlanta Symphony Orchestra Concert	Wills Park Equestrian Center	678-297-6100
September	16 - 17	Alpharetta Main Street Market	City Park at Milton Ave & Main Street	678-297-6078
	TBA	8th Annual Alpharetta Heritage Festival Heritage demonstrations, genealogy services, horse rides, music, dancing, military history, carnival games, arts & crafts, and old time contests	Milton Ave, 10 AM - 4PM	678-297-6078
	TBA	10th Annual Mayor's Challenge Road Race 5K/10K Peachtree Qualifier and Fun Run/Walk for the whole family.	Wills Park, Starts at 7:15 AM	678-297-6078
	TBA	5th Annual Alpharetta Rotary FunFest & Car Show	Wills Park Equestrian Center, 10 AM - 4PM www.alpharettafunfest.com	678-297-6078
October	15	Dannon Alpharetta Half Marathon/10K 5K & 10K Run with Prize Purse. Walkers welcome. www.runalpharetta.com	City Hall, Starts at 7 AM	678-297-6078
	21 - 22	Alpharetta Main Street Market	City Park at Milton Ave & Main Street	678-297-6078
	24 - 26	Decorative a Pumpkin	Alpharetta Community Center & Event Lawn	678-297-6150
	21 or 28	Halloween Hayrides and Haunts	Wills Park Recreation Center	678-297-6130
	TBA	Fall Student/Staff Art Show	Crabapple Government Center	678-297-6160
December	2	29th Annual Tree Lighting Ceremony Entertainment, hot beverages, refreshments, storytelling & Santa!	City Park at Milton Ave & Main Street, 6 PM	678-297-6078
	4 - 5	Santa's Calling	Wills Park Recreation Center	678-297-6130
	13	Brunch with Santa	Alpharetta Community Center & Event Lawn	678-297-6150

FINANCIAL SECTION



Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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, 2005, which collectively comprise the City of Alpharetta, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Alpharetta, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Alpharetta, Georgia as of June 30, 2005, 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 September 29, 2005, on our consideration of the City of Alpharetta, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 31 through 40 and the actuarial and budgetary comparison information on pages 67 through 68 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 combining and individual fund financial statements and schedules, introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical tables and data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 29, 2005

**MAULDIN
& JENKINS**

Management's Discussion and Analysis



Management's Discussion and Analysis

As management of the City of Alpharetta (City), we offer readers of the City of Alpharetta's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. 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 in the beginning 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 \$61,019,172 (total net assets). Of this amount \$15,263,723 (unrestricted net assets) may be used to meet the ongoing obligations of the government.
- The City's total net assets increased by \$12,564,029. Approximately two thirds of this increase is attributable to an increase in capital assets, of which the government received \$5.2 million in contributed capital.
- As of the close of the current fiscal year, the City of Alpharetta's governmental funds reported combined ending fund balances of \$32,232,717, a decrease of \$275,819 from the prior year. Approximately 14% of this amount is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, the unreserved fund balance designated for operations in the general fund was \$13,277,911, or 42.81% of total general fund expenditures, up \$1,088,247 from the prior year.
- General Fund revenues exceeded expenditures and other financing sources/uses by \$1,751,671 marking the seventh consecutive year an increase in fund balance has occurred.
- The City's total governmental activities debt (including notes) decreased by \$4,309,250 during the current fiscal year due to regularly scheduled principal payments being made.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as 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 (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, 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 include not only the City of Alpharetta itself (known as the primary government), but also a legally separate authority for which the City of Alpharetta is financially accountable. Financial information on this *component unit* is reported separately from the financial information presented for the primary government itself.

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 the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Alpharetta maintains eleven individual governmental funds. Information is presented sepa-

rately 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 IV (2004 general obligation bond issue) funds, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* later in this document.

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

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

Proprietary funds. The City of Alpharetta 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 an accounting device used to accumulate and allocate costs internally among the various functions of a government. Since the City of Alpharetta does not currently use internal service funds, budgetary appropriations and expenditures are maintained within the function of each fund where these services would otherwise be performed.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and solid waste activities, both of which are considered to be major funds of the City of Alpharetta.

The basic 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 found on pages 50-66 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 of Alpharetta's progress in funding its obligation to provide pension benefits to its employees. In addition, a budgetary comparison schedule is presented on a generally accepted accounting principal basis in this section. This schedule is intended to demonstrate the government's compliance with the legally adopted and amended budgets. Required supplementary information can be found on pages 67-68 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 70-71 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 \$61,019,172 at the close of the most recent fiscal year. The largest portion of the City's net assets (53.7 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.

An additional portion of the City's net assets (21.2 percent) represents resources that are subject to external restrictions on how they may be used. At the close of fiscal year 2005 the City's *restricted net assets* were \$12,951,724, representing \$9,316,003 obligated for capital projects and \$3,635,721 restricted for the repayment of general obligation bond debt.

The remaining balance is *unrestricted net assets* (\$15,263,723) which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Alpharetta 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.

There was a decrease of \$4,273,216 reported in connection with the City's business type activities. Nearly all of this decrease (\$4,243,670) resulted from the removal of capital assets from the business-type activities balance sheet as a result of the sale of the City's water distribution system.

The government's net assets increased by \$12,564,029 during the current fiscal year. Nearly all of this increase is attributable to the continued success of the City's revenue structure, surpassing revenue receipts from the prior year by \$8,243,564 while total expenses increased only \$1,789,197. Additionally, the City received a one-time infusion of contributed capital associated with infrastructure built by developers totaling \$5,262,543.

City of Alpharetta's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$37,271,892	\$35,190,113	\$1,061,916	\$3,475,366	\$38,333,808	\$38,665,479
Capital assets	70,631,540	58,049,823	—	4,243,670	70,631,540	62,293,493
Total assets	107,903,432	93,239,936	1,061,916	7,719,036	108,965,348	100,958,972
Current liabilities	9,790,435	7,442,983	620,207	1,196,552	10,410,642	8,639,535
Non-current liabilities outstanding	37,528,964	42,050,165	6,570	1,814,129	37,535,534	43,864,294
Total liabilities	47,319,399	49,493,148	626,777	3,010,681	47,946,176	52,503,829
Net assets:						
Invested in capital assets, net of related debt	32,803,725	18,081,075	—	2,598,670	32,803,725	20,679,745
Restricted	12,951,724	12,540,493	—	1,649,342	12,951,724	14,189,835
Unrestricted	14,828,584	13,125,220	435,139	460,343	15,263,723	13,585,563
Total net assets	\$60,584,033	\$43,746,788	\$435,139	\$4,708,355	\$61,019,172	\$48,455,143

Governmental activities. Governmental activities increased the City of Alpharetta's net assets by \$16,837,245 thereby accounting for all of the total growth in the net assets of the City (business-type activities had an decrease in net assets of \$4,273,216 as noted earlier). Key elements of this increase are as follows:

- Total revenue increased by \$8,426,733 (18 percent) over fiscal year 2004, with the largest increase realized in the charges for service category equaling \$2,284,412.
- Total expenses decreased \$2,468,129 as compared to the prior year, representing a 6 percent decrease in spending.
- Unrestricted investment earnings also rose 377 percent as a result of a significant change in the government's management of the investment portfolio.

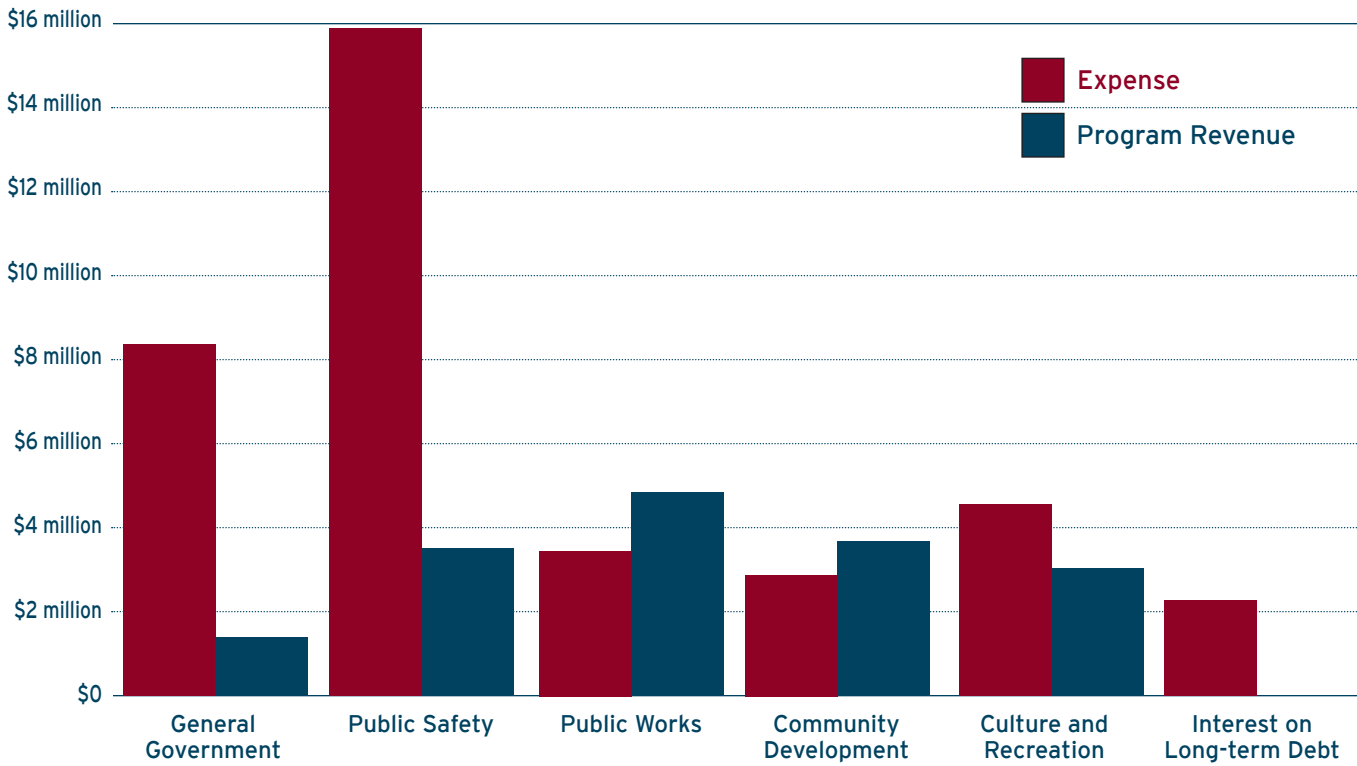
As mentioned earlier, expenses decreased between fiscal year 2004 and 2005 for governmental activities. The decrease resulted from operational efficiencies that are being generated by the City's management staff and a more aggressive approach to the management of budgetary appropriations. The City has also implemented several city-wide contracts to facilitate cross-functional savings.

Business-type activities. Business-type activities decreased the City of Alpharetta's net assets by \$4,273,216, as stated earlier. The primary element of this decrease is from the sale of the City's water distribution system. Specifically, the City incurred a loss of over \$4 million on the disposal of capital assets related to the sale of the distribution system.

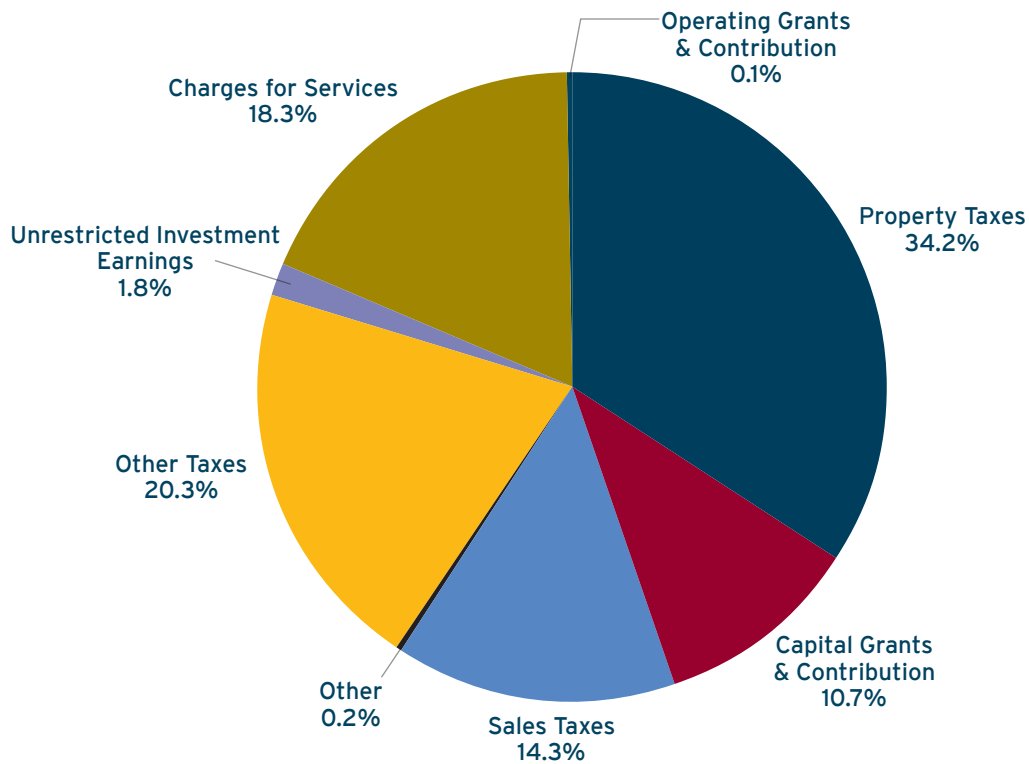
City of Alpharetta's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total
	2005	2004	2005	2004	2005
<i>Revenues</i>					
<i>Program revenues:</i>					
Charges for services	\$9,956,449	\$7,672,037	\$5,308,440	\$5,492,978	\$15,264,889
Operating grants and contributions	74,860	68,360	—	—	74,860
Capital grants and contributions	5,819,430	514,766	—	—	5,819,430
<i>General revenues:</i>					
Property taxes	18,591,907	17,327,608	—	—	18,591,907
Local option sales tax	7,748,031	7,353,813	—	—	7,748,031
Other taxes	11,035,229	12,223,068	—	—	11,035,229
Unrestricted investment earnings	975,868	204,192	22,201	10,643	998,069
Other revenues	104,057	515,253	-	10,189	104,057
Total revenues	54,305,831	45,879,097	5,330,641	5,513,810	59,636,472
<i>Expenses</i>					
General government	8,380,030	5,736,222	—	—	8,380,030
Public safety	15,904,517	14,391,972	—	—	15,904,517
Public works	3,469,265	7,375,964	—	—	3,469,265
Community development	2,937,850	4,111,451	—	—	2,937,850
Culture and recreation	4,571,699	5,958,248	—	—	4,571,699
Interest on long-term debt	2,233,542	2,391,175	—	—	2,233,542
Water	—	—	7,641,035	3,495,165	7,641,035
Solid waste	—	—	1,934,505	1,823,049	1,934,505
Total expenses	37,496,903	39,965,032	9,575,540	5,318,214	47,072,443
Increase in net assets before transfers	16,808,928	5,914,065	(4,244,899)	195,596	12,564,029
Transfers	28,317	—	(28,317)	—	—
Increase in net assets	16,837,245	5,914,065	(4,273,216)	195,596	12,564,029
Net assets - 7/1/04	43,746,788	37,832,723	4,708,355	4,512,759	48,455,143
Net assets - 6/30/05	\$60,584,033	\$43,746,788	\$435,139	\$4,708,355	\$61,019,172

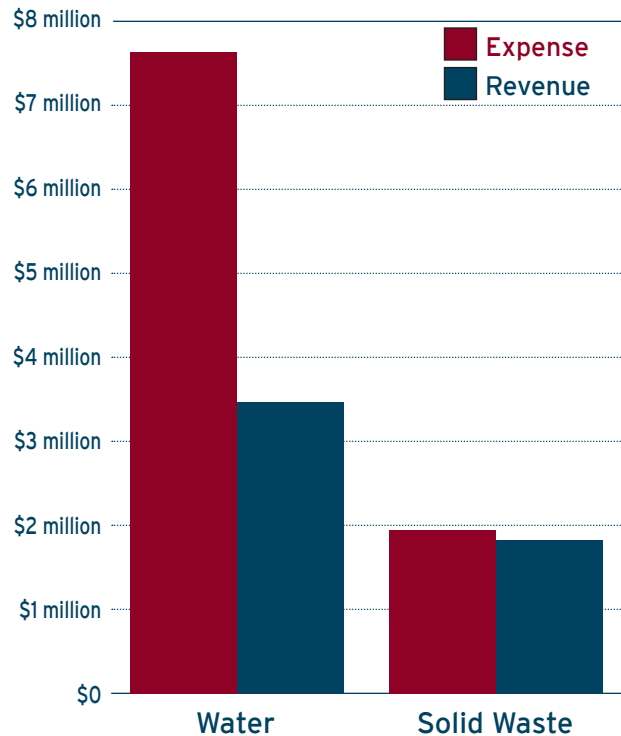
Expenses and Program Revenues - Governmental Activities



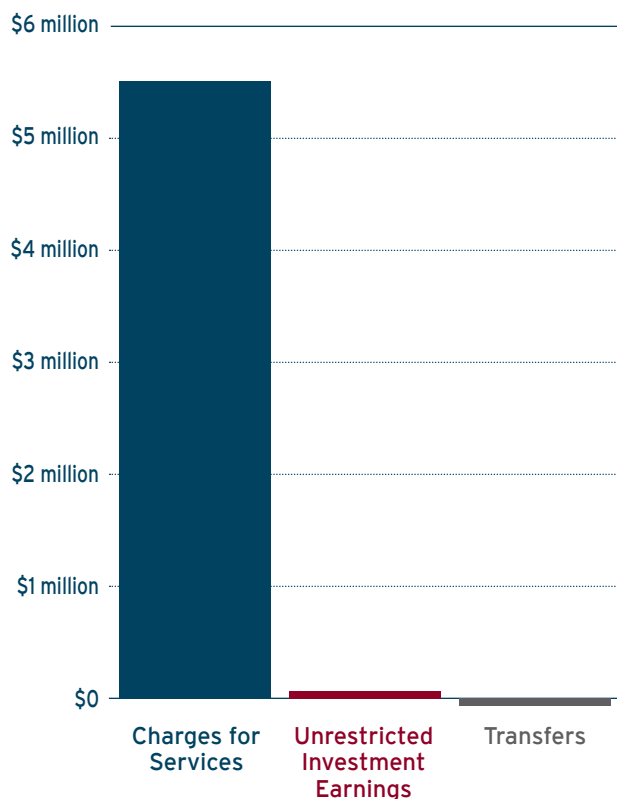
Revenues by Source - Governmental Activities



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 \$32,232,717, a decrease of \$275,819 in comparison to the prior year. The largest single component of this amount (\$14.3 million) constitutes *reserved fund balance*, indicating 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, (\$9,316,003), 2) future debt expenditures (\$3,635,721), or 3) for a variety of other restricted purposes (\$1,356,742). The second largest component of the City's governmental funds combined ending fund balance is \$13.2 million, which has been designated by the City for operations and constitutes a minimum statutory reserve of 18 percent of operating expenditures plus \$500,000 for self-insurance relating to workers' compensation. The final portion represents *unreserved, undesignated fund balance* and comprises \$4,635,618.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance was \$7,287,299 while total fund balance reached \$20,946,358. As a measure of the liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 23 percent of total general fund expenditures, while total fund balance represents 66.3 percent of that same amount.

The fund balance of the City's general fund increased by \$1,751,671 during the current fiscal year, marking the seventh 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 \$639,177 from the prior year. This increase is due to an increase in the Licenses and Permits revenue category of \$955,685, resulting in greater oversight and management of those entities who are required to receive City licenses and/or permits. Additionally, the assessed value of property resulted in greater property tax revenue of \$886,166 over the prior fiscal year.
- Expenditures came in well under budget, at \$31,560,366 with \$1,655,472 of the budgetary appropriation unspent.
- The sale of capital assets resulted in an additional \$227,259 in unanticipated revenues.

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 \$3,635,721, all of which is reserved for the payment of debt. The net increase in fund balance during the current year of \$711,770 is primarily attributable to an inter-fund transfers. The general fund transferred \$500,000 while the impact fee special revenue fund provided \$400,000.

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 \$435,139, all of which is held in the solid waste fund. The total change in net assets for the water and solid waste funds was (\$4,389,782) and \$116,566, respectively. 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:

During the year there was a \$432,240 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- \$309,158 supplemental appropriation to the Police Department for the implementation of a new red light camera system and expenses relating to clothing; and
- \$120,781 supplemental appropriation to the Public Works Department for the reallocation of staff from the water fund to the general fund as a result of the sale of the water system.

The increases were possible because of additional anticipated revenues. Those revenues included an increase in Licenses and Permits (\$128,000), primarily attributable to development within the City, Local option sales tax collections (\$141,438) due to an economic upturn in spending within the area, and an increase in charges for service (\$57,500) associated with the on-going revision of the City's revenue rates and structures associated with exchange transactions.

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, 2005, amounts to \$70,631,540 (net of accumulated depreciation). This investment in capital assets includes land and permanent improvements, buildings, improvements other than buildings, machinery and equipment and infrastructure (park facilities, roads, highways, and bridges). The total increase in the City's investment in capital assets for the current fiscal year was 21.6 percent, or \$12,581,717.

The acquisition of significant capital assets and major events during the current fiscal year for governmental activities included the following:

- \$10.2 million in acquisitions throughout the governmental funds. Of this amount, 43.5 percent was in the area of public works projects which were completed and capitalized during the year, and 32.7 percent were in the area of public safety, which includes the construction of new facilities for this function.
- A variety of Public Works projects continued during FY05, 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 \$3,377,628.
- A few of the major projects completed during fiscal year 2005 include: Cumming Street Sidewalk Improvement Project (\$359,865), Park Improvements (\$142,199), and additional improvements to the City's traffic control center (\$244,986).

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land and permanent improvements	\$28,011,860	\$23,267,031	\$—	\$—	\$28,011,860	\$23,267,031
Buildings and system	21,505,580	22,071,743	—	4,197,502	21,505,580	26,269,245
Improvements other than buildings	4,247,532	3,929,304	—	—	4,247,532	3,929,304
Machinery and equipment	6,218,332	5,011,522	—	46,168	6,218,332	5,057,690
Infrastructure	7,270,608	2,803,206	—	—	7,270,608	2,803,206
Construction in progress	3,377,628	967,017	—	—	3,377,628	967,017
Total	\$70,631,540	\$58,049,823	\$ —	\$4,243,670	\$70,631,540	\$62,293,493

Additional information on the City of Alpharetta's capital assets can be found in note IV.C on pages 59 – 60 of this report.

Long-term debt. At the end of the current fiscal year, the City of Alpharetta had total bonded debt outstanding of \$42,328,075. Of this amount, \$40,900,000 represented general obligation bonds, and outstanding notes totaled \$1,428,075. 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	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$40,900,000	\$45,135,000	\$ —	\$ —	\$40,900,000	\$45,135,000
Notes payable	1,428,075	1,502,325	—	—	1,428,075	\$1,502,325
Revenue bonds	—	—	—	1,645,000	—	1,645,000
Total	\$42,328,075	\$46,637,325	\$ —	\$1,645,000	\$42,328,075	\$48,282,325

The City's total debt decreased by \$5,954,250 (12.3 percent) during the fiscal year (includes bond debt and notes). The key factors of this decrease occurred as a result of the scheduled repayment of principal on general obligation bonds and notes of \$4,309,250 and the retirement of the revenue bonds.

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.

State statutes 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 \$312,059,243 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.F on pages 61-63 of this report.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City of Alpharetta budget for the 2006 fiscal year.

- **Sustainability of existing services.** The City of Alpharetta has deployed a philosophy of budgetary evaluation which reviews the needs of the government to the standard which realizes that services and associated costs should not be appropriated if they are not justified as long-term goals of the organization. This philosophy is solidified during the budget process, with a multi-year financial outlook that provides the conduit to evaluate government priorities, realign and diversify revenue structures, and provide the data for decision making for continued financial success.
- **Cost of government.** The government chose not to provide property tax relief, continuing a two year trend of levying a 7.00 millage rate. This millage rate provided \$1,641,839 in additional revenue to the City of Alpharetta due to the increased values of assessments.
- **Increasing debt service payments.** The government's existing debt structure is such that payments increase each fiscal year, providing for added strain on the available tax dollars to support general operations. As a result, the City initiated a program to establish reserves within the debt service fund which will assist in eliminating the spikes associated with the future debt payments.

- **Revenue sources.** The consideration of several new revenue sources and the revision of current revenue source rates/charges. New revenue sources include the review of an administrative fee for court processing, and the addition of a red light camera enforcement program, alcohol beverage excise taxes, and licenses and permit fees.
- **Health insurance costs.** Anticipation of a 15.9% increase in health insurance costs and the resulting impact of personal services expenditures. This increase is anticipated to cost the City approximately \$548,195.

The City restricts the use of one-time revenues to fund reoccurring operating expenses. Growth in expenditures is limited based on the City Council approved service levels and performance measurement outcomes.

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 678-297-6060.

BASIC FINANCIAL STATEMENTS



City of Alpharetta
Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
Assets				
Cash and cash equivalents	\$5,024,324	\$651,773	\$5,676,097	\$ —
Investments	25,585,956	307,695	25,893,651	—
Receivables (net of allowance for uncollectibles)	2,724,077	102,323	2,826,400	64,560
Direct financing lease receivable	—	—	—	8,655,000
Inventories	12,850	—	12,850	—
Prepays	20,026	125	20,151	—
Restricted assets:				
Cash and cash equivalents	3,571,744	—	3,571,744	—
Receivables	332,915	—	332,915	—
Capital assets (net of accumulated depreciation):				
Land	28,011,860	—	28,011,860	—
Buildings and system	21,505,580	—	21,505,580	—
Improvements other than buildings	4,247,532	—	4,247,532	—
Machinery and equipment	6,218,332	—	6,218,332	—
Infrastructure	7,270,608	—	7,270,608	—
Construction in progress	3,377,628	—	3,377,628	—
Total assets	107,903,432	1,061,916	108,965,348	8,719,560
Liabilities				
Accounts payable and other current liabilities	4,101,331	151,743	4,253,074	—
Unearned revenue	244,349	465,720	710,069	—
Bonds and notes payable:				
Matured bonds and interest payable	336,379	—	336,379	64,560
Due within one year	4,856,725	—	4,856,725	465,000
Due in more than one year	36,542,834	—	36,542,834	8,190,000
Noncurrent liabilities:				
Due within one year	251,651	2,744	254,395	—
Due in more than one year	986,130	6,570	992,700	—
Total liabilities	47,319,399	626,777	47,946,176	8,719,560
Net Assets				
Invested in capital assets net of related debt	32,803,725	—	32,803,725	—
Restricted for:				
Capital projects	9,316,003	—	9,316,003	—
Debt service	3,635,721	—	3,635,721	—
Unrestricted	14,828,584	435,139	15,263,723	—
Total net assets	\$60,584,033	\$435,139	\$61,019,172	\$ —

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

City of Alpharetta
Statement of Activities
For the Year Ended June 30, 2005

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		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	\$8,380,030	\$641,391	\$45,337	\$ —	\$(7,693,302)	\$ —	\$(7,693,302)	\$ —
Public safety	15,904,517	3,332,420	29,523	173,026	(12,369,548)	—	(12,369,548)	—
Public works	3,469,265	172,052	—	4,651,960	1,354,747	—	1,354,747	—
Community development	2,937,850	3,721,024	—	—	783,174	—	783,174	—
Culture and recreation	4,571,699	2,089,562	—	994,444	(1,487,693)	—	(1,487,693)	—
Interest on long-term debt	2,233,542	—	—	—	(2,233,542)	—	(2,233,542)	—
Total governmental activities	37,496,903	9,956,449	74,860	5,819,430	(21,646,164)	—	(21,646,164)	—
Business-type activities:								
Water	7,641,035	3,470,393	—	—	—	(4,170,642)	(4,170,642)	—
Solid waste	1,934,505	1,838,047	—	—	—	(96,458)	(96,458)	—
Total business-type activities:	9,575,540	5,308,440	—	—	—	(4,267,100)	(4,267,100)	—
Total primary gov't	\$47,072,443	\$15,264,889	\$74,860	\$5,819,430	(21,646,164)	(4,267,100)	(25,913,264)	—
Component units								
Development Authority	393,138	—	—	—	—	—	—	393,138
Total component units	\$393,138	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$393,138
General revenues:								
Property taxes					18,591,907	—	18,591,907	—
Local option sales tax					7,748,031	—	7,748,031	—
Franchise taxes					2,938,193	—	2,938,193	—
Hotel/Motel occupancy tax					2,705,566	—	2,705,566	—
Business taxes					2,632,855	—	2,632,855	—
Sales and use taxes					1,144,076	—	1,144,076	—
Other taxes					1,614,539	—	1,614,539	—
Unrestricted investment earnings					975,868	22,201	998,069	393,138
Gain on sale of capital assets					23,351	—	23,351	—
Miscellaneous revenue					80,706	—	80,706	—
Transfers					28,317	(28,317)	—	—
Total general revenues and transfers					38,483,409	(6,116)	38,477,293	393,138
Change in net assets					16,837,245	(4,273,216)	12,564,029	—
Net assets-beginning					43,746,788	4,708,355	48,455,143	—
Net assets-ending					\$60,584,033	\$435,139	\$61,019,172	\$ —

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

City of Alpharetta
Balance Sheet
Governmental Funds
June 30, 2005

	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Project	Bond IV		
Assets						
Cash and cash equivalents	\$559,189	\$143,148	\$119,525	\$3,180,128	\$1,022,334	\$5,024,324
Investments	14,940,579	3,478,942	4,991,889	—	2,174,546	25,585,956
Receivables (net of allowance for uncollectibles):						
Property taxes	172,059	70,217	—	—	—	242,276
Other taxes	1,596,590	—	—	—	244,378	1,840,968
Accounts	244,374	—	309,723	—	86,736	640,833
Due from other funds	5,597,751	—	—	—	—	5,597,751
Inventories	12,850	—	—	—	—	12,850
Prepaid items	19,860	—	—	—	166	20,026
Cash - restricted	—	—	—	—	3,571,744	3,571,744
Intergovernmental receivable:						
Restricted	16,009	—	—	—	316,906	332,915
Total assets	\$23,159,261	\$3,692,307	\$5,421,137	\$3,180,128	\$7,416,810	\$42,869,643
Liabilities and Fund Balances						
Liabilities:						
Current:						
Accounts payable	\$1,244,200	\$66	\$886,739	\$312,104	\$549,182	\$2,992,291
Retainage payable	—	—	188,722	55,385	186,759	430,866
Accrued salaries	646,173	—	—	—	32,001	678,174
Compensated absences	1,173	—	—	—	451	1,624
Due to other funds	—	—	—	5,500,000	97,751	5,597,751
Deferred revenue	304,462	56,520	92,309	—	238,580	691,871
Unearned revenue	16,895	—	217,414	—	10,040	244,349
Total liabilities	2,212,903	56,586	1,385,184	5,867,489	1,114,764	10,636,926
Fund balances:						
Reserved for:						
Inventory	12,850	—	—	—	—	12,850
Pre-paid items	19,860	—	—	—	166	20,026
Tree bank	348,438	—	—	—	—	348,438
Public safety	—	—	48,061	—	927,367	975,428
Debt service	—	3,635,721	—	—	—	3,635,721
Capital projects	—	—	3,987,892	—	5,328,111	9,316,003
Unreserved for:						
Designated for operations	13,277,911	—	—	—	10,722	13,288,633
General fund	7,287,299	—	—	—	—	7,287,299
Special revenue funds	—	—	—	—	35,680	35,680
Capital project funds	—	—	—	(2,687,361)	—	(2,687,361)
Total fund balances	20,946,358	3,635,721	4,035,953	(2,687,361)	6,302,046	32,232,717
Total liabilities and Fund balances	\$23,159,261	\$3,692,307	\$5,421,137	\$3,180,128	\$7,416,810	

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 70,631,540

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds 691,871

Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the funds (42,972,095)

Total Net Assets - Governmental Activities \$60,584,033

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, 2005

	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Project	Bond IV		
Revenues						
Taxes:						
Property tax	\$12,574,059	\$6,149,088	\$ —	\$ —	\$ —	\$18,723,147
Local option sales tax	7,748,031	—	—	—	—	7,748,031
Other taxes	8,441,499	—	—	—	2,705,566	11,147,065
Licenses and permits	2,276,966	—	—	—	—	2,276,966
Charges for services	2,919,912	—	—	—	999,336	3,919,248
Impact fees	—	—	—	—	1,312,996	1,312,996
Fines and forfeitures	1,843,348	—	—	—	109,098	1,952,446
Intergovernmental	22,150	—	—	—	174,722	196,872
Investment earnings	412,956	81,370	60,835	—	420,707	975,868
Contributions and donations	3,178	—	175,000	—	282,024	460,202
Other	144,125	—	—	—	—	144,125
Total revenues	36,386,224	6,230,458	235,835	—	6,004,449	48,856,966
Expenditures						
Current:						
General government	8,262,532	4,668	—	15	97,505	8,364,720
Public safety	13,071,132	—	—	—	1,469,083	14,540,215
Public works	3,381,817	—	—	—	—	3,381,817
Economic and community development	1,652,124	—	—	—	39,390	1,691,514
Culture and recreation	5,192,761	—	—	—	451,018	5,643,779
Tourism	—	—	—	—	1,172,322	1,172,322
Debt service:						
Principal	—	4,309,250	—	—	—	4,309,250
Interest	—	2,194,637	—	—	—	2,194,637
Capital outlay	—	—	2,481,135	2,687,346	2,921,626	8,090,107
Total expenditures	31,560,366	6,508,555	2,481,135	2,687,361	6,150,944	49,388,361
Excess (deficiency) of revenues over (under) expenditures	4,825,858	(278,097)	(2,245,300)	(2,687,361)	(146,495)	(531,395)
Other Financing Sources (Uses)						
Transfers in	1,110,543	989,867	2,494,274	—	1,417,715	6,012,399
Transfers out	(4,411,989)	—	—	—	(1,572,093)	(5,984,082)
Sale of capital assets	227,259	—	—	—	—	227,259
Total other financing sources (uses)	(3,074,187)	989,867	2,494,274	—	(154,378)	255,576
Net change in fund balances	1,751,671	711,770	248,974	(2,687,361)	(300,873)	(275,819)
Fund balances - beginning	19,194,687	2,923,951	3,786,979	—	6,602,919	32,508,536
Fund balances - ending	\$20,946,358	\$3,635,721	\$4,035,953	\$(2,687,361)	\$6,302,046	\$32,232,717

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, 2005

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

Net change in fund balances-total governmental funds \$(275,819)

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 period. 7,687,283

The net effect of various miscellaneous transactions involving capital assets is to increase net assets 4,894,434

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 237,991

The issuance of long-term debt (e.g. bonds) 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 transactions, 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. 4,309,250

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 (15,894)

Change in net assets of governmental activities. \$16,837,245

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, 2005

<i>Assets</i>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ —	\$651,773	\$651,773
Investments	—	307,695	307,695
Accounts receivables (net of allowance for uncollectibles)	—	102,323	102,323
Prepaid items	—	125	125
Total current assets	—	1,061,916	1,061,916
Total assets	—	1,061,916	1,061,916
<i>Liabilities</i>			
Current liabilities:			
Accounts payable	—	148,122	148,122
Accrued salaries	—	3,621	3,621
Unearned revenue	—	465,720	465,720
Compensated absences payable	—	2,744	2,744
Total current liabilities	—	620,207	620,207
Noncurrent liabilities:			
Compensated absences less current portion	—	6,570	6,570
Total noncurrent liabilities	—	6,570	6,570
Total liabilities	—	626,777	626,777
<i>Net Assets</i>			
Unrestricted net assets	—	435,139	435,139
Total net assets	\$ —	\$435,139	\$435,139

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

City of Alpharetta
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Water sales	\$1,598,003	\$ —	\$1,598,003
Sewer sales	1,870,859	—	1,870,859
Refuse collection charges	—	1,838,047	1,838,047
Miscellaneous revenue	1,531	—	1,531
Total operating revenues	3,470,393	1,838,047	5,308,440
Operating expenses:			
Administration	260,834	1,934,505	2,195,339
Operations	2,996,802	—	2,996,802
Depreciation	178,253	—	178,253
Total operating expenses	3,435,889	1,934,505	5,370,394
Operating gain (loss)	34,504	(96,458)	(61,954)
Nonoperating revenues (expenses):			
Investment earnings	12,868	9,333	22,201
Interest expense	(105,811)	—	(105,811)
Sale of capital assets	(4,099,335)	—	(4,099,335)
Total nonoperating revenue (expenses)	(4,192,278)	9,333	(4,182,945)
Loss before transfers	(4,157,774)	(87,125)	(4,244,899)
Transfers In	—	203,691	203,691
Transfers Out	(232,008)	—	(232,008)
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, 2005

	Water	Solid Waste	Total
<i>Cash Flows from Operating Activities</i>			
Receipts from customers and users	\$3,742,307	\$2,461,843	\$6,204,150
Payments to employees	(264,756)	(56,237)	(320,993)
Payments to vendors	(3,587,024)	(2,021,177)	(5,608,201)
Net cash provided (used) by operating activities	(109,473)	384,429	274,956
<i>Cash Flows from Non-Capital Financing Activities</i>			
Transfers from other funds	—	203,691	203,691
Transfers to other funds	(232,008)	—	(232,008)
Net cash provided (used) by noncapital financing activities	(232,008)	203,691	(28,317)
<i>Cash Flows from Capital and Related Financing Activities</i>			
Acquisition and construction of capital assets	(34,468)	—	(34,468)
Principal paid on capital debt	(1,645,000)	—	(1,645,000)
Interest paid on capital debt	(117,420)	—	(117,420)
Net cash used by capital and related financing activities	(1,796,888)	—	(1,796,888)
<i>Cash Flows from Investing Activities</i>			
Proceeds from sales and maturities of investments	394,605	258	394,863
Purchase of investments	(200,000)	(150,000)	(350,000)
Interest and dividends received	12,868	9,333	22,201
Net cash provided (used) by investing activities	207,473	(140,409)	67,064
Net increase (decrease) in cash and cash equivalents	(1,930,896)	447,711	(1,483,185)
Cash and cash equivalents, July 1, 2004	1,930,896	204,062	2,134,958
Cash and cash equivalents, June 30, 2005	\$ —	\$651,773	\$651,773
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$34,504	\$(96,458)	\$(61,954)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	178,253	—	178,253
Decrease in accounts receivable	631,043	158,077	789,120
Decrease in inventories	96,407	—	96,407
Increase in prepaid items	—	(125)	(125)
Decrease in customer deposits	(359,129)	—	(359,129)
Decrease in accounts payable	(665,020)	(152,595)	(817,615)
Increase (decrease) in compensated absences payable	(13,362)	7,869	(5,493)
Increase (decrease) in other accrued liabilities	(12,169)	467,661	455,492
Total adjustments	(143,977)	480,887	336,910
Net cash provided (used) by operating activities	\$(109,473)	\$384,429	\$274,956

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

City of Alpharetta - Notes to the Financial Statements

June 30, 2005

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 government provides such services as police protection, fire and rescue services, parks and recreation amenities, sanitation services, and public works. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (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 government's reporting entity because of the significance of its financial relationship with the City of Alpharetta. The Authority promotes the industrial and economic development of the government, and is legally separate from the government; however, the government appoints all of the Authority's Board members and has a financial obligation to the Authority. The government does not control the operations of the Authority. The only balance sheet items of the Authority consist of revenue bonds payable and the corresponding financing lease receivable, with the only activity being the interest income and expense related to these balances. Because none of these balance sheet items would be reported under the modified accrual basis of accounting, a fund level balance sheet has not been prepared for the Authority. Separate financial statements for the Development 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 activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes

and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit 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 measurable and available in the fiscal year after they are levied. As such, property tax revenues are recognized in the current fiscal year for the previous tax year's levy. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus

and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. 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 so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the 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 IV fund is used to account for capital projects funded from the proceeds of the November 2004 referendum, which is anticipated to result in a 2006 general obligation bond issue.

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. During fiscal year 2005, the government sold the water system to Fulton County. Information presented within this document reflects activities through the sale date of May 10, 2005.

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 charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. 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 government's enterprise funds are charges to customers for sales and services. The government 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 investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations issued by the United States government, obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States, obligations of any corporation of the U.S. government, prime bankers' acceptances, the Georgia local government investment pool, repurchase agreements, and obligations of other political subdivisions of the state.

Investments for the government are reported at fair market value. The government limits investments through policy to obligations issued by the United States government, obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States, and obligations of any corporation of the U.S. government.

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, 2005.

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 government 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 report those proceeds that are restricted for use in the construction of voter approved projects.

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.

The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. As provided for by GASB 34, the government has not included infrastructure assets acquired prior to July 1, 2002. The government intends to identify and report infrastructure assets acquired prior to July 1, 2002 in a later year, but no later than June 30, 2007. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

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 \$88,311. 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 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

Estimated useful lives are adjusted by category according to asset longevity to ensure classes of asset are not fully depreciated and still in use.

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 and proprietary 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.

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, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the 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 government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$42,972,095 difference are as follows:

Bonds payable	\$40,900,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(928,516)
Notes Payable	1,428,075
Accrued interest payable	336,379
Compensated absences	1,236,157
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$42,972,095

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 *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$7,687,283 difference are as follows:

Capital outlay	\$10,279,022
Depreciation expense	(2,591,739)
Net adjustment to increase <i>net changes in fund balances–total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$7,687,283

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 increase net assets.” The details of this \$4,894,434 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	\$(368,109)
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.	5,262,543
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$4,894,434</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$4,309,250 difference are as follows:

Principal repayments:	
General obligation debt	\$4,235,000
Notes payable	74,250
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$4,309,250</u>

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 not reported as expenditures in governmental funds.” The details of this \$15,894 difference are as follows:

Compensated absences	\$23,011
Accrued interest	31,060
Amortization of deferred charge on refunding	(69,965)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(15,894)</u>

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, Grant Project, Bond III and Bond IV funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

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 \$432,240 increase in expenditure and revenue anticipations in the General Fund; \$100,000 increase in expenditure and revenue appropriations in the hotel/motel fund; \$107,000 increase in expenditure and revenue appropriations in the Drug Enforcement Agency Fund; \$180,000 increase in revenue appropriations and \$6,000 in expenditure appropriations in the Impact Fee Fund; \$50,120 increase in expenditure and revenue appropriations in the Solid Waste Fund; \$29,120 increase in expenditure and revenue appropriations in the Water Fund; \$72,885 increase in expenditure and revenue appropriations in the Grant Operating Fund; and the reallocation of \$257,472 to new or existing projects in the Capital Projects 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, 2005, expenditures exceeded appropriations in three funds. Specifically, the Hotel Motel (special revenue fund) had expenditures of \$2,705,566, exceeding the annual appropriation by \$115,566. Expenditures within the Hotel Motel fund equal revenues, as this fund records the receipts and statutory disbursements for this revenue source. The expense which exceeded the annual appropriation is equal to the amount of revenue receipted into the fund. The expenditures in the Impact Fee Fund (special revenue fund) exceeded the \$22,800 annual appropriation by \$16,590. The general government expenditure in this fund is equal to three percent of revenues, intended to cover administrative costs associated with this program. Revenues exceeded appropriations by \$560,703 providing the necessary resources to cover the administrative fee expense. The Grant Operating Fund (special revenue fund) also had an expenditure of \$1,700 in the Fire Department which exceeded appropriations. This overage resulted from a grant award subsequent to the government's mid-year budget amendment process. The appropriations were therefore not adjusted to reflect the award of the grant to the government. The government did, however, receive reimbursement for the grant, which is included in the revenues for this fund.

C. Deficit fund equity

The Bond IV Capital Project Fund had a deficit fund balance of \$2,687,361 as of June 30, 2005. The fund incurred expenditures as a result of a voter approved referendum prior to the issuance of debt. The debt is planned to be sold during fiscal year 2006, at which time the corresponding \$5,500,000 liability (due to other funds) will also be eliminated.

IV. Detailed Notes on All Funds

A. Deposits and Investments

As of June 30, 2005, the City of Alpharetta had the following investments:

Investment	Maturity	Fair Value
Government Bonds		
Federal Home Loan	November 2005	\$1,492,500
U.S. Treasury	May - November 2006	493,453
U.S. Agency	August - December 2005	5,266,500
U.S. Agency	January - June 2006	1,952,696
U.S. Agency	July - December 2006	1,038,538
U.S. Agency	January - June 2007	976,953
U.S. Agency	July - December 2007	3,965,000
U.S. Agency	February 2009	390,875
Short-Term Investments - Discount Notes		
Federal Home Loan Mortgage Corporation	July 2005 - January 2006	6,861,274
Federal National Mortgage Association	July 2005 - February 2006	3,455,863
Total		\$25,893,651

In accordance with the government'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 government 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 government's maturity schedule is as follows:

Maturity	Fair Value	Percent of Total Investments
Ninety Days or less	\$1,698,938	7%
Three to six months	12,933,929	50%
Six to twelve months	4,445,325	17%
One to three years	6,424,584	25%
Three to five years	390,875	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 government 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 government's name, is managed in accordance with the government's policy through a safekeeping agreement with an external party. All investments as of June 30, 2005 were held in the government's name by the contracted custodial agent.

Through the structuring of the investment portfolio so that securities mature to meet cash requirements for on-going operations, the government 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 government'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 government'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 government's concentration of investments into any single issuer is managed by expanding the exposure of the investment portfolio to multiple issuers.

B. 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 Funds	Total
<i>Receivables:</i>						
Taxes						
Property	\$174,475	\$71,286	\$ —	\$ —	\$ —	\$245,761
Other	1,596,590	—	—	—	244,378	1,840,968
Accounts	244,374	—	309,723	119,165	86,736	759,998
Intergovernmental	—	—	—	—	316,906	316,906
Gross receivables	2,015,439	71,286	309,723	119,165	648,020	3,163,633
Less: Allowance for Uncollectibles	(2,416)	(1,069)	—	(16,842)	—	(20,327)
Net total receivables	\$2,013,023	\$70,217	\$309,723	\$102,323	\$648,020	\$3,143,306

All of the receivables are expected to be collected within one year, with the exception of a portion of the property taxes in both the General and Debt Service funds.

Revenues of the Water and Solid Waste funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to water sales	\$16,275
Uncollectibles related to solid waste sales	2,594
Total uncollectibles of the current fiscal year	\$18,869

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 connection 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 follows:

	Unavailable	Unearned
<i>General Fund:</i>		
Delinquent property taxes receivable	\$142,669	\$ —
Accounts receivable billing	161,793	—
Payments for projects and programs not yet started	—	16,500
Payments for expenses not yet incurred	—	395
<i>Debt Service Fund:</i>		
Delinquent property taxes receivable	56,520	—
<i>Capital Project Fund:</i>		
Eligible incurred expenses billed but not yet paid	92,309	—
Net of receivables and incurred expenses for externally funded project	—	217,414
<i>Grant Operating Fund:</i>		
Eligible incurred expenses billed but not yet paid	17,752	—
Grant receipts prior to meeting eligibility requirements	—	10,040
<i>Grant Capital Fund:</i>		
Eligible incurred expenses billed but not yet paid	220,828	—
Total deferred/unearned revenue for governmental funds	\$691,871	\$244,349

C. Capital Assets

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities:</i>				
Capital assets, not being depreciated:				
Land and permanent improvements	\$23,267,031	\$4,955,117	\$(210,288)	\$28,011,860
Construction in progress	967,017	3,382,048	(971,437)	3,377,628
Total capital assets, not being depreciated	24,234,048	8,337,165	(1,181,725)	31,389,488
Capital assets, being depreciated:				
Buildings	27,503,032	168,647	—	27,671,679
Improvements other than buildings	5,675,987	696,462	(3,735)	6,368,714
Machinery and equipment	13,470,935	2,606,888	(996,388)	15,081,435
Infrastructure	3,004,606	4,703,840	—	7,708,446
Total capital assets, being depreciated	49,654,560	8,175,837	(1,000,123)	56,830,274
Less accumulated depreciation for:				
Buildings	(5,431,289)	(734,810)	—	(6,166,099)
Improvements other than buildings	(1,746,683)	(374,561)	62	(2,121,182)
Machinery and equipment	(8,459,413)	(1,245,930)	842,240	(8,863,103)
Infrastructure	(201,400)	(236,438)	—	(437,838)
Total accumulated depreciation	(15,838,785)	(2,591,739)	842,302	(17,588,222)
Total capital assets, being depreciated, net	33,815,775	5,584,098	(157,821)	39,242,052
Governmental activities capital assets, net	\$58,049,823	\$13,921,263	\$(1,339,546)	\$70,631,540

Certain reclassifications have been made to the beginning balance column to appropriately disclose permanent improvements associated with land that are not depreciable.

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type activities:</i>				
Capital assets, being depreciated:				
Buildings and system	\$6,223,602	\$2,810	\$(6,226,412)	\$ —
Machinery and equipment	409,067	31,658	(440,725)	—
Total capital assets, being depreciated	6,632,669	34,468	(6,667,137)	—
Less accumulated depreciation for:				
Buildings and system	(2,026,100)	(156,637)	2,182,737	—
Machinery and equipment	(362,899)	(21,616)	384,515	—
Total accumulated depreciation	(2,388,999)	(178,253)	2,567,252	—
Total capital assets, being depreciated, net	4,243,670	(143,785)	(4,099,885)	—
Business-type activities capital assets, net	\$4,243,670	\$(143,785)	\$(4,099,885)	\$ —

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

<i>Governmental activities:</i>		
General government		\$202,264
Public safety		1,020,345
Highways and streets, including depreciation of general infrastructure assets		626,842
Economic and community development		57,053
Culture and recreation		685,235
Total depreciation expense – governmental activities		\$2,591,739
<i>Business-type activities:</i>		
Water		\$178,253
Total depreciation expense – business-type activities		\$178,253

Construction Commitments. The government has active construction projects as of June 30, 2005. The projects include street construction in areas with high congestion and commute times, sidewalks and pedestrian pathways in areas previously void of such amenities, park improvements, and the construction of public safety facilities. At year end the government's commitments with contractors are as follows:

	Project Spent-to-Date	Commitment	Remaining
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

The projects above are being financed primarily through the Capital Project Fund, using pay-as-you-go funding sources. Expenditures have also been incurred in the Bond IV Capital Project Fund primarily for street and transportation improvements as well as the public safety improvements.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Hotel Motel	\$97,751
General	Bond IV	5,500,000
Total		\$5,597,751

The outstanding balances between funds result mainly from the time lag between (1) the dates that transactions are recorded in the accounting system and payments between funds are made and (2) the dates when the Bond IV fund began incurring expenditures and the sale of the associated long-term debt will occur.

Transfers out:	Transfers In:						Total
	General Fund	Debt Service Fund	Capital Project Fund	Solid Waste Fund	Special Revenue	Grant Capital	
General fund	\$ —	\$500,000	\$2,494,274	\$ —	\$593,591	\$824,124	\$4,411,989
Nonmajor Governmental Funds	1,082,226	489,867	—	—	—	—	1,572,093
Water fund	28,317	—	—	203,691	—	—	232,008
Total transfers out	\$1,110,543	\$989,867	\$2,494,274	\$203,691	\$593,591	\$824,124	\$6,216,090

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance

various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

E. Leases

Operating Leases. The government leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were \$209,207 for the fiscal year ended June 30, 2005. The future minimum lease payments for these leases are as follows:

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

F. Long-term Debt

General Obligation Bonds. The governmental issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds issued are 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 as follows:

Purpose	Interest Rates	Amount
Governmental activities	4.15 - 6.5%	\$29,155,000
Governmental activities - refunding	2.0 - 4.375%	11,745,000
Total		\$40,900,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
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	6,625,000	854,332
2011-2012	11,925,000	707,388
Total	\$40,900,000	\$7,908,980

Revenue Bonds. The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. There were no amounts outstanding at the end of the current fiscal year related to revenue bonds issued in prior years.

Advance and current refundings. During the current fiscal year the government purchased \$1,614,042 of United States Treasury Obligations – State and Local Government Series securities that were placed in an irrevocable escrow fund for the purposes of generating resources for all future debt payments of \$1,550,000 of revenue bonds. As a result, the refunded bonds are considered to be legally defeased and the liability has been removed from the business-type activities column of the statement of net assets. This advance refunding was undertaken to facilitate the sale of the government's water system. The current outstanding amount of debt considered legally defeased equals \$1,455,000.

The government issued \$13,000,000 of general obligation bonds to refund existing 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 current balance of the deferred charge resulting from the reacquisition price exceeding the net carrying amount of the old debt is \$928,516. 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. The current outstanding amount of debt considered legally defeased equals \$11,265,000.

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 government 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 revenue bonds outstanding as of June 30, 2005 are as follows:

Fiscal Year Ending June 30	Principal	Interest
2006	\$465,000	\$378,295
2007	485,000	359,649
2008	505,000	339,970
2009	525,000	319,107
2010	545,000	296,900
2011-2015	3,095,000	1,094,666
2016-2019	3,035,000	299,944
Total	\$8,655,000	\$3,088,531

Notes Payable. The annual requirements to amortize the note payable to the Development Authority for the government's share (16.5%) of the bonds as of June 30, 2005 are as follows:

Fiscal Year Ending June 30	Principal	Interest
2006	\$76,725	\$62,419
2007	80,025	59,342
2008	83,325	56,095
2009	86,625	52,653
2010	89,925	48,989
2011-2015	510,675	180,619
2016-2019	500,775	49,491
Total	\$1,428,075	\$509,608

Changes in Long-term Liabilities. Longer-term liability activity for the fiscal year ended June 30, 2005, are shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable:					
General obligation bonds	\$45,135,000	\$ —	\$(4,235,000)	\$40,900,000	\$4,780,000
Less deferred amounts on refunding	(998,481)	—	69,965	(928,516)	-
Total bonds payable	44,136,519	—	(4,165,035)	39,971,484	4,780,000
Notes payable	1,502,325	—	(74,250)	1,428,075	76,725
Compensated absences	1,278,428	211,009	(251,656)	1,237,781	251,651
Governmental activity Long-term liabilities	\$46,917,272	\$211,009	\$(4,490,941)	\$42,637,340	\$5,108,376
<i>Business-type activities:</i>					
Bonds payable:					
Revenue bonds	\$1,645,000	\$ —	\$(1,645,000)	\$ —	\$ —
Total bonds payable	1,645,000	—	(1,645,000)	—	—
Customer deposits	359,129	190,624	(549,753)	—	—
Compensated absences	14,807	1,294	(6,787)	9,314	2,744
Business-type activity Long-term liabilities	\$2,018,936	\$191,918	\$(2,201,540)	\$9,314	\$2,744

For governmental activities, compensated absences are predominately liquidated by the general fund and emergency 911 fund.

G. Restricted Assets

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

1998 General Obligation Proceeds. \$3,571,744

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 previously 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, 2005, 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. Health insur-

ance claims are paid by an independent carrier under a fully-insured program. Workers' compensation claims exceeding \$200,000 per incident are also insured through a private insurance carrier, where as liability claims below \$10,000 are paid directly by the government. It is the government'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. Changes in the balances of claims liabilities during the past two years are as follows:

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Unpaid claims, beginning of fiscal year	\$ —	\$494,797
Claims incurred	128,910	—
Claim payments	(125,423)	(494,797)
Unpaid claims, end of fiscal year	\$3,487	\$ —

B. Subsequent Events

On November 2, 2004, the voters approved a bond referendum for \$25,730,000. Projects for roads, traffic, intersection improvements, and right of way acquisition, public safety equipment and facilities, greenway extension, and park development and land acquisition comprised the ballot questions. As of June 30, 2005, the government had not issued this debt.

On August 18, 2005, the Mayor and City Council voted to remove an existing Councilmember from office. In management's opinion, any resulting liability of legal fees or lawsuit expenditures would not have a material effect on the financial statements.

C. 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 government has contracted with Browning-Ferris Industries, Inc. for refuse collection, including recycling, until March 31, 2006.

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 government is liable for the repayments of the revenue bonds in the event of default by either the Authority or the Foundation.

D. Related Organizations

The City Administrator of the government serves as the President of the Board for the Alpharetta Business Community, Inc. and nominates members of the community to the board. The Alpharetta Business Community is a legally separate entity, incorporated in the state of Georgia for the purpose of expending a portion of the hotel occupancy tax, which is collected through the government's taxing authority. The government does not control the operations of the corporation. Separate financial statements for the corporation are not prepared.

The Alpharetta Convention and Visitors Bureau is also a separate legal entity from the government. Incorporated to promote tourism within the City of Alpharetta, the Mayor and Council appoint four of the ten directors to this entity. The government does not control the operations of the corporation and is not entitled to or otherwise have access to the bureau's economic resources. Separate financial statements are available by contacting the Alpharetta Convention and Visitors Bureau's administrative offices.

Alpharetta Convention and Visitors Bureau
3060 Royal Blvd. South
Suite 145
Alpharetta, Georgia 30022
(678) 297-2811

E. 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, which totaled \$9,333 during the fiscal year. 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, 40 Courtland Street NE, Atlanta, Georgia 30303.

F. 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 government’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 government employees, government officials and the judge of the Municipal court are eligible to participate in the system. Benefits vest after five years of service. Government 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 government officials and the municipal court judge receive a lifetime benefit at age 65 of \$25 per month for each year of service to the government. 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 government’s policy is to contribute 100% of the amount necessary to fund the Plan according to the annual actuarial calculations. The government currently contributes 7.4% of covered payroll.

Annual pension cost. For 2005, the government’s annual pension cost of \$1,149,906 was equal to the government’s required and actual contributions. The required contribution was determined as part of the January 1, 2005, 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 8.0 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
2005	\$1,149,906	100%	—
2004	1,141,610	100%	—
2003	931,642	100%	—
2002	801,437	100%	—
2001	647,319	100%	—
2000	531,861	100%	—

Deferred Compensation Plan.

Plan description and funding requirements. The government maintains a supplemental retirement plan for all employees entitled the deferred compensation plan, a single-employer, defined contribution plan. Both full-time and part-time employees of the government are eligible to participate. This plan is administered by Hartford Life Insurance Company as a 401(a) and 457 plan, as defined by the Internal Revenue Service. At June 30, 2005, there were 342 plan members.

Employees may elect to contribute a portion of their pay, not to exceed the IRS guidelines, into the 457 plan. Upon completion of one year of employment for full-time employees and three years of employment for part-time employees, the government will match the employee’s contribution, up to 3% of the employee’s annual salary, into the 401(a) plan. The government has the ability to amend the plan provisions. For the fiscal year ended June 30, 2005, the government’s contribution to the 401(a) plan was \$345,063. The amount contributed by employees into the 457 plan was \$716,202.

G. Changes in Accounting Principles

Effective July 1, 2002, the government implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic 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 government. As provided for by GASBS 34, the government has not included infrastruc-

ture assets acquired prior to July 1, 2002. The government 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, 2004, the government implemented the provisions of Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*. The implementation of this new accounting statement has changed the schedules presented in the statistical section, found at the end of this document.

H. Prior Period Adjustment

The government has determined that a restatement of the general fund liabilities is required to reflect corrections to beginning balances of compensated absences. For the year ended June 30, 2004, the government included, in the general fund, liabilities for compensated absences that were expected to be paid within the next fiscal year. In accordance with Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, no expenditure or liability should be reported in governmental funds in connection with compensated absences until they are paid or due for payment. As a result, beginning fund balance of the general fund has been increased by \$608,563. This restatement has no effect on the government’s total net assets, or beginning assets, as it is a recognition difference in the basis of accounting.

General Fund

Fund balance, June 30, 2005	\$18,586,124
Prior period adjustment:	
Correction of compensated absences	608,563
Fund balance, June 30, 2004 (restated)	\$19,194,687

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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]
2005	\$12,064,621	\$13,203,862	\$1,139,241	91.4%	\$14,425,871	7.9%
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%

City of Alpharetta
Budgetary Comparison Schedule GAAP Basis
General Fund

For the Year Ended June 30, 2005

For the Year Ended June 30, 2003				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes:				
Property tax	\$10,406,494	\$10,406,494	\$12,574,059	\$2,167,565
Local option sales tax	7,005,405	7,146,843	7,748,031	601,188
Franchise taxes	3,180,000	3,180,000	2,938,193	(241,807)
Business taxes	2,322,073	2,367,511	2,632,855	265,344
Sales and use taxes	1,982,400	1,982,400	1,144,076	(838,324)
Other taxes	1,728,672	1,728,672	1,726,375	(2,297)
Licenses and permits	899,800	1,027,800	2,276,966	1,249,166
Intergovernmental	—	10,000	22,150	12,150
Charges for service	2,159,862	2,217,362	2,919,912	702,550
Fines and forfeitures	2,101,000	2,150,864	1,843,348	(307,516)
Investment earnings	321,900	321,900	412,956	91,056
Contributions and donations	—	—	3,178	3,178
Other	68,000	68,000	144,125	76,125
Total revenues	32,175,606	32,607,846	36,386,224	3,778,378
Expenditures				
Current:				
General government				
City clerk	315,997	315,997	263,895	52,102
Contingency	584,474	450,580	—	450,580
Mayor and council	176,918	176,918	157,906	19,012
Municipal court	669,131	669,131	576,093	93,038
Legal	350,000	441,617	429,790	11,827
City administrator	784,595	784,595	731,340	53,255
Finance	1,715,990	1,715,990	1,710,779	5,211
Human resources	783,448	783,448	765,274	18,174
Risk management	473,172	473,172	466,672	6,500
Technology services	1,015,048	1,015,048	975,446	39,602
Public information	246,339	246,339	187,934	58,405
Engineering	1,540,394	1,463,014	1,452,403	10,611
Non-departmental	545,000	545,000	545,000	—
Total general government	9,200,506	9,080,849	8,262,532	818,317
Pubic safety:				
Police	6,661,920	6,971,078	6,638,708	332,370
Fire	6,345,467	6,432,425	6,432,424	1
Total public safety	13,007,387	13,403,503	13,071,132	332,371
Public works	3,228,872	3,384,653	3,381,817	2,836
Economic and community development	1,755,399	1,755,399	1,652,124	103,275
Culture and recreation	5,591,434	5,591,434	5,192,761	398,673
Total expenditures	32,783,598	33,215,838	31,560,366	1,655,472
Excess (deficiency) of revenues over (under) expenditures	(607,992)	(607,992)	4,825,858	5,433,850
Other Financing Sources (Uses)				
Transfers out	(4,411,989)	(4,411,989)	(4,411,989)	—
Transfers in	—	—	1,110,543	1,110,543
Sale of capital assets	—	—	227,259	227,259
Total other financing sources and uses	(4,411,989)	(4,411,989)	(3,074,187)	1,337,802
Net change in fund balances	(5,019,981)	(5,019,981)	1,751,671	6,771,652
Fund balances - beginning as restated	19,194,687	19,194,687	19,194,687	—
Fund balances - ending	\$14,174,706	\$14,174,706	\$20,946,358	\$6,771,652

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 government from area hotels and motels, and distributed based upon state statute. The government 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 of Alpharetta are paid directly from wired or wireless telecommunication providers, with expenditures occurring to maintain and run the system within the government.

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.

Grant Operating Fund – This fund is used to account for the funds received from external sources as they relate to grants awarded to the government. Matching funds, which are the government'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 government. Matching funds, which are the government's responsibility, are also recorded within this fund.

Bond III Fund – This fund is used to account for proceeds and associated expenditures resulting from the 1998 general obligation bond referendum.

City of Alpharetta
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue					Capital Project		Total Nonmajor Governmental Funds
	Hotel Motel	Emergency 911	Impact Fee	Drug Enforcement	Grant Operating	Grant Capital	Bond III	
Assets								
Cash and cash equivalents	\$10,722	\$1,696	\$8,419	\$136,767	\$17,723	\$847,007	\$ —	\$1,022,334
Investments	—	773,371	1,401,175	—	—	—	—	2,174,546
Taxes receivable	244,378	—	—	—	—	—	—	244,378
Accounts receivable	—	86,736	—	—	—	—	—	86,736
Prepaid expenditures	—	166	—	—	—	—	—	166
Restricted:								
Cash	—	—	—	—	—	—	3,571,744	3,571,744
Intergovernmental receivable	—	—	—	—	49,797	267,109	—	316,906
Total assets	\$255,100	\$861,969	\$1,409,594	\$136,767	\$67,520	\$1,114,116	\$3,571,744	\$7,416,810
Liabilities								
Accounts payable	\$146,627	\$23,292	\$ —	\$15,459	\$4,048	\$58,236	\$301,520	\$549,182
Retainage payable	—	—	—	—	—	—	186,759	186,759
Accrued salaries	—	32,001	—	—	—	—	—	32,001
Compensated absences	—	451	—	—	—	—	—	451
Due to other funds	97,751	—	—	—	—	—	—	97,751
Deferred revenue	—	—	—	—	17,752	220,828	—	238,580
Unearned revenue	—	—	—	—	10,040	—	—	10,040
Total liabilities	244,378	55,744	—	15,459	31,840	279,064	488,279	1,114,764
Fund Balances								
Reserved								
Reserved for pre-paid items	—	166	—	—	—	—	—	166
Reserved for capital projects	—	—	1,409,594	—	—	835,052	3,083,465	5,328,111
Reserved for public safety	—	806,059	—	121,308	—	—	—	927,367
Unreserved								
Designated for grants	—	—	—	—	35,680	—	—	35,680
Designated for operations	10,722	—	—	—	—	—	—	10,722
Total fund balances	10,722	806,225	1,409,594	121,308	35,680	835,052	3,083,465	6,302,046
Total liabilities & fund balances	\$255,100	\$861,969	\$1,409,594	\$136,767	\$67,520	\$1,114,116	\$3,571,744	\$7,416,810

City of Alpharetta
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended June 30, 2005

	Special Revenue					Capital Project		Total Nonmajor Governmental Funds
	Hotel Motel	Emergency 911	Impact Fee	Drug Enforcement	Grant Operating	Grant Capital	Bond III	
Revenues								
Hotel motel tax	\$2,705,566	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$2,705,566
Charges for service	—	999,336	—	—	—	—	—	999,336
Impact fees	—	—	1,312,996	—	—	—	—	1,312,996
Forfeiture income	—	—	—	109,098	—	—	—	109,098
Intergovernmental	—	—	—	—	32,836	141,886	—	174,722
Contributions and donations	—	—	—	—	42,024	240,000	—	282,024
Investment earnings	—	10,057	16,707	2,407	—	—	391,536	420,707
Total revenues	2,705,566	1,009,393	1,329,703	111,505	74,860	381,886	391,536	6,004,449
Expenditures								
General government	—	—	—	—	97,309	—	196	97,505
Culture and recreation	451,018	—	—	—	—	—	—	451,018
Public safety	—	1,307,110	—	125,726	36,247	—	—	1,469,083
Community development	1,172,322	—	39,390	—	—	—	—	1,211,712
Capital outlay	—	—	—	—	—	363,140	2,558,486	2,921,62
Total expenditures	1,623,340	1,307,110	39,390	125,726	133,556	363,140	2,558,682	6,150,944
Excess (deficiency) of revenues over (under) expenditures	1,082,226	(297,717)	1,290,313	(14,221)	(58,696)	18,746	(2,167,146)	(146,495)
Other Financing Sources (Uses)								
Transfers in:								
General fund	—	499,215	—	—	94,376	824,124	—	1,417,715
Transfers out:								
General fund	(1,082,226)	—	—	—	—	—	—	(1,082,226)
Debt service fund	—	—	(400,000)	—	—	—	(89,867)	(489,867)
Total other financing sources and (uses)	(1,082,226)	499,215	(400,000)	—	94,376	824,124	(89,867)	(154,378)
Net change in fund balances	—	201,498	890,313	(14,221)	35,680	842,870	(2,257,013)	(300,873)
Fund balances - beginning	10,722	604,727	519,281	135,529	—	(7,818)	5,340,478	6,602,919
Fund balances - ending	\$10,722	\$806,225	\$1,409,594	\$121,308	\$35,680	\$835,052	\$3,083,465	\$6,302,046

City of Alpharetta
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2005

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive(Negative)
<i>Revenues</i>			
Property tax	\$6,049,166	\$6,149,088	\$99,922
Investment earnings	70,000	81,370	11,370
Total revenues	6,119,166	6,230,458	111,292
<i>Expenditures</i>			
Current:			
General government			
Finance	15,000	4,668	10,332
Total general government	15,000	4,668	10,332
Debt service:			
Principal	4,309,250	4,309,250	—
Interest	2,194,916	2,194,637	279
Total debt service	6,504,166	6,503,887	279
Total expenditures	6,519,166	6,508,555	10,611
Excess (deficiency) of revenues over expenditures	(400,000)	(278,097)	121,903
<i>Other Financing Sources (Uses)</i>			
Transfers in	900,000	989,867	89,867
Total other financing sources and uses	900,000	989,867	89,867
Net change in fund balances	500,000	711,770	211,770
Fund balances - beginning	2,923,951	2,923,951	—
Fund balances - ending	\$3,423,951	\$3,635,721	\$211,770

City of Alpharetta
Budgetary Comparison Schedule
Capital Project Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Revenues</i>				
Investment earnings	\$33,200	\$33,200	\$60,835	\$27,635
Contributions and donations	—	—	175,000	175,000
Total revenues	33,200	33,200	235,835	202,635
<i>Expenditures</i>				
Capital outlay				
Unallocated	74,256	541,690	—	541,690
General government:				
City administrator	—	46,394	31,770	14,624
Finance	—	—	—	—
Public information	—	—	—	—
Technology services	245,000	380,706	125,574	255,132
Total general government	245,000	427,100	157,344	269,756
Public safety:				
Police	418,000	559,355	426,702	132,653
Fire	79,000	204,938	147,415	57,523
Total public safety	497,000	764,293	574,117	190,176
Public works	1,743,000	3,733,500	1,355,718	2,377,782
Economic and community development	65,200	175,412	119,757	55,655
Culture and recreation	149,000	612,559	274,199	338,360
Total Capital Outlay	2,773,456	2,521,054	2,481,135	39,919
Excess (deficiency) of revenues over expenditures	(2,740,256)	(2,487,854)	(2,245,300)	242,554
<i>Other Financing Sources</i>				
Transfers in	2,494,274	2,494,274	2,494,274	—
Total other financing sources	2,494,274	2,494,274	2,494,274	—
Net change in fund balances	(245,982)	6,420	248,974	242,554
Fund balances - beginning	3,786,979	3,786,979	3,786,979	—
Fund balances - ending	\$3,540,997	\$3,793,399	\$4,035,953	\$242,554

City of Alpharetta
Budgetary Comparison Schedule
Bond IV Capital Project Fund
For the Year Ended June 30, 2005

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<i>Expenditures</i>				
General government:				
Non-departmental	\$ —	\$15	\$15	\$ —
Total general government	—	15	15	—
Capital outlay:				
Public safety	—	1,449,174	1,449,174	3,150,000
Engineering and public works	—	124,199	124,199	15,680,000
Culture and recreation	—	1,113,973	1,113,973	6,900,000
Total expenditures	—	2,687,361	2,687,361	25,730,000
Deficiency of revenues over expenditures	—	(2,687,361)	(2,687,361)	(25,730,000)
<i>Other Financing Sources</i>				
General obligation bond proceeds	—	—	—	25,730,000
Total other financing sources	—	—	—	25,730,000
Net change in fund balances	\$ —	(2,687,361)	\$(2,687,361)	\$ —
Fund balances - beginning		—		
Fund balances - ending		\$(2,687,361)		

City of Alpharetta
Budgetary Comparison Schedule
Hotel Motel Special Revenue Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues</i>				
Hotel motel tax	\$2,490,000	\$2,590,000	\$2,705,566	\$115,566
Total revenues	2,490,000	2,590,000	2,705,566	115,566
<i>Expenditures</i>				
Economic and community development	1,494,000	1,554,000	1,623,340	(69,340)
Total expenditures	1,494,000	1,554,000	1,623,340	(69,340)
Excess of revenues over expenditures	996,000	1,036,000	1,082,226	46,226
<i>Other Financing Uses</i>				
Transfers out	(996,000)	(1,036,000)	(1,082,226)	(46,226)
Net change in fund balances	—	—	—	—
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, 2005

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<i>Revenues</i>			
Charges for service	\$985,456	\$999,336	\$13,880
Investment earnings	10,000	10,057	57
Total revenues	995,456	1,009,393	13,937
<i>Expenditures</i>			
Public safety			
Police	1,467,671	1,307,110	160,561
Total expenditures	1,467,671	1,307,110	160,561
Excess (deficiency) of revenues over (under) expenditures	(472,215)	(297,717)	174,498
<i>Other Financing Sources</i>			
Transfers in	499,215	499,215	—
Net change in fund balances	27,000	201,498	174,498
Fund balances - beginning	604,727	604,727	—
Fund balances - ending	\$631,727	\$806,225	\$174,498

City of Alpharetta
Budgetary Comparison Schedule
Impact Fee Special Revenue Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Revenues</i>				
Impact fees	\$560,000	\$760,000	\$1,312,996	\$552,996
Investment earnings	29,000	9,000	16,707	7,707
Total revenues	589,000	769,000	1,329,703	560,703
<i>Expenditures</i>				
General government				
Economic and community development	16,800	22,800	39,390	(16,590)
Total expenditures	16,800	22,800	39,390	(16,590)
Excess of revenues over expenditures	572,200	746,200	1,290,313	544,113
<i>Other Financing Sources</i>				
Transfers out	(400,000)	(400,000)	(400,000)	—
Net change in fund balances	172,200	346,200	890,313	544,113
Fund balances - beginning	519,281	519,281	519,281	—
Fund balances - ending	\$691,481	\$865,481	\$1,409,594	\$544,113

City of Alpharetta
Budgetary Comparison Schedule
Drug Enforcement Special Revenue Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Forfeiture income	\$65,000	\$95,000	\$109,098	\$14,098
Investment earnings	500	500	2,407	1,907
Total revenues	10,700	83,300	92,084	8,784
Expenditures				
Public safety				
Police	102,008	209,008	125,726	83,282
Total expenditures	102,008	209,008	125,726	83,282
Excess (deficiency) of revenues over (under) expenditures	(36,508)	(113,508)	(14,221)	99,287
Fund balances - beginning	135,529	135,529	135,529	—
Fund balances - ending	\$99,021	\$22,021	\$121,308	\$99,287

City of Alpharetta
Budgetary Comparison Schedule
Grant Operating Special Revenue Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ —	\$ —	\$32,836	\$32,836
Contributions and donations	—	60,085	42,024	(18,061)
Contingencies	523,275	536,075	—	(536,075)
Total revenues	523,275	596,160	74,860	(521,300)
Expenditures				
General government:				
Finance	—	30,000	12,500	17,500
Engineering and public works	—	204,613	84,809	119,804
Public safety	—	34,547	36,247	(1,700)
Culture and recreation	—	6,978	—	6,978
Contingencies	523,275	539,960	—	539,960
Total expenditures	523,275	816,098	133,556	682,542
Excess (deficiency) of revenues over expenditures	—	(219,938)	(58,696)	161,242
Other Financing Sources				
Transfers in	—	—	94,376	94,376
Net change in fund balances	—	(219,938)	35,680	255,618
Fund balances - beginning	—	—	—	—
Fund balances - ending	\$ —	\$(219,938)	\$35,680	\$255,618

City of Alpharetta
Budgetary Comparison Schedule
Grant Capital Project Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
<i>Revenues</i>				
Intergovernmental	\$ —	\$2,472,762	\$141,886	\$(2,330,876)
Contributions and donations	—	—	240,000	240,000
Contingencies	3,360,000	4,007,820	—	(4,007,820)
Total revenues	3,360,000	6,480,582	381,886	(6,098,696)
<i>Expenditures</i>				
Public safety	—	303,890	242,756	61,134
Engineering and public works	—	2,220,000	—	2,220,000
Culture and recreation	—	920,000	120,384	799,616
Contingencies	3,360,000	3,036,692	—	3,036,692
Total expenditures	3,360,000	6,480,582	363,140	6,117,442
Excess of revenues over expenditures	—	—	18,746	18,746
<i>Other Financing Sources</i>				
Transfers in	—	—	824,124	824,124
Net change in fund balances	—	—	842,870	842,870
Fund balances - beginning	(7,818)	(7,818)	(7,818)	—
Fund balances - ending	\$(7,818)	\$(7,818)	\$835,052	\$842,870

City of Alpharetta
Budgetary Comparison Schedule
Bond III Capital Project Fund
For the Year Ended June 30, 2005

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues				
Investment earnings	\$3,754,612	\$391,536	\$4,146,148	\$1,245,000
Discounts	13	—	13	—
Total revenues	3,754,625	391,536	4,146,161	1,245,000
Expenditures				
General government:				
Non-departmental	541	196	737	—
Capital outlay:				
Engineering and public works	18,068,656	2,514,760	20,583,416	19,775,000
Culture and recreation	5,073,589	43,726	5,117,315	5,125,000
Total capital outlay	23,142,245	2,558,486	25,700,731	24,900,000
Debt service:				
Cost of bond issuance	330,369	—	330,369	498,000
Total expenditures	23,473,155	2,558,682	26,031,837	25,398,000
Deficiency of revenues over expenditures	(19,718,530)	(2,167,146)	(21,885,676)	(24,153,000)
Other Financing Sources (Uses)				
General obligation bond proceeds	25,449,972	—	25,449,972	24,900,000
Operating transfers out	(95,936)	(89,867)	(185,803)	—
Total other financing sources (uses)	25,354,036	(89,867)	25,264,169	24,900,000
Net change in fund balances	\$5,635,506	(2,257,013)	\$3,378,493	\$747,000
Fund balances - beginning		5,340,478		
Fund balances - ending		\$3,083,465		

City of Alpharetta
Statement of Revenues, Expenditures, and Changes in Fund Balance
Discretely Presented Component Unit
For the Year Ended June 30, 2005

	Actual Amounts
Revenues	
Investment earnings	\$846,025
Total revenues	846,025
Expenditures	
Debt service:	
Principal	450,000
Interest	396,025
Total expenditures	846,025
Net change in fund balances	—
Fund balances - beginning	—
Fund balances - ending	—

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, 2005

	2004	2003
Governmental funds capital assets:		
Land and permanent improvements	\$28,011,860	\$23,267,031
Buildings	27,671,679	27,503,032
Improvements other than buildings	6,368,714	5,675,987
Machinery and equipment	15,081,435	13,470,935
Infrastructure	7,708,446	3,004,606
Construction in progress	3,377,628	967,017
Total governmental funds capital assets	\$88,219,762	\$73,888,608
Investments in governmental funds capital assets by source:		
General fund	\$15,058,021	\$14,964,852
Special revenue fund	1,450,331	1,352,591
Capital projects funds	71,711,410	57,571,165
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

<i>Function and Activity</i>	Land	Buildings	Improvements Other Than Buildings	Machinery & Equipment	Infrastructure	Construction in Progress	Total
General government	\$3,238,342	\$3,531,952	\$295,313	\$1,425,878	\$24,112	\$29,660	\$8,545,257
Public safety							
Police	932,383	4,995,744	44,835	4,699,726	—	25,395	10,698,083
Fire	666,910	5,194,875	6,100	5,146,419	—	—	11,014,304
Total public safety	1,599,293	10,190,619	50,935	9,846,145	—	25,395	21,712,387
Public works	6,442,538	1,384,446	1,250,262	2,423,506	7,422,071	3,286,490	22,209,313
Culture and recreation	15,988,452	12,527,065	4,709,960	1,308,010	262,263	4,806	34,800,556
Economic and community development	743,235	37,597	62,244	77,896	—	31,277	952,249
Total governmental funds:							
Capital assets	\$28,011,860	\$27,671,679	\$6,368,714	\$15,081,435	\$7,708,446	\$3,377,628	\$88,219,762

This schedule presents only the capital asset balances related to governmental funds.

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, 2005

<i>Function and Activity</i>	Governmental Funds Capital Assets July 1, 2004	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
General government	\$8,188,009	\$347,096	\$(295,072)	\$8,240,033
Public safety:				
Police	10,701,781	754,286	(757,986)	\$10,698,081
Fire	9,852,295	1,267,119	(105,108)	\$11,014,306
Total public safety	20,554,076	2,021,405	(863,094)	21,712,387
Public works	13,338,862	9,861,614	(991,163)	\$22,209,313
Culture and recreation	30,621,363	4,185,223	(6,032)	\$34,800,554
Community development	1,186,298	97,664	(26,487)	\$1,257,475
Total governmental funds:				
Capital assets	\$73,888,608	\$16,513,002	\$(2,181,848)	\$88,219,762

This schedule presents only the capital asset balances related to governmental funds.

STATISTICAL SECTION



Statistical Section

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

Contents

Pages

Financial Trends

83-87

These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.

Revenue Capacity

88-91

These schedules contain information to help the reader assess the city’s most significant local revenue source, property tax.

Debt Capacity

92-93

These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.

Demographic and Economic Information

94-95

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.

Operating Information

95-96

These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.

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

City of Alpharetta
Net Assets by Component
Last Three Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Governmental activities:			
Invested in capital assets, net of related debt	\$15,452,957	\$18,081,075	\$32,803,725
Restricted	16,990,626	12,540,493	10,264,363
Unrestricted	5,389,140	13,125,220	17,515,945
Total governmental activities net assets	\$37,832,723	\$43,746,788	\$60,584,033
Business-type activities:			
Invested in capital assets, net of related debt	\$2,597,943	\$2,598,670	\$ —
Restricted	1,645,519	1,649,342	—
Unrestricted	269,267	460,343	435,139
Total business-type activities net assets	\$4,512,729	\$4,708,355	\$435,139
Primary government:			
Invested in capital assets, net of related debt	\$18,050,900	\$20,679,745	\$32,803,725
Restricted	18,636,145	14,189,835	10,264,363
Unrestricted	5,658,437	13,585,563	17,951,084
Total primary government net assets	\$42,345,482	\$48,455,143	\$61,019,172

Changes in business-type activities between fiscal year 2005 and 2004 are largely due to the sale of the City's water system.

City of Alpharetta
Changes in Net Assets, Last Three Fiscal Years (accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government	\$7,089,104	\$5,736,222	\$8,380,030
Public safety	14,149,504	14,391,972	15,904,517
Public works	1,676,631	7,375,964	3,469,265
Economic and community development	4,064,468	4,111,451	2,937,850
Culture and recreation	7,164,113	5,958,248	4,571,699
Interest on long -term debt	2,944,647	2,391,175	2,233,542
Total governmental activities expenses	37,088,467	39,965,032	37,496,903
Business-type activities:			
Water	3,713,758	3,495,165	7,641,035
Solid waste	1,742,504	1,823,049	1,934,505
Total business-type activities expenses	5,456,262	5,318,214	9,575,540
Total primary government expenses	\$42,544,729	\$45,283,246	\$47,072,443
Program Revenues			
Governmental activities:			
Charges for service	\$7,900,681	\$7,672,037	\$9,956,449
Operating grants and contributions	65,818	68,360	74,860
Capital grants and contributions	77,594	514,766	5,819,430
Total governmental activities program revenues	8,044,093	8,255,163	15,850,739
Business-type activities:			
Charges for service:			
Water	\$3,543,892	\$3,806,501	\$3,470,393
Solid waste	1,621,302	1,686,477	1,838,047
Total business-type activities program revenues	5,165,194	5,492,978	5,308,440
Total primary government program revenues	\$13,209,287	\$13,748,141	\$21,159,179
Net (Expense)/Revenue:			
Governmental activities	\$(29,044,374)	\$(31,709,869)	\$(21,646,164)
Business-type activities	(291,068)	174,764	(4,267,100)
Total primary government net expenses	\$(29,335,442)	\$(31,535,105)	\$(25,913,264)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$17,441,980	\$17,327,608	\$18,591,907
Local option sales taxes	5,638,618	7,353,813	7,748,031
Franchise taxes	—	—	2,938,193
Hotel/motel occupancy tax	—	—	2,705,566
Business taxes	—	—	2,632,855
Sales and use taxes	—	—	1,144,076
Other taxes	11,359,475	12,223,068	1,614,539
Unrestricted investment earnings	660,410	204,192	975,868
Gain on sale of capital assets	35,303	14,095	23,351
Miscellaneous	878,320	501,158	80,706
Transfers	(60,000)	—	28,317
Total governmental activities	35,954,106	37,623,934	38,483,409
Business-type activities:			
Unrestricted investment earnings	26,211	10,643	22,201
Miscellaneous	4,581	10,189	—
Transfers	60,000	—	(28,317)
Total business-type activities	90,792	20,832	(6,116)
Total primary government	\$36,044,898	\$37,644,766	\$38,477,293
Change in Net Assets			
Governmental activities	\$6,909,732	\$5,914,065	\$16,837,245
Business-type activities	(200,276)	195,596	(4,273,216)
Total primary government	\$6,709,456	\$6,109,661	\$12,564,029

Changes in expenses at the government level are primarily due to investments in capital project variances from year to year.

Increases in Capital Grants and Contributions relate to developer donated infrastructure as a result of construction which occurred during fiscal year 2005.

City of Alpharetta
Governmental Activities Tax Revenues By Source
Last Three Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax ¹	Hotel/Motel Occupancy Tax ¹	Business Taxes ¹	Sales and Use Taxes ¹	Other Tax	Total
2003	\$17,441,980	\$5,638,618	\$ —	\$ —	\$ —	\$ —	\$11,359,475	\$34,440,073
2004	17,327,608	7,353,813	—	—	—	—	12,223,068	36,904,489
2005	18,591,907	7,748,031	2,938,193	2,705,566	2,632,855	1,144,076	1,614,539	37,375,167

1. These taxes previously reported under "Other Tax" category for fiscal year 2003 through 2004.

Increases in property taxes are primarily attributable to growth in the tax digest resulting from reassessments and annexation.

Local Option Sales Tax has increased since 2003 as a result of the newly executed revenue distribution plan associated with this tax.

City of Alpharetta
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1996	1997	1998	1999	2000
General fund					
Reserved	\$172,749	\$144,259	\$313,306	\$283,240	\$606,811
Unreserved	6,525,083	7,135,676	5,837,900	6,721,484	7,947,610
Total general fund	\$6,697,832	\$7,279,935	\$6,151,206	\$7,004,724	\$8,554,421
All other governmental funds					
Reserved	\$19,091,427	\$15,889,859	\$34,255,600	\$32,112,772	\$30,416,250
Unreserved, reported in:					
Special revenue funds	118,649	242,357	392,941	107,262	868,323
Capital project funds	131,029	402,369	357,535	82,099	—
Total all other governmental funds	\$19,341,105	\$16,534,585	\$35,006,076	\$32,302,133	\$31,284,573
	2001	2002	2003	2004	2005
General fund					
Reserved	\$435,748	\$360,366	\$746,100	\$910,188	\$381,148
Unreserved	9,913,396	11,755,347	13,182,532	17,675,936	20,565,210
Total general fund	\$10,349,144	\$12,115,713	\$13,928,632	\$18,586,124	\$20,946,358
All other governmental funds					
Reserved	\$25,540,210	\$17,207,639	\$17,064,512	\$13,303,127	\$13,927,318
Unreserved, reported in:					
Special revenue funds	1,112,966	867,236	813,753	10,722	46,402
Capital project funds	—	—	—	—	(2,687,361)
Total all other governmental funds	\$26,653,176	\$18,074,875	\$17,878,265	\$13,313,849	\$11,286,359

The increases in fund balances of the general fund is discussed in Management's Discussion and Analysis.

City of Alpharetta
Changes in Fund Balance of Governmental Funds
1996 - 2000

(modified accrual basis of accounting)

	1996	1997	1998	1999	2000
Revenues					
Taxes					
Property taxes	\$6,768,037	\$7,956,541	\$9,083,701	\$10,380,518	\$16,538,295
Local option sales tax	—	—	—	—	—
Other taxes	5,417,964	6,140,202	7,207,892	9,060,404	10,176,359
Licenses and permits	2,863,751	3,517,099	3,754,742	2,647,561	2,587,950
Intergovernmental	1,625,981	1,536,074	2,785,768	653,197	418,308
Charges for services	1,871,036	2,358,137	2,790,772	3,460,738	4,078,572
Impact fees	1,107,054	1,901,567	2,155,755	2,616,989	2,861,705
Fines and forfeitures	386,395	549,031	453,961	522,299	462,580
Investment earnings	1,686,985	1,350,833	1,567,710	1,937,724	2,248,737
Miscellaneous	593,677	2,376,853	3,763,128	1,767,038	500,863
Total revenues	22,320,880	27,686,337	33,563,429	33,046,468	39,873,369
Expenditures					
General government	3,631,217	4,042,873	4,439,367	5,742,474	7,075,001
Public safety	3,919,339	4,660,338	5,637,308	6,475,452	7,468,974
Public works	2,633,179	2,909,342	3,418,931	4,341,789	4,407,066
Economic and community development	—	—	—	—	—
Environmental services	—	—	—	—	240,963
Culture and recreation	1,396,786	1,828,203	2,417,753	2,957,415	3,606,710
Other	2,511	581	66	551,899	5,158
Capital outlay	12,994,484	13,956,389	21,402,865	10,529,285	11,301,944
Debt service					
Principal	1,799,431	1,976,478	2,335,661	2,533,809	2,532,019
Interest	2,264,739	2,226,680	2,183,100	3,395,980	3,098,360
Other charges	345	—	330,369	—	—
Total expenditures	28,642,031	31,600,884	42,165,420	36,528,103	39,736,195
Excess (deficiency) of revenues over (under) expenditures	(6,321,151)	(3,914,547)	(8,601,991)	(3,481,635)	137,174
Other Financing Sources (Uses)					
Transfers in	4,947,244	3,866,245	7,320,805	7,976,922	7,231,960
Transfers out	(4,947,244)	(3,866,245)	(7,320,805)	(7,976,922)	(7,231,960)
General obligation bond proceeds	—	—	25,449,972	—	—
Capital leases	—	1,674,580	279,486	—	312,724
Sale of capital assets	—	15,550	147,349	1,699,156	82,238
Total other financing sources (uses)	—	1,690,130	25,876,807	1,699,156	394,962
Net change in fund balances	\$(6,321,151)	\$(2,224,417)	\$17,274,816	\$(1,782,479)	\$532,136
Debt service as a percentage of noncapital expenditures					
	35.1%	31.3%	30.5%	29.5%	24.7%
Total Debt Service Expense	4,064,515	4,203,158	4,849,130	5,929,789	5,630,379
Total Non-Capital Expenditures	11,583,032	13,441,337	15,913,425	20,069,029	22,803,872

City of Alpharetta
Changes in Fund Balance of Governmental Funds
2001 - 2005

(modified accrual basis of accounting)

	2001	2002	2003	2004	2005
Revenues					
Taxes					
Property taxes	\$16,657,914	\$17,594,368	\$17,594,524	\$17,230,919	\$18,723,147
Local option sales tax	—	—	5,638,618	7,353,813	7,748,031
Other taxes	13,229,960	12,724,882	11,359,475	12,111,232	11,147,065
Licenses and permits	2,198,676	1,433,757	1,096,780	1,321,281	2,276,966
Intergovernmental	958,311	1,177,823	470,698	1,171,126	196,872
Charges for services	3,422,067	3,362,948	3,292,827	3,311,125	3,919,248
Impact fees	1,258,504	722,324	760,135	425,190	1,312,996
Fines and forfeitures	468,886	936,527	2,084,267	2,358,334	1,952,446
Investment earnings	2,306,975	900,452	660,410	204,192	975,868
Miscellaneous	427,064	169,299	868,793	508,612	604,288
Total revenues	40,928,357	39,022,380	43,826,527	45,995,824	48,856,927
Expenditures					
General government	7,967,575	6,623,667	7,468,563	8,242,792	8,364,720
Public safety	10,088,217	11,753,268	12,375,049	13,349,993	14,540,215
Public works	3,730,234	3,858,352	3,150,609	3,001,165	3,381,817
Economic and community development	—	—	3,807,186	2,659,983	2,863,836
Environmental services	329,794	352,538	—	—	—
Culture and recreation	4,375,821	4,591,862	4,976,514	5,452,189	5,643,779
Other	—	2,218,559	—	—	—
Capital outlay	11,043,110	10,880,338	4,004,921	7,030,850	8,090,107
Debt service					
Principal	2,555,498	3,314,503	3,840,106	3,800,950	4,309,250
Interest	3,507,597	2,453,714	2,529,581	2,378,921	2,194,637
Other charges	—	—	32,992	—	—
Total expenditures	43,597,846	46,046,801	42,185,521	45,916,843	49,388,361
Excess (deficiency) of revenues over (under) expenditures	(2,669,489)	(7,024,421)	1,641,006	78,981	(531,434)
Other Financing Sources (Uses)					
Transfers in	2,960,349	4,596,140	4,705,000	3,193,088	6,012,438
Transfers out	(3,390,149)	(4,763,444)	(4,765,000)	(3,193,088)	(5,984,082)
General obligation bond proceeds	—	—	—	—	—
Capital leases	260,089	—	—	—	—
Sale of capital assets	2,526	379,993	35,303	14,095	227,259
Total other financing sources (uses)	(167,185)	212,689	(24,697)	14,095	255,615
Net change in fund balances	\$(2,836,674)	\$(6,811,732)	\$1,616,309	\$93,076	\$(275,819)
Debt service as a percentage of noncapital expenditures					
	22.9%	19.6%	20.1%	18.9%	18.7%
Total Debt Service Expense	6,063,095	5,768,217	6,402,679	6,179,871	6,503,887
Total Non-Capital Expenditures	26,491,641	29,398,246	31,777,921	32,706,122	34,794,367

City of Alpharetta
Program Revenues By Function
Last Three Fiscal Years
(modified accrual basis of accounting)

<i>Function/Program</i>	Fiscal Year		
	2003	2004	2005
Governmental activities:			
General government	\$465,150	\$590,473	\$686,728
Public safety	4,112,099	4,049,862	3,534,969
Public works	103,776	338,983	4,824,012
Community development	1,646,156	1,491,721	3,721,024
Culture and recreation	1,716,912	1,784,124	3,084,006
Subtotal governmental activities	8,044,093	8,255,163	15,850,739
Business-type activities:			
Water	3,543,892	3,806,501	3,470,393
Solid waste	1,621,302	1,686,477	1,838,047
Subtotal business-type activities	5,165,194	5,492,978	5,308,440
Total primary government	\$13,209,287	\$13,748,141	\$21,159,179

Grant participation assisted the increase in program revenues between fiscal year 2004 and 2005 for general government functions. Additionally, changes in expenses associated with capital projects played a significant role in providing such a substantial increase.

City of Alpharetta
Tax Revenues By Source, Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax	Motor Vehicle Tax	Alcoholic Beverage Tax	Other Taxes	Total
2003	\$17,594,524	\$5,638,618	\$3,072,835	\$1,208,121	\$1,018,646	\$6,059,873	\$34,592,617
2004	17,230,919	7,353,813	3,209,350	1,273,631	1,071,032	6,557,219	\$36,695,964
2005	18,723,147	7,748,031	2,938,193	1,259,788	1,144,076	5,805,008	\$37,618,243
Change							
2003-2005	6.41%	37.41%	-4.38%	4.28%	12.31%	-4.21%	8.75%

Other Taxes include: Intangible, Real Estate Transfer, Hotel/Motel, Business & Occupation, Insurance Premium, and Financial Institution.

The increase in Local Option Sales Tax is wholly attributable to a new revenue distribution for this tax being enacted in fiscal year 2003, with the first full-year of receipt occurring in fiscal year 2004.

City of Alpharetta
Hotel/Motel Collections and Expenditures

June 30, 2005

Expenditures and Obligations

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%	\$2,705,566	\$2,705,566	\$ —	\$2,705,566	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, 2004 to June 30, 2005*

City of Alpharetta
Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
		Residential Property	Commercial Property	Motor Vehicles	Other					
1996	1995	\$391,383,128	\$527,309,323	\$45,226,865	\$11,007	\$11,865,903	\$952,064,420	\$7.88	\$2,409,825,808	40.00%
1997	1996	469,090,420	544,774,658	56,719,883	209	17,137,690	1,053,447,480	7.88	2,676,462,925	40.00%
1998	1997	529,382,689	687,695,310	76,137,471	180	23,703,869	1,269,511,781	7.88	3,233,039,125	40.00%
1999	1998	624,615,142	1,006,166,435	82,902,406	180	85,349,972	1,628,334,191	7.88	4,284,210,408	40.00%
2000	1999	679,825,149	1,199,760,731	82,902,406	180	149,173,042	1,813,315,424	7.88	4,906,221,165	40.00%
2001	2000	734,164,270	1,384,443,620	105,730,867	180	130,818,443	2,093,520,494	7.88	5,560,847,343	40.00%
2002	2001	824,109,741	1,555,238,056	125,069,600	—	134,442,791	2,369,974,606	7.48	6,261,043,493	40.00%
2003	2002	950,097,600	1,655,525,492	149,126,970	180	193,552,450	2,561,197,792	7.23	6,886,875,605	40.00%
2004	2003	1,039,727,230	1,719,450,312	162,044,513	45,870	287,138,088	2,634,129,837	7.00	7,303,169,813	40.00%
2005	2004	1,101,782,470	1,852,175,974	166,615,420	18,563	291,445,159	2,829,147,268	7.00	7,801,481,068	40.00%

Source: Georgia Department of Revenue, Property Tax Division

Note: Property in the county is assessed annually. The county assesses property at approximately 40 percent of actual value for all types of real and personal property.

1. Estimated actual value is calculated by dividing the assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

Real property values include tax-exempt property.

Homestead exemption was increased to \$20,000 per household in tax year 2000.

City of Alpharetta
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Tax Year	Overlapping Districts											
		City of Alpharetta			Fulton County			School District			Grady Hospital	State	Direct & Overlapping Rates
		General Obligation			General Obligation			General Obligation					
		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage			
1996	1995	4.240	3.640	7.880	13.350	—	13.350	19.260	2.000	21.260	—	0.250	42.740
1997	1996	3.830	4.050	7.880	8.900	0.660	9.560	19.260	2.000	21.260	4.450	0.250	43.400
1998	1997	4.510	3.370	7.880	9.140	0.660	9.800	19.260	1.500	20.760	3.890	0.250	42.580
1999	1998	5.560	2.320	7.880	9.580	0.660	10.240	19.260	1.500	20.760	3.450	0.250	42.580
2000	1999	5.170	2.710	7.880	13.030	0.660	13.690	19.860	0.900	20.760	—	0.250	42.580
2001	2000	4.930	2.950	7.880	13.310	0.380	13.690	19.350	0.800	20.150	—	0.250	41.970
2002	2001	5.060	2.420	7.480	13.040	0.300	13.340	18.260	0.760	19.020	—	0.250	40.090
2003	2002	4.900	2.330	7.230	12.527	0.280	12.807	18.460	0.310	18.770	—	0.250	39.057
2004	2003	4.750	2.250	7.000	12.052	0.270	12.322	17.758	0.298	18.056	—	0.250	37.628
2005	2004	4.700	2.300	7.000	11.581	0.066	11.647	17.315	0.291	17.606	—	0.250	36.503

Source: Georgia Department of Revenue, Property Tax Division

Overlapping rates are those of local and county governments that apply to property owners within the City of Alpharetta.

City of Alpharetta
Sales Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	State of Georgia	Local Option Sales Tax	Metropolitan Atlanta Regional Transportation	Fulton County Board of Education	Overlapping Rates
1996	4 %	1 %	1 %	1 %	7.000
1997	4	1	1	1	7.000
1998	4	1	1	1	7.000
1999	4	1	1	1	7.000
2000	4	1	1	1	7.000
2001	4	1	1	1	7.000
2002	4	1	1	1	7.000
2003	4	1	1	1	7.000
2004	4	1	1	1	7.000
2005	4	1	1	1	7.000

Source: Georgia Department of Revenue, Property Tax Division

Overlapping rates are those of local and county governments that apply to property owners within the City of Alpharetta.

The City of Alpharetta receives 4.27% of the Local Option Sales Tax collected on a county-wide basis.

City of Alpharetta
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2005			1996		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
GNP Northpont	\$31,118,960	1	1.10%	—	—	—
Garnder Drive LLC	18,943,520	2	0.67%	—	—	—
Imperatum Georgia LLC	18,636,160	3	0.66%	—	—	—
Allianz Life Insurance Company	18,562,160	4	0.66%	—	—	—
H B O & Company	18,137,590	5	0.64%	—	—	—
Duke Realty	17,184,360	6	0.61%	—	—	—
Digital Equipment	12,594,720	7	0.45%	\$17,474,190	3	1.66%
C P Venture Two LLC	11,166,600	8	0.39%	—	—	—
AMLI at Milton Park LLC	11,068,120	9	0.39%	—	—	—
SVF Park Bridge LLC	10,890,960	10	0.38%	—	—	—
AT & T	—	—	—	70,195,830	1	6.66%
North Point Mall	—	—	—	31,768,790	2	3.02%
Windward	—	—	—	15,949,610	4	1.51%
American Honda Motor	—	—	—	9,037,613	5	0.86%
Cousins Properties	—	—	—	8,320,600	6	0.79%
Digital Communications	—	—	—	8,033,121	7	0.76%
GFIP Georgia	—	—	—	7,668,560	8	0.73%
Siemens Energy	—	—	—	6,763,130	9	0.64%
Four Hundred North Association	—	—	—	3,621,870	10	0.34%
Totals	\$168,303,150		5.95%	\$161,359,124		16.98%

Source: Fulton County Board of Assessors

City of Alpharetta
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Pct. of Levy		Amount	Pct. of Levy
1996	1995	\$7,406,512	\$6,602,693	89.15%	\$165,344	\$6,768,037	91.38%
1997	1996	8,328,413	7,651,942	91.88%	304,599	7,956,541	95.53%
1998	1997	10,006,902	8,852,299	88.46%	231,402	9,083,701	90.77%
1999	1998	12,177,953	9,695,428	79.61%	2,476,710	12,172,138	99.95%
2000	1999	13,992,591	13,194,833	94.30%	789,964	13,984,797	99.94%
2001	2000	15,596,114	15,143,169	97.10%	444,363	15,587,532	99.94%
2002	2001	16,654,812	16,279,679	97.75%	308,146	16,587,825	99.60%
2003	2002	17,449,713	17,136,171	98.20%	275,017	17,411,188	99.78%
2004	2003	17,242,314	16,935,962	98.22%	270,822	17,206,784	99.79%
2005	2004	18,264,892	18,188,800	99.58%	—	18,188,800	99.58%

City of Alpharetta
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capital
	General Obligation Bonds	Capital Leases	Notes Payable	Revenue Bonds	Notes Payable	Capital Leases			
1996	\$36,845,000	\$1,993,697	\$ —	\$ —	\$2,535,183	\$ —	\$41,373,880	6.79%	\$1,978
1997	35,405,000	3,116,898	—	—	2,424,422	14,135	40,960,455	5.70%	1,762
1998	58,785,000	2,567,797	—	—	2,306,729	9,549	63,669,075	7.92%	2,595
1999	57,190,000	1,579,740	—	2,470,000	—	4,701	61,244,441	5.88%	2,041
2000	55,500,000	1,288,188	1,749,000	2,320,000	—	18,328	60,875,516	5.15%	2,029
2001	53,640,000	899,897	1,707,750	2,160,000	—	12,627	58,420,274	4.07%	1,650
2002	51,185,000	455,810	1,641,750	1,995,000	—	—	55,277,560	3.82%	1,532
2003	48,865,000	—	1,573,275	1,825,000	—	—	52,263,275	3.57%	1,409
2004	45,135,000	—	1,502,325	1,645,000	—	—	48,282,325	3.30%	1,301
2005	40,900,000	—	1,428,075	—	—	—	42,328,075	2.80%	1,106

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

1. See the Schedule of Demographic and Economic Statistics within this section for personal income and population data.

City of Alpharetta
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
1996	\$36,845,000	1.53%	\$1,762
1997	\$35,405,000	1.32%	\$1,523
1998	\$58,785,000	1.82%	\$2,396
1999	\$57,190,000	1.33%	\$1,906
2000	\$55,500,000	1.13%	\$1,850
2001	\$53,640,000	0.96%	\$1,515
2002	\$51,185,000	0.82%	\$1,419
2003	\$48,865,000	0.71%	\$1,317
2004	\$45,135,000	0.62%	\$1,216
2005	\$40,900,000	0.52%	\$1,069

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

a. See the Schedule on Assessed Value and Estimated Actual Value of Taxable Property for property value data.

b. Population data can be found in the schedule Demographic and Economic Statistics.

City of Alpharetta
Direct and Overlapping Government Debt Activities
As of June 30, 2005

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Fulton County	\$24,077,629	12.4%	\$2,985,626
Fulton County School District	225,795,000	13.5%	30,482,325
Subtotal, overlapping debt			33,467,951
City of Alpharetta direct debt	40,900,000	100.0%	40,900,000
Total direct and overlapping debt			\$74,367,951

Sources: Assessed value data used to estimate applicable percentages provided by the Fulton County Board of Assessors. Debt outstanding data provided by the county.

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

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

City of Alpharetta
Legal Debt Margin Information
Last Ten Fiscal Years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt limit	\$79,634,547	\$95,823,204	\$115,123,240	\$148,975,975	\$159,193,770	\$233,798,932	\$250,441,740	\$285,307,902	\$292,126,793	\$312,059,243
Total net debt applicable to limit	36,776,639	35,093,157	58,404,247	57,495,900	56,490,402	54,607,811	51,805,520	47,740,553	43,713,374	37,264,279
Legal debt margin	\$42,857,908	\$60,730,047	\$56,718,993	\$91,480,075	\$102,703,368	\$179,191,121	\$198,636,220	\$237,567,349	\$248,413,419	\$274,794,964
Total net debt applicable to the limit as a percentage of debt limit	46%	37%	51%	39%	35%	23%	21%	17%	15%	12%

Legal Debt Margin Calculation For Fiscal Year 2005

Assessed value	\$2,829,147,268
Add back: exempt real property	291,445,159
Total assessed value	\$3,120,592,427
Debt limit (10% of total assessed value)	312,059,243
Debt applicable to limit:	
General obligation bonds	40,900,000
Less: Amount set aside for repayment of general obligation bonds	(3,635,721)
Total net debt applicable to limit	37,264,279
Legal debt margin	\$274,794,964

City of Alpharetta
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ²	Median Age ³	Education Levels in Years of Formal Schooling ⁴	School Enrollment ⁴	Unemployment Rate ²
1996	20,915	\$609,379,440	\$29,136	32.0	16.0	10,405	3.4%
1997	23,246	718,045,694	30,889	33.0	16.0	13,427	3.1
1998	24,536	803,504,928	32,748	33.0	16.0	15,043	2.8
1999	30,000	1,041,570,000	34,719	34.5	16.0	16,796	2.6
2000	30,000	1,182,960,000	39,432	34.0	16.0	17,067	2.5
2001	35,406	1,435,465,458	40,543	33.3	16.0	18,723	2.9
2002	36,079	1,445,649,451	40,069	35.0	16.0	19,592	4.4
2003	37,090	1,462,532,880	39,432	33.0	16.0	19,154	2.4
2004	37,124	1,463,873,568	39,432	33.3	16.0	19,536	2.1
2005	38,274	1,509,220,368	39,432	33.0	16.0	19,567	4.5

Data sources:

1 Bureau of the Census/County Regional Planning Commission

2 State Department of Labor

3 State Department of Commerce

4 School District, with school enrollment for fiscal year 2005 estimated based upon trend data.

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

City of Alpharetta
Principal Employers
Current Year and Four Years Ago
As of December 31

Employer	2005			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
AT & T	2,600	1	2.57%	2,700	2	2.32%
Cingular Wireless	1,800	2	1.78%	—	—	—
ADP	1,700	3	1.68%	—	—	—
McKesson HBOC	1,400	4	1.38%	1,722	4	1.48%
Lucent Technologies	1,359	5	1.34%	1,119	6	0.96%
Equifax	1,195	6	1.18%	—	—	—
Hewlett Packard	1,000	7	0.99%	—	—	—
Radiant Systems	925	8	0.91%	1,000	7	0.86%
MCI	900	9	0.89%	—	—	—
UPS Supply Chain Solutions	850	10	0.84%	—	—	—
Nortel Networks	—	—	—	2,700	1	2.32%
Compaq	—	—	—	1,810	3	1.55%
Verizon	—	—	—	1,500	5	1.29%
WorldCom	—	—	—	1,000	7	0.86%
Met Life	—	—	—	800	9	0.69%
Choice Point	—	—	—	650	10	0.56%
Total	13,729		13.56%	15,001		12.89%

Source: City of Alpharetta Community Development Department

City of Alpharetta
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

<i>Function</i>	Full-time Equivalent Employees as of June 30									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Fire	52	58	62	—	—	—	—	—	—	—
Full-time Certified Firefighters	—	—	—	45	62	64	69	74	81	83
Part-time Certified Firefighters	—	—	—	21	4	4	3	3	3	3
Full-time Uncertified Firefighters	—	—	—	8	5	2	5	4	—	1
Full-time Support Personnel	—	—	—	1	1	1	1	1	1	1
Public Works										
Full-time Personnel	28	33	30	35	22	24	31	35	35	35
Culture and recreation										
Full-time Personnel	30	33	31	36	44	44	49	50	50	50
Total	240	267	276	311	311	325	356	368	378	389

Source: City of Alpharetta Budget Office

City of Alpharetta
Operating Indicators by Function
Last Three Fiscal Years

<i>Function</i>	Fiscal Year		
	2003	2004	2005
General government			
Ordinances approved	22	30	25
Special events held	38	38	39
Court cases heard	11,733	12,342	12,499
Bond rating	Aa1-AA+	Aa1-AA+	Aa1-AA+
Software applications supported	55	60	66
Grants managed	—	16	17
Police			
Calls for service	50,266	52,056	45,731
Part 1 crimes reported	1,661	1,727	1,445
Traffic citations issued	24,757	22,860	15,290
Fire			
Incident responses	4,472	4,909	5,119
Average response time	0	0	0
Fire safety programs conducted	321	203	299
Inspections conducted	3,619	4,646	5,753
Highways and streets			
Traffic signals timed	N/A	N/A	41
Average days to repair pothole	N/A	25	2
Stormwater plans reviewed	82	68	60
Economic and community development			
New building permits issued	3,794	3,855	3,800
Parcels annexed	91	352	352
Culture and recreation			
Park acres maintained	300	300	306
Greenway acres maintained	200	200	200
Annual program registrants	23,612	23,500	23,791

Source: City of Alpharetta Budget Office

City of Alpharetta
Capital Asset Statistics by Function
Last Ten Fiscal Years

<i>Function</i>	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units and support vehicles	55	63	67	63	58	75	72	86	89	97
Police motorcycles	3	4	4	7	3	2	6	6	4	6
Fire										
Fire stations	4	5	5	5	5	5	5	5	5	4
Ladder units - in service	2	2	2	2	2	2	2	2	2	3
Ladder units - reserve	0	0	0	0	0	1	1	1	1	1
Pumper units - in service	4	4	5	5	5	5	5	5	5	5
Pumper units - reserve	1	1	2	2	2	2	2	2	2	2
Highways and streets										
Streets - paved (miles)	166	172	177	183	189	194	200	206	211	217
Street - unpaved (miles)	2	2	2	2	2	2	2	2	2	1
Sidewalk (miles)	NA	NA	NA	NA	NA	NA	NA	NA	NA	116
Drainage - piped (miles)	25	25	26	35	35	34	35	40	40	40
Drainage - open (miles)	125	125	127	143	143	143	143	140	140	140
Culture and recreation										
Parks - active and passive	6	7	7	7	7	7	7	7	7	9
Park acreage	281	393	440	440	537	537	537	764	769	769
Greenway and walking trails (miles)	0.0	4.0	4.0	4.0	4.0	6.2	6.2	6.2	10.0	10.8
Adaptive athletic fields	0	0	0	0	0	0	0	0	0	1
Athletic fields	17	17	21	28	28	28	28	28	29	29
Equestrian facilities	1	1	1	1	1	1	1	1	1	1
Hockey rinks	0	0	1	2	2	2	2	2	2	2
Swimming pools	1	1	1	1	1	1	1	2	2	2
Tennis courts	7	7	7	7	3	11	11	17	17	17
Recreation buildings	6	7	7	7	7	7	7	11	11	11
Playgrounds	4	4	4	4	4	4	4	4	5	6
Picnic shelters/restrooms	8	9	12	14	15	15	15	21	23	23

Sources: Various government departments.

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

External Auditor's Report



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the 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** (the "City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 29, 2005. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City, in a separate letter dated September 29, 2005.

This report is intended solely for the information and use of the City Council, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 29, 2005

**MAULDIN
& JENKINS**



Department of Finance
2400 Lakeview Parkway
Suite 175
Alpharetta GA 30004